



By Lisa A. Tyler  
*National Escrow Administrator*

It is easy to tell which of our associates is reading *Fraud Insights*. How do we know? It is easy; it is those settlement agents that stop a repeat crime we have reported on over and over again. For instance, we reported a scam in the July 2014 edition "BOAT for sale" that was perpetrated on three different settlement agents. Then we published a story "RECOGNIZE the signs" about the scam again in the November 2014 edition. And this month, we can report one super settlement agent recognized the signs and stopped the crime. Read about it in the story entitled "1.3 miles down the road."

Debbie Donaldson, Branch Manager and Sr. Escrow Officer with Chicago Title Company in Kingman, Arizona, did everything

right – thank goodness. If not, she would have wired over \$27,000 to a cyber thief in Poland. This article is similar to the reports the National Escrow Administration receives on a weekly basis. This is a classic example of the type of cyber crime infiltrating the title industry. Be sure to familiarize yourself with the particulars by reading "DO everything right..." so you can be a hero too!

Happy New Year! This year we intend to publish a few fun facts in every edition about the upcoming changes brought on by the Consumer Financial Protection Bureau (CFPB) and the new consumer financial law. In this edition read "CHANGE is good...repeat" to learn when the new disclosures and rules will take effect.

**IN THIS ISSUE**



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## 1.3 miles down the road

On October 27, 2014 an escrow officer received an order for an Option Money Escrow Agreement via email. The agreement was for the option to purchase the subject property; not the actual purchase of the property. No title transfer was called for in the agreement, only the release of funds in the amount of \$95,000.

The buyer contacted the escrow officer by email, never by phone and never in person. Neither the buyer nor the seller was represented by a real estate agent.

The order was opened and the buyer mailed in an Official Check in the amount of \$98,000 drawn from a credit union. The Official Check was received on November 6, 2014 and the escrow officer deposited the check, not realizing it was \$3,000 more than the agreement called for and not realizing the credit union the check was drawn on changed its name more than two years prior to the date of the check.

The option agreement contained the following provision:

*"Escrow holder will release said funds to seller upon receipt by Escrow holder of a written **authorisation** from buyer that he is satisfied with the inspection of said premises and will complete the purchase."*

On November 7, 2014 the escrow officer received an email that read, "You have my permission to release funds to the seller." That same day the

seller emailed a disbursement authorization form to the escrow officer, reflecting the wire transfer information for the release of the deposit. The authorization directed the escrow officer to send the wire to an unrelated third party's account, not the account of the seller and property owner.

Coincidentally, the same scam was being perpetrated at the same time at a Fidelity office 1.3 miles down the road. However, Lolly Avant, the manager of the Fidelity's National Commercial Services in Houston, started asking all the right questions and responding to requests:

- » Is this strictly an escrow transaction?
- » Will you be purchasing title insurance?
- » We do not insure Option Agreements in Texas.

When the \$98,000 came to the office by mail, Lolly's assistant noticed the check was \$3,000 more than the required deposit. The buyer instructed her to refund the overpayment. Before she could process the refund, Lolly called the issuing credit union to verify funds.

Lolly quickly discovered there is no credit union with that name; the credit union changed their name nearly two years ago. The successor credit union confirmed over the phone the check was counterfeit.

For Lolly's crime-stopping efforts, the Company has rewarded her \$1,000 and given her a letter of recognition. If it were not for her the Company would have been out another \$98,000.



**STOP**

TELL US HOW YOU  
**STOPPED  
FRAUD**

settlement@fnf.com or  
949.622.4425



# DO everything right...

Debbie Donaldson, Branch Manager and Sr. Escrow Officer with Chicago Title Company in Kingman, Arizona, had a sale in escrow. The seller was located out of state. The seller did not have a fax machine or email address, so she set up an account at a nearby mail store to receive emails and documents.

Debbie was prepared and set everything up in advance in order to accommodate the seller's needs. On October 3, 2014 a Company-approved mobile signing company met with the seller to notarize her signature on the deed.

The seller signed all of her closing documents and even sent back written instructions to overnight her proceeds check to her home. The file was not scheduled to close until October 10, 2014.

On October 7, 2014 the seller's real estate agent, Sam, began an email exchange with Donna Honberger, Debbie's assistant:

**Sam:**

*Hello Donna,*

*The Seller wants to know if it is not a problem to have her proceeds paid into an alternative bank account, as she does not want the proceeds to go into her bank account. Let me know if this is a go, she is really wanting it that way.*

**Donna:**

*Good morning Sam...we can have the funds wired into an account as long as her name is on the account. If she wants us to wire the funds, she will want to verify with her bank the wiring instructions to send wires to her account. Let me know if I need to call her or if she will be calling us with the information.*

**Sam:**

*The alternative account does not have her name on it, she says if it has to have her name then she will have to use her account outside of the United States. So which of the information should she provide? The bank details with a different name or her offshore account.*

**Donna:**

*Let me check with accounting, I am working on it....her original instructions were for us to overnight the closing package and proceeds check to her, if she wants it to go into the account that does not have her name on it she may have to stick to her original instructions.*

**Sam insists:**

*I am aware of that, but I think she has some other financial commitment complications. That is why she wants the funds in another account or her offshore account.*

**Donna:**

*I have not forgotten about this...I need her to fill out wiring instructions. When I receive the buyer's loan documents I will email any requirements from the lender and wiring instructions to her at the email address provided. I will call her first to let her know I am sending it.*

Sam emailed the seller to notify her of his efforts. She instructed Sam to email her at an outlook.com account. Sam forwarded her new email address to Donna.

Donna emailed the seller, "The buyer's lender has not yet sent us the documents they want you to sign, do you want me to email them to this address upon receipt? Attached is the Outgoing Wire Instructions you need to complete, sign and return with the loan documents."



The seller responded, "I will be looking for the documents. Yes, please have them sent to this email address."

The loan documents were sent the next day. Debbie was careful to encrypt the email so the seller could reply to the encrypted message since she would be returning her bank account information. She also called the seller to let her know the documents were on the way.

Fifteen minutes later the seller called Debbie looking for the loan documents. She explained she had emailed them to her new email account. The seller told Debbie she did not have a new email address. Debbie knew something was wrong.

Debbie asked the seller if she would verbally provide her with her wiring instructions. The seller was confused. She told Debbie she wanted a check overnighted to her home, just as she indicated in the written instructions sent back on October 3, 2014.

**The next day the person who set up the @outlook.com email replied to Debbie:**

*Morning all,*

*I found the loan docs in the junk folder of my email after I found it on the upsstore account. Sorry about that. Attached here is the signed copy of the outgoing wire authorization, I had to wait till today because of the time difference. Let me know if there is anything else needed, but my banker assured me that is all that is needed for the funds to hit my account.*

The signed wire instructions did match the seller's signature, but the instructions were not dated the same. The date was written in the manner a foreigner typically writes it with the day-month-year. That is now how the seller dated any of her other documents. The account information was for a bank account in Poland and the account name did not match the seller's name.

Debbie reported the incident. She confirmed with her IT department her account had not been hacked. She immediately contacted the real estate agent and seller to let them know one of their accounts might have been hacked, and she would need to communicate with them by phone from now on.

Debbie verbally verified her disbursement instructions with her seller, closed her file and disbursed without any incident or harm to her customers. Thank goodness!

**MORAL OF THE STORY**

**Debbie and Donna did an excellent job of communicating with their customers. They also paid attention to the red flags in their communication with them. They were careful to protect the customer's non-public information by encrypting emails. In the end, their attention to detail resulted in another successful sale. For their efforts they are splitting a \$1,000 reward.**

**Know before you close.™ | CFPB Readiness**

## ***CHANGE** is good...repeat*

Mortgage loans are originated under two sets of rules: The Truth in Lending Act (TILA), which was created and enforced by the Federal Reserve Board and the Real Estate Settlement Procedures Act (RESPA), created and enforced by the U.S. Department of Housing and Urban Development (HUD).

Each set of rules require a different disclosure. The TILA rules require the TILA disclosure, which contains the loan's Annual Percentage Rate (APR) and the RESPA Rules require the Good Faith Estimate (GFE).

The Dodd Frank Act required the Consumer Financial Protection Bureau (CFPB) integrate the mortgage loan origination rules contained in TILA and RESPA into one set of rules, with one combined set of disclosures.

The mission was accomplished on November 20, 2013 when the CFPB published 1,888 pages of combined rules and disclosure forms which will be required to be used to process loan applications received on or after August 1, 2015.

The new combined disclosure form provided at the beginning of the transaction is called the Loan Estimate and it replaces the TILA disclosure and GFE. The form used at the end of the transaction was named the Closing Disclosure and it replaces the final TILA and HUD-1 settlement statement.

Finally, the industry has a single set of rules for loan origination and loan closings. To view the new rules and new forms visit the Regulations section of the CFPB website at <http://www.consumerfinance.gov/>.

