



VERIFY!

By Lisa A. Tyler
National Escrow Administrator

Our first article starts off with a message from former federal inmate and keynote speaker, Jerome Mayne, that reads, "...I am often referred to as the 'self-taught' expert on fraudulent behavior. You see, I don't have any formal education in the areas of fraud or ethics and no scholarly credentials to put after my name. But I did get myself involved in a white collar conspiracy back in the 1990s. I believe that qualifies for something. Read "MY thanks to you" to discover how Jerome Mayne's story has affected others and reinforced their decision to make ethical choices.

Buyers, sellers, settlement agents, 1031 exchange accommodators and lenders, are all targets. No one is immune to diverted wires

scams. Settlement agents nationwide are making sure they do their part to stop the schemers from succeeding in stealing other people's money. Kenneth J. Hamel, with Norma Echarte & Associates in Miami, did his part and saved the day for one of their customers. Read "HACKERS, schemers and thieves; oh my!" for all the details.

We wrap up the series on notary-know-how with "THE dos and don'ts." The first "do" is to be sure to read this article if you are a commissioned notary or about to become a commissioned notary.

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volume 12 issue 12
December 2017

Publisher
Fidelity National Financial

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The following is a continued message from Jerome Mayne.

Shortly after my release from prison in 2001, I began speaking in the real estate finance industry. I wanted to raise fraud awareness, help prevent companies from losing money, and hopefully, help business professionals make better decisions than they otherwise might have made.

Even though I had no punitive requirement to do so, these past 16 years of public speaking have not always been easy. At times it is difficult to stand in front of my former real estate finance industry peers and reveal I was one of the bad guys only perpetuating the stigma I had of having the title "felon" next to my name.

However, every so often, I receive letters and emails like the one below.

This is why I do what I do.

Mr. Mayne,

I poke around on the internet occasionally for mortgage fraud related topics. Today I came across your website. I am 37 years old. I have been employed within the real estate industry since the mid-1990s. This business is all I have ever known. I read about the time you had to tell your kids you were going to prison for 2 years. You explained to your young children you would be gone for two Santa Claus's. I began to cry for two reasons: I too am a Dad and have a very similar story to share with you.

In the early 1990s I was newly married and began working as a closer for a large mortgage banking institution. I learned voraciously; I was passionate and I loved my job. I moved on to become a processor, and eventually, an underwriter. I was good at what I did and proud of it. I became the go to guy for everyone in the office. I was adept and well versed in all facets of the business.

Business was changing rapidly. We were entering a refinance era. The mortgage market was booming. The advent of new loan programs, automated underwriting and new processing styles, meant we were reinventing the business on a daily basis. Life was going extremely well. My wife and I had our first child.

My career continued to move ahead. One day a sales manager within the company approached me. He said, "Quit the inside and become a loan officer. With your knowledge base and your skills, you'll make a lot of money."

I was hesitant to become a loan officer since the compensation was 100% commission. I had a wife, an 18-month-old son and a second child on the way. We were managing on my \$36,000 annual salary but I was working 12 hour days. I knew what commissioned loan officers were making and I wanted better for my family.

I made the leap to become a loan officer. In the first month I closed \$2,500,000 in mortgage loans. My paycheck was in excess of \$17,000! I had

sales directors and division managers contacting me. I was offered branch management positions, territory manager positions and headhunters from competitors were calling me. I was a star!

I closed \$25,000,000 in loans my first year as loan officer. My wife and I had money we never dreamed of. My job was flexible, I had the ability to make my own hours and life was grand. We had two beautiful children and a third on the way. Business was humming along. We were spending money and not saving a dime. The economy was blessing the masses with never before seen interest rates.

Then, the bottom dropped out. Rates went up. We were in the throes of a depression and I became a common commodity; a struggling loan officer.

My self-esteem was destroyed. I was no longer the star and there were no more five figure paychecks. Each day was a struggle and filled with worries. I lost my self-worth; I let my family down since I was the sole provider for my family. Previously no one had to worry because I always handled it. Overnight it was all stripped away. Eventually we filed bankruptcy and I made a series of horrendous personal choices.

Next, I started working for a lifelong friend at a small broker's office who offered a generous commission split. I was beginning to get back on track. Business was steady but much slower than it was in years past.

The owner of the mortgage company across the street approached me. He asked if I could help him with two refinances. I agreed and he gave a complete set of all the documents used when he originated the loans to be refinanced six months earlier.

I dug in and looked over the files. The two loans totaled over \$5,500,000. The borrowers had excellent credit, huge deposit accounts and the loan to value of the properties used as collateral for the loans was within reason.

The following Monday an individual representing both borrowers contacted me and indicated these two loans were a test. If I successfully closed these there would be many more. Later in the week, the same parties contacted me to handle purchase loans for eight multimillion-dollar properties in exclusive metropolitan areas of Detroit representing over \$20,000,000 in loan production.

I was given phone numbers and credit reports for all borrowers. Each borrower was applying for loan programs based on stated income or no-documentation loans. The borrower's representative was not at all concerned with what the loan fees or points would be. He indicated I should use my discretion and charge whatever I wanted. I searched the history of the properties which revealed they had been listed for sale and sold often with increases in sales prices each time.

I wasn't stupid, or naïve; I knew exactly what they were up to. I began using the same justification

[Continued on pg 3]



STOP

TELL US HOW YOU STOPPED FRAUD

settlement@fnf.com or
949.622.4425

[MY thanks to you - continued]

process you used while closing loans for Milt. I started saying “everyone else is doing it” and “I’ll just do a couple of these sketchy loans, then I’ll get out.” I spent three months on these loans; there were countless phone calls at all hours of the day and night, shady individual after shady individual and the growing pit in my stomach was bigger by the day.

One day I got my wits about me and realized I had uncovered a house flipping scheme where a property is purchased for let’s say \$1,200,000. Next the buyer sells the same property to someone else for \$3,500,000. The buyer would pay the original seller from the profits received on the sale where the buyer obtained an 80% loan to value mortgage on the \$3,500,000 purchase price.

This resulted in a profit of \$1,600,000 for the first buyer. The second buyer would escrow 18-24 months of payments and keep the properties insured so no one suspected anything was wrong. Each property was easier to appraise because of the comparable created by the previous transaction which just closed. The sales prices were all inflated because the appraiser was in on the scheme. It was brilliant.

But Jerome, this is where our paths did not cross. While working on these files I would lay awake at night and became irritable. I was a nervous wreck. I couldn’t do it. I never submitted a loan to underwriting. I would always make up a problem which would convince them to take the transaction to another lender.

Black Monday, at approximately 8:30 AM the Secret Service and the FBI raided the office across the street. I watched them carry out box after box of files, CPUs from the office as evidence. Several people were escorted from the building in handcuffs. Just 150 yards from my office door I watched it all happen and I cried. I cried for the destruction of countless families, reputations and inevitable failure of my competitor. It only took the Agents 40 minutes to complete their tasks.

I thank God every day for giving me the fortitude to say no.

Jerome, my best wishes to you. Please keep spreading your message. This industry needs more like you.

If you would like to learn more about Jerome’s experience you can find his book on Amazon or contact him for keynote and workshop availability for your company or association event. He can be at Jerome@jeromemayne.com.



HACKERS, *schemers and thieves; oh my!*

Kenneth J. Hamel, with Norma Echarte & Associates in Miami, was handling a loan-only transaction for Titan Funding. When the transaction opened, the President of Titan Funding instructed Norma Echarte & Associates to wire the loan fees due his company at closing. He provided wiring instructions which were put in the file.

The transaction was smooth from start to finish. The borrower signed their loan documents and the file was closed. Kenneth was preparing to wire the loan fees to Titan Funding when he received an email from the lender’s president asking him to verify the amount of the wire.

Kenneth was taken aback. He found it odd the lender did not know exactly how much their loan fees were but he replied anyway, noting his firm’s charge for the wire.

Kenneth immediately received this response, “...bank account won’t be able to receive payments for now till few days’ time due to the year audit and taxation clearance...” Having received emails from the lender’s president before Kenneth suspected this email could not be from him. He noted the email contained grammatical errors and seemed out of character.

Kenneth heeded the warnings given to him by his company’s underwriter, Fidelity National Title Insurance Company and the American Land Title

Association, to pick up the phone and call the lender’s president at a known, trusted phone number to verify the new wire instructions.

The president at Titan Funding confirmed Kenneth’s suspicions were in fact true. He did not send him an email with new wire instructions and his company did not have an account at that bank. He further stated he was concerned his email account had been compromised because Kenneth’s call was not the first claiming he sent out revised wire instructions. He thanked Kenneth for the call and disconnected so he could contact his IT department to run a scan on his computer.

Kenneth’s firm has a hard and fast rule to always call the vendor or customer to verify wire instructions are authentic, especially when they receive a request to wire to an account or bank other than what was previously provided.

MORAL OF THE STORY

VERIFY! One phone call to a known, trusted phone number is absolutely worth it versus the time, effort and anguish involved in trying to get a diverted wire back. Always call to verify the bank, account number and routing number of wiring instructions received via email or efax.

THE dos and don'ts

A notary should always consult with his/her state notary laws for notary guidance.

Here are the general dos and don'ts of notarial acts:

DOs	DON'Ts
Require the signer to appear in front of the notary public	Notarize anything not witnessed
Place the signer under oath for a jurat	Notarize anyone who does not have proper identification
Positively identify the signer	Notarize anyone who appears to be under duress, under the influence or incoherent
Carefully review provided I.D.	Falsify a notary acknowledgment in any way
Keep a journal	Notarize an incomplete document
Protect the notary seal and journal of notarial acts	Notarize a document before it is signed
Know and follow the state specific laws	Pre-sign and seal blank jurats and acknowledgments
Keep a Fraud Fighter™ device offered by UVeritech in your signing room	Loan out a notary seal or journal

Not only must the signer personally appear before the notary, the notary must also either personally know or properly identify the signer. Both actions must be met.

Every notarial certificate reads, "...before me..." or the equivalent, meaning the notary is certifying the signer appeared in person at the time of notarization. It is only through face-to-face communication that a notary can determine if a signer is who he or she claims to be.

Here are some other tips:

- Ensure your current address and contact information are on file with your state.
- A notary should not let his/her guard down even when performing a notarial service on personal time.
- The Company cannot override the state's notary laws. If the identification presented does not meet the state requirements, do not accept it.
- If requested to provide proof of a journal entry, make sure to only provide that actual entry requested and not the entire page. The remaining entries on the page should be covered up.

In the end it is the state which can renew or revoke a notary's commission. A notary should be sure to protect him/herself and never let his/her guard down. The public is counting on it.

