FRAUD Insights

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NOT my husband

By Lisa A. Tyler
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Squatting is the action of occupying an abandoned or unoccupied area of land or a building, usually residential, that the squatter does not own, rent or otherwise have lawful permission to use. Read the article titled "SQUATTERS" for the scary details regarding a couple's experience renting to unknown individuals using an online site.

It does not take long in this business for settlement agents to get to know their competitors. They meet at industry related events and become friendly. In some cases, a competitor is someone they may have worked with. As a result, there is a camaraderie formed. While maintaining confidentiality, settlement agents share their knowledge and experiences with each other as appropriate, and band together to help defend the property rights of legitimate owners as demonstrated in this story. Read "NOT in our town!" for the details.

The Bank Secrecy Act serves as a valuable tool to combat money laundering, but it does not identify all vulnerabilities. As described last month, professional money launderers use entities during the layering process when cleaning funds. They create shell entities — that may appear legitimate — for the sole purpose of concealing the identity of the criminal(s) and cleaning the money. Find out more detailed information in the article titled "GEOGRAPHIC targeting orders."

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SQUATTERS

Parents purchased a property in La Quinta, California, for their son and wife to live in while they worked as professors at a nearby college. The son and his wife lived in the home for years but moved when they were offered higher paying positions in San Diego County.

The parents decided to retain ownership of the home and offer it on an online site as a short-term rental. They were lucky to have great tenants (such as traveling nurses during COVID), until they were not.

In October 2022, an offer to rent the property came in from a husband and wife for short term housing, "while they looked to purchase a home." The property owners explained they already had the home reserved beginning in January 2023, but they could rent it for the next 60 days.

The potential renters had just joined the online rental site, so there were no reviews on them. The owners of the property were not concerned since the online rental site claimed to "vet" members when setting up an account — or so they thought!

Immediately upon moving in, neighbors reported loud noises, lights on at all hours and lots of arguing. Police were called to the property on three separate occasions for disturbing the peace, drunk and disorderly conduct, and domestic violence.

After living in the home for 31 days, the owner sent the police to evict them for violations of their short-term rental agreement. The police, however, were not able to evict them after the renters presented the police with a short-term agreement showing they had prepaid and had rights to the property until December 29, 2022. The owner could not remove them from the property without a court order since they had been there for more than 30 days.

Due to a backlog in the courts, the property owners were advised the eviction could take about six months. The property is in Riverside County. The property owners received the water and electricity bills which were astronomically higher than they had previously been.

Fearing a water leak, the property owners sent a 24 hours' notice to the occupants letting them know a plumber would be sent to the property. Upon the plumber's arrival, he was denied access by the renters claiming no notice was ever given to them.

The property owners then had the Sheriff meet them at the property. The property owners showed the notice to the Sheriff but were told the owner could not have access to the property. The tenants made it clear no one would be allowed entry to the property.

When the lease expired on December 29, 2022, the property owners showed up at the property with the local sheriff to make sure it was quietly vacated. Unfortunately, the tenants had no intentions of leaving and claimed they had no place to go.

The sheriff refused to remove them from the property without the court order, because the occupants now fell under the California Landlord/Tenant rental law and a court order would be needed. The property owner was advised they could not turn off the utilities either.

The owners inquired about doing a self-directed eviction (without an attorney) with the court and were advised they would have to do a four-week online training course before they could complete the paperwork. The property owners investigated hiring an attorney, only to find out they would need a minimum retainer of $3,000.

The owners of the property hired a property manager and they were eventually able to

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STOP

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convince the renters to vacate the property. They were fortunate to have a very experienced property manager who did a very professional job.

The property manager negotiated with the young couple and was successful in convincing the renters to move out after their lease agreement expired. Another fact that worked in the owner's favor was there were no minor children involved. An eviction is much more difficult when there are young children involved.

Upon the renters leaving the property, it was discovered the tenants had ripped off the hinges on three interior doors; there was evidence they had burned them in the fireplace. They also damaged the door frame of the solid fire door leading from the hallway into the garage and caused damage to the garage wiring. The damage was so bad there was no longer power leading to the garage. The squatters removed working fans and tv remotes.

After completion of the inventory, it was discovered the tenants had broken the majority of the water glasses and coffee cups, as well as several plates and serving dishes. There were massive amounts of broken glass found on the floor, with chips in the tile, and dents and scratches in the wood floor from throwing the dishes.

The refrigerator doors were dented and almost all the linens needed to be replaced, as they were stained or ripped. Holes were kicked in the wall. They had also broken into the owner's closet where supplies were stored; a six-month supply of paper products, janitorial supplies and additional linens were all taken. The damages to the property were more than $10,000.

After two months of working with the online rental site to achieve a resolution to their nightmare and reimbursement of their damages, the property owners are still waiting for answers. The property owners were told by the online site to request funds from the tenant for the damages!

There has been no offer from the online site to reimburse the owners for loss of revenue, even though they advertise on their website that they do. The property owners have spent more than $10,000 in repairs to the property and have lost the $14,000 payment from the tenant who had planned to move in on January 3, 2023.

Unfortunately, online sites that accommodate landlords and tenants, do not provide background searches. All these sites do is verify a person's identity.

The lesson here is, beware of who you allow into your property and be aware of local laws pertaining to rental and occupancy rights. Had the property owners done their own checking they would have refused renting the property, since it appears they were professional squatters.

NOT *in our town!*

Escrow Officer Jennifer Reinink, at Chicago Title in Las Vegas, opened an escrow for the sale of vacant land. She was in the middle of preparing a letter to send to the address where the property tax bill is sent, when her colleague from another branch interrupted. Her colleague, Chelsea Lopez, was notified by an escrow officer at a competitor that the property was being sold by an imposter.

Jennifer had just opened escrow with the imposter. Chelsea searched the Company's production system and found an order matching the property address that had recently been opened. Jennifer shifted gears.

It turns out, the sales representative in her office knew the real property owners. Jennifer contacted the owners and confirmed their lot was not for sale. During Jennifer's conversation with the true property owners, she discovered the imposter listed both of their vacant lots for sale. The fraudster even posted a "For Sale" sign on one of the lots.

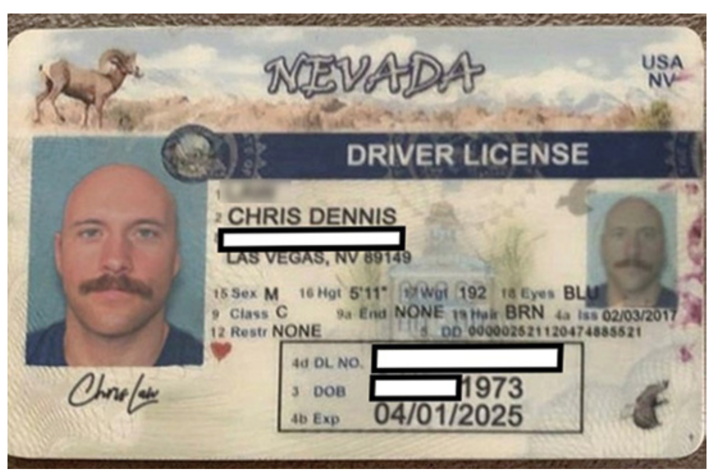
Jennifer sent a notice to the buyer, seller and real estate agents letting them know she was unable to accept the escrow from them. The buyer's real estate agent was relieved that Chicago Title figured out the scam. She is related to the buyers who were paying cash for the lots. She stepped in to help her family after the fraudster called wanting them to pay him cash.

Escrow Administrator Lisa Engelman notified their title manager so he could flag the properties in the title plant system. As soon as the deal fell apart the fraudster posted the lots for sale on Zillow®. The owners contacted Zillow to take the ad down.

According to the true property owner, it appears there is more than one fraudster trying to sell her property, because they presented the following identifications* claiming to be her husband!

This is the latest twist to the fraudsters' scam. They email a copy of their ID to prove they are legitimate, all while telling the escrow officer they are very busy. They demand the closing documents be emailed to them and inform escrow they will use their own notary to acknowledge the documents.

In this example, the property owner confirmed the pictures in the identifications are not her husband and the identifications are counterfeit. The fraudsters have the month and day of her husband's birthday correct, but not the year. The year does not even match on the two counterfeit IDs. The first name on the driver's license is not his legal first name.



*Redacted to protect the non-public information of the true property owner.

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[NOT in our town! — continued]

The passport is eSigned, which is not acceptable; a wet ink signature is required.

Although Chelsea and the escrow officer she received the information from are competitors — they are also peers. The escrow officer found out about the fraudulent deal because her dad is a real estate agent who took the listing from the seller via email.

The escrow officer's dad never met the seller in person or even talked to him by phone. Once the seller accepted an offer and escrow was processing the sale, they realized the seller was not the actual owner of the property.

The escrow officer, with the permission of the true property owners, reached out to her peers in her local community to alert them. By attending industry events the industry can share information and band together to help minimize these types of fraudulent activities.

Lisa was so proud of her escrow officers for working together to protect the Company from a potential claim of $225,000, that she nominated both Chelsea and Jennifer to split the $1,500 reward.

Do not let your guard down. Unfortunately, the fraudsters have been successful with this scam, so they are ramping up their efforts. The Company's policies and procedures are in place to protect our insured customers. By following them, you will be a hero, too.

Article provided by contributing author:
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GEOGRAPHIC *targeting orders (GTO)*

As we described in the March 2023 issue, when the money launderer reaches the integration stage, the shell entities provide the means to clean the money and conceal the identity of the individual making the purchase, which integrates the funds back into the U.S. Financial System.

The Financial Crimes Enforcement Network (FinCEN) issued a Geographic Targeting Order (GTO) requiring U.S. title insurance companies to report certain sales of U.S. Real Property. The goal is to identify the individuals behind shell companies purchasing residential real property without a new loan from a financial institution. The first GTO was issued in 2016 and has been extended and/or expanded many times since then.

A GTO is limited to certain geographic areas. On October 27, 2022, FinCEN renewed the GTOs that cover certain counties within the following major U.S. metropolitan areas:

- Boston
- Chicago
- Dallas-Fort Worth
- Las Vegas
- Los Angeles
- Miami
- New York City
- San Antonio
- San Diego
- San Francisco
- Seattle
- District of Columbia
- Northern Virginia
- Maryland (DMV) area

FinCEN also renewed the GTOs for:

- City and County of Baltimore
- County of Fairfield, Connecticut
- Hawaiian counties of Honolulu, Maui, Hawaii, and Kauai; or the city of Honolulu

FinCEN also expanded the geographic coverage of the GTOs to counties encompassing:

- Texas cities of Houston and Laredo

FinCEN is currently utilizing the GTO to collect data to understand cash only transactions. It generates leads which are then provided to local law enforcement.

According to FinCEN, the collected information provides law enforcement with the assistance it needs to track illicit funds and other criminal activities on the purchase of residential real estate properties by persons possibly involved in said illicit activities.

Based on the information gathered so far, FinCEN believes other areas of the real estate market, such as commercial real estate and certain real estate purchases by natural persons (known as beneficial owners) associated with shell companies may merit regulatory coverage as well.

The information provided herein does not, and is not intended to, constitute legal advice; instead, all information, and content, in this article are for general informational purposes only. Information in this article may not constitute the most up-to-date legal or other information.

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