



By Lisa A. Tyler
National Escrow Administrator

Recently one of our underwriters was contacted by an attorney representing a husband and wife, who were victims of identity theft. The particulars of the theft are hair raising and serve as a word of caution for anyone taking a vacation. Read the article entitled "HAIR raising" to learn from the couple's mistake.

It is always a pleasure telling stories about heroic employees who read *Fraud Insights*, recognize the warning signs of fraud and put into action what they have learned. Read "CAUGHT ya" to find out how an escrow officer in Fresno, California stopped a criminal attempt at diverting a wire transfer of seller proceeds, by immediately recognizing the tell-tale signs and by picking up the phone to verify the contents of the email with the real seller.

Unfortunately the entire industry is affected by the diverted wire transfer scam. We have heard numerous stories of lenders sending loan proceeds via wire transfers to a criminal's account, because they failed to verify the title company's banking information through a trusted phone number. The reported incidents are so numerous the Financial Crimes Enforcement Network (FinCen) has named the scam the Business Email

Compromise (BEC) and describe it as a sophisticated scam targeting businesses that regularly perform wire transfer payments. FinCen recently shared staggering statistics that over \$131 million in diverted wire transfers occurred between October 13, 2014 and September 30, 2015. It is clear from the stories we have shared during that same time frame, the key to prevention is early detection of the crime by our settlement agents.

"MORTGAGE scam!" is a weird story about a mortgage broker attempting to pull off a scam against a homeowner using a fake closing statement that appears to be prepared by Chicago Title Company. Clearly the mortgage broker was using the Company's good name and reputation to gain the trust of the homeowner and collect over \$14,000 in origination fees. Luckily the homeowner got suspicious and started asking questions about the closing statement she received.

The industry is still figuring their way through the new consumer finance law, as well as the new Loan Estimate and Closing Disclosure forms. Since October 3, 2015, FNF's National Escrow Administration team has answered nearly 250 questions per day from our settlement agents, title agents, fee attorneys and customers. Some of the most frequently asked questions make up this month's "Know Before You Close" section.

IN THIS ISSUE



Share Fraud Insights
via email, mail or word of mouth.



volume 10 issue 12
December 2015

Publisher
Fidelity National Financial

Editor
Lisa A. Tyler
National Escrow Administrator



HAIR raising

This story comes from Underwriting as a warning to anyone going on vacation. A couple planned an extended vacation. They stopped their mail service, made sure their paper delivery was on hold, locked their home up tight and headed out for a four week vacation. When the couple returned they discovered they had been robbed. The thieves went through everything and left a huge mess. It was horrible.

The owners quickly realized the things missing seemed odd. The thieves stole their computer hard drive and some important financial paperwork. It appeared they meticulously went through every piece of paper, file and drawer. Turns out they did!

The thieves collected all the financial information they could. They took the hard drives and other identifying documents so they could create fake I.D.'s in the name of the real owners. Next the thieves drained every account the owners had: their bank accounts, money market accounts and 401k accounts.

They combed through the information they stole to identify where the owners had these accounts, what the account numbers were and any passwords for these accounts. They went to branch offices of the financial institutions and withdrew all the funds in the accounts.

The owners called the police to report the crime. The police filed the report and told the owner's they estimated the thieves spent at least two full days in their home combing through their records. The owners retained an attorney to assist them in trying to recoup the stolen funds.



MORAL OF THE STORY

Do not leave your home unattended. These thieves had plenty of time to get everything they needed to commit their heinous crime. Also, be sure to purge your important records. Do not keep more than you need. This is true for the items you keep in paper form and electronically. These thieves took it all.

CAUGHT ya

On September 9, 2015 Christy Kutka, an Escrow Officer with Chicago Title's Fresno, California office, opened a purchase transaction with an \$110,000 sale price. Christy processed the order and was proceeding to a successful close when on October 21, 2015 she received the following email message, purportedly from the seller:

Good morning Christy, a very good morning to you, i would like to inform you that i would prefer a wire transfer to a check, how possible is this and at what cost, hope am not too early, and hope you having a wonderful morning already. Please let me know if i can send you the banking details already. Have a pleasant one.

Christy was suspicious the email was from a fraudster, because she had not corresponded with the seller via email throughout the transaction.

She cautiously responded, requesting the wire instructions. The next day she received the wire instructions and then immediately thereafter, four more emails demanding confirmation the wire had been sent. The message below is one of the four Christy received:

Christy, your silence is not appreciated, i expect that a disbursement update should be in order, do respond.

Thanks

Christy knew the emails had to be from some criminal attempting to divert a wire transfer of the seller's proceeds, which exceeded \$102,000. She called the seller to ask if he had requested a wire transfer. The seller insisted on picking up a check and did not send any emails requesting a wire transfer.

STOP

**TELL US HOW YOU
STOPPED
FRAUD**

settlement@fnf.com or
949.622.4425

[CAUGHT ya - continued]

Next Christy reported the incident to her manager and the National Escrow Administration team. For her efforts in thwarting the crime, the Company has rewarded Christy \$1,500 and a letter of recognition from the Company.



MORAL OF THE STORY

By paying attention to details and not feeling compelled to comply with an unconfirmed email message, Christy prevented this fraud from occurring. Sharing the information with the proper teams is necessary and helpful in preventing frauds of this type from occurring. Remember to always verify from a known good phone number any modifications to wiring instructions or payment disbursement methods that have been previously established.

Send a copy of any suspect email message to the FNF Computer Information Security Response Team (CIRT) in addition to contacting your manager and Escrow Administration. Emails should be sent to FNF-CIRT@FNF.com for review and investigation as a standard requirement.

MORTGAGE scam!

An escrow officer for Fidelity in Burlingame, California, received a phone call from a homeowner. The homeowner said the escrow officer's name was on her closing statement issued by Chicago Title Company. The homeowner said she initially called Chicago Title Company in San Francisco asking for the escrow officer by name. The receptionist at Chicago Title said the escrow officer did not work at that office, looked her up in the global address list and gave her the escrow officer's correct number at Fidelity National Title.

The homeowner was calling with questions about her refinance closing statement. Although the escrow officer was named on the statement, she has never worked at Chicago Title in San Francisco. The escrow officer asked the homeowner to scan and send her the closing statement to review, as the transaction did not sound familiar.

When she received the statement, the escrow officer called Chicago Title and confirmed the escrow number on the statement was one of theirs and that their order had closed on August 19, 2015 — but it was not for the subject property or this borrower.

The escrow officer had the title department run the property address to see if there were any open orders for any of our brands on the subject property and there were none. The escrow officer called the homeowner with more questions.

The homeowner said she had received the statement from her mortgage broker, John. She had recently had a baby, so John brought the loan closing documents to her to sign in August and then notarized them himself. The homeowner was not provided with any copies at the time of the signing, and had questions about when and where to make her first mortgage payment on the new loan.

The escrow officer was puzzled, so she sent the information to her manager who consulted with the National Escrow Administration team.

They confirmed the statement was fake and could not have been created by any of our escrow production systems.

The escrow administrator attempted to call the mortgage brokerage listed on the statement. John answered the phone. The administrator asked for the owner of the mortgage brokerage. John was curious as to why the administrator was calling and asked many questions. The administrator said she was making a sales call from a title company. John said he would have the owner call her back. Obviously, he never did.

The escrow administrator suggested the homeowner contact local law enforcement right away. In the meantime, the title department searched the public record to make sure a new deed of trust had not been recorded for the loan. Luckily no liens had been recorded since 2007. The homeowner confirmed her existing mortgage had not been paid off and she would make her monthly payment on her old mortgage.

The next day the homeowner's dad called the escrow officer. He was very upset over the actions of the mortgage broker. He had more questions for the escrow officer, and expressed his appreciation for her help and apologized for taking up her valuable time. The father mentioned during the conversation that he was at the loan signing with his daughter and her brother.

They had a 6:30 p.m. appointment with John and the notary, but the notary never showed up. They rescheduled for two hours later. John came back without the notary, but told them since he was a notary he could witness the signing. When they asked for copies of the loan documents, they were told by John he would send them out later. They have been asking for these documents for several weeks but the closing statement was all that they were sent.

According to the father, John told him the brother received a letter at the signing stating the existing mortgage was now paid in full, which simply was not true. The homeowner and the father indicated

[Continued on pg 4]

[MORTGAGE scam! - continued]

they had contacted the police, as well as an attorney. They fear what John will do with all the private information he collected from the homeowner during the application and signing process. They want to make sure he does not steal the homeowner's identity or compromise her credit.



MORAL OF THE STORY

Although not a closing performed by the Company, the escrow officer and her management team did all they could to determine if the transaction was legitimate, determine if a new lien had been attached to subject property and find out if the existing mortgage had been paid as a result of a possible new loan. It was the right thing to do for the consumer and the Company.

Know before you close.™ | CFPB Readiness

FREQUENTLY asked questions

The following are some of the most commonly asked questions received either by phone or email at settlement@fnf.com regarding the new forms and rules published by the CFPB:

Q. If the seller is paying both the owner's policy premium and the loan policy premium at closing, do the disclosure amounts have to be reflected in the seller's column or can we just disclose our filed/promulgated rates?

A. *The disclosure amounts. The mandate concerning amounts to be shown for both owners' and lenders' policies apply to all disclosures under the rule and not just the borrower's disclosure.*

Q. If the lender completes the borrower Closing Disclosure and sends it to the settlement agent, does the settlement agent need to also create a borrower Closing Disclosure?

A. *No, if the lender prepares and delivers the Closing Disclosure, the settlement agent does not also need to create one for the borrower. Instead, the settlement agent should work up their file, balance with the lender and print a settlement statement.*

Q. If the lender is requesting a signed copy of the seller's Closing Disclosure, what should the settlement agent do to comply?

A. *The seller Closing Disclosure was never intended to be signed. However, rather than fight the requirement, it is easier in most cases to just pull signature lines to an attachment page of the Closing Disclosure and have the seller sign with their closing documents. The lender should truly be requiring proof the Closing Disclosure was sent on or before the date of consummation in compliance with the rule. The settlement agent should be providing either an email transmission, a fax confirmation or a copy of a transmittal proving the disclosure was sent on a timely basis.*

Q. Are hard money lenders under the same CFPB requirements as institutional lenders and is a Closing Disclosure required to be delivered to the borrower prior to consummation?

A. *Good news! It is 100% up to the lender to determine what rules and regulations they are subject to. If they inform the settlement agent their loan is subject to the new rules, then a Closing Disclosure should be used.*

Q. The borrower settlement statement does not match lender's Closing Disclosure. The settlement statement is more due to proration of homeowner's association dues and property taxes. We sent the settlement statement to the lender to amend their Closing Disclosure. They instructed the settlement agent to have their initial disclosure signed and insisted they would not amend it to reflect the correct cash to close. How should we proceed?

A. *Proceed to close and have the buyer sign the seller's incorrect Closing Disclosure and the settlement statement for your files. The lender might have the opportunity post-closing to amend the Closing Disclosure for their borrower.*

