Imagine coming into work Monday morning, firing up your computer, logging on and opening your email to find one that begins with, “Hi there, I came to know all of your dirty secrets.” This is precisely how the day began for one employee. Read “BLACKMAIL” to find out what the rest of the message said.

A chain of title is the sequence of historical transfers of title to a property. It is a valuable tool to identify and document past owners of a property and serves as a property’s historical ownership timeline. The chain runs from the present owner back to the original owner of the property.

The chain of title proved to be helpful in uncovering a forgery in a recent cash-out loan transaction. The article entitled “NO takebacks” contains all the details.

In most states, both owner’s and lender’s title insurance offer different types of policies or coverage from standard coverage all the way up to extended coverage. Additionally, in many instances title insurance policies can be endorsed providing additional coverage, if the property qualifies.

Discover the different types of policies and the requirements that must be met to issue them in the article entitled “TYPES of title policies.”
The week started out just like any other week with phone calls and emails coming in from customers — until one alarming email arrived:

"I won’t reveal you just what exactly I’m aware of, I’ve got all the information along with me. To demonstrate this, allow myself reveal you that one of your security passwords is definitely ticor1. Pay me $9000 via BITCOIN to the address 1PXxPLW/GsXZcCPQ/6TWKN4FjnXH2H7xES within the next 44 hours. I would like to make one thing obvious, that I will mess up your life fully if I do not get the payment. In case I do get the payment, I will erase every last information I’ve with me, and I will disappear for good and you will never hear a thing from me. This is actually the first and also last e-mail from me as well as the offer is non negotiable, therefore do not answer this e-mail."

There was nothing attached, nor was there any link included within the email, but the escrow officer knew right away this was a scam and hit the Report Phishing button on the Microsoft Outlook® Toolbar. This email was filled with threats, but nothing came of it.

This type of email is likely a phishing/sextortion scam. Although, this email did not include an attachment or link, it is clearly someone’s attempt to extort money from the Company. Reporting it as a phishing attempt is the correct thing to do.

Many Information Technology (IT) specialists and the Federal Bureau Investigation’s (FBI’s) Cyber Division predict phishing/sextortion scam attempts will increase in the coming months. Phishing/sextortion attacks typically come in the form of an email with an attachment or link to something which appears legitimate.

An example of these types of emails includes an instruction to click a link to access the Closing Disclosure or closing statement, yet the email is coming from an outside source and no one is expecting it. These should be reported as phishing to IT right away.

In addition to the phishing/sextortion scam is the ransomware scam. Ransomware is a type of malicious software designed to block access to a computer system until a sum of money is paid.

Anyone who receives an email and does not know the sender or are not expecting the email, must proceed with caution. Once the attachment or link is opened a malicious ransomware code infects the computer and — in some instances — can infect a company’s network with malicious software.

The software can encrypt and restrict a company’s ability to access important data and can result in the loss of sensitive or proprietary information, the disruption of day-to-day business, financial losses and often a company’s reputation.

Once the malware has successfully encrypted all of a company’s data, they receive demands for a ransom payment in exchange for a decryption key. These messages include instructions on how to pay the ransom, usually with bitcoins because of the anonymity this virtual currency provides.

Our Company works hard each and every day to prevent the Company from becoming a victim, but all the firewalls and patches in the world do not account for the biggest weakness in security: human error.

Pay close attention to any email received. Note the email address and be sure not to open any attachments or links which may be suspicious. Are you unsure? Call the sender at a known trusted phone number to verify whether or not they sent the email. Report suspicious emails by selecting the Report Phishing button.

Reporting suspicious emails assists the Company in identifying the latest tricks the hackers are using. Always proceed with caution when clicking on links or opening attachments.

**Article provided by contributing author:**
Diana Hoffman, Corporate Escrow Administrator
Fidelity National Title Group
National Escrow Administration
Molly Fisk, an escrow processor with Fidelity National Title’s Orlando, Florida operation, recently opened a cash-out loan in the amount of $142,500 and ordered the title commitment. The title commitment called for a corrective deed from the prior owners and reflected the chain of title as follows:

1. Special Warranty Deed filed in 2013 from Federal Home Loan Mortgage Corporation (Freddie Mac) to EEEK Investments, LLC (this transaction was insured by another title company)
2. Quit Claim Deed filed in 2015 from EEEK Investments, LLC to Sandy A. Gough, Neider A. Gough and Sabrina A. Gough (which was prepared and recorded by an attorney)
3. Quit Claim Deed filed August 21, 2018 from Sandy A. Gough and Neider A. Gough back to EEEK Investments, LLC (which was prepared and recorded by the manager member of the LLC)

The requirement on the title commitment was to address the fact that Sabrina A. Gough did not sign the last quit claim deed conveying the property back to EEEK Investments, LLC. Molly reached out to the borrower on the loan who was the managing member of EEEK Investments, LLC, to see if he had any contact information from the prior owners, Sandy A. Gough and Neider A. Gough. The managing member told her they were in Haiti and he provided an email address for Sandy A. Gough.

Molly proceeded to email Sandy about obtaining a corrective deed to add Sabrina A. Gough to perfect the transfer back to EEEK Investments, LLC. In the meantime, she ordered the survey needed for closing.

The surveyor went to the property and was questioned by a woman living in the home. She claimed to be the owner of the property, and stated she and her husband were not selling or refinancing the property.

The surveyor called Molly thinking he may have received the wrong property information. He told Molly someone was living in the property and purported to be the owner. He provided Molly with the phone number of the woman.

Molly called to verify the woman in the property was the true owner and not EEEK Investments, LLC. She soon discovered she was actually speaking to Sandy A. Gough! She confirmed the email the managing member of the LLC provided did not belong to Sandy.

Molly obtained the correct email address and sent Sandy a copy of the quit claim deed that had been sent back to EEEK Investments, LLC. Sandy called back and confirmed it was fraudulent and the signature on the deed was not her signature. She asked Molly to hold the document and not record it. Unfortunately the document had already been recorded.

While speaking with Sandy, Molly looked again at the recorded deed. Molly discovered not only was Sabrina’s signature missing, but the notary also acknowledged the signature of the grantee — the managing member of the LLC — not the signatures of Sandy A. Gough and Neider A. Gough, whose signatures were forged on the document. The notary acknowledgement must have been taken from another document and attached to the deed, since the grantee never even signed the deed.

Molly raised her concerns with her management team and together they resigned from closing and insuring the transaction by notifying their customer, the lender. They gave the lender the facts — and nothing else — and allowed them to make their own determination as to what happened. For her discovery and prevention of a potential title claim, Molly received a $1,500 reward and letter of recognition from the Company.

**MORAL OF THE STORY**

Molly’s careful attention to detail prevented the Company from insuring a mortgage that likely would never have had a first payment. The insured lender could have attempted to foreclose on their loan, only to discover the real property owners never conveyed their interest back to EEEK Investments, LLC, and their borrower.

Had a policy been issued in this scenario, the lender likely could have looked to the Company for coverage, since subject to the terms and conditions thereof, policies insure against defects in title caused by forgery in the chain of title.
TYPES of title policies

Owner’s and lender’s title insurance policies provide coverage against matters disclosed by the public records in the county in which the insured property is located, but which were not discovered during the title search. Below are the differences between standard and extended coverage policies issued to both Owners and Lenders:

A **Standard Coverage** policy contains “standard” exceptions for matters that would not be disclosed by a search of the public records. Standard coverage policies insure against matters disclosed in the public records in the county where the property is located, as well as risks such as fraud or forgery.

An **Extended Coverage** policy provides additional coverage against loss due to matters such as survey or boundary issues, or claims of parties in possession. Extended coverage is issued only upon request and an off-record investigation is required.

A survey, inspection and copies of unrecorded agreements are required to determine if extended coverage can be given and if any exceptions for specific adverse off-record matters must be added to Schedule B. Copies of unrecorded leases or other agreements will also be required to establish rights of parties in possession.

The requirements for issuance of an extended coverage policy include, but are not limited to:

» A physical inspection of the property

» An American Land Title Association (ALTA) or American Congress on Surveying and Mapping (ACSM) Survey, certified to the Company

» Copies of any unrecorded leases or rental agreements affecting all or any portion of the property

Title insurance is different than other types of insurance because prior to issuing a policy, risks are eliminated by a thorough examination of the items of record affecting the property, whereas most other forms of insurance are issued on the basis of assumption of unknown risks.

Pre-closing title clearance has to be performed to provide the insured with the coverage proposed in the title report, subject to the standard exceptions and exceptions specific to the property. The coverage provided is based on items which can be found in public records.

The foregoing is intended to highlight only some aspects of coverage and is not to be construed as expanding or limiting the coverage set forth in the policies. Decisions on coverage should only be made after a complete review of all the language of the policies themselves. For specific comparisons, the actual forms should be requested.

Next month we will discuss what public records title insurance companies may utilize to perform their search.