



By Lisa A. Tyler
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When *Fraud Insights* was launched in January 2006, we thought we would run out of content at some point. Here we are 200 issues later with more content than we can publish. As claims awareness and prevention are a top priority for the Company, FNTG's National Escrow Administrators are committed to providing an insightful and interesting newsletter that keeps our associates aware of fraud and forgery occurrences, that result in claims and loss of revenue to the Company.

In addition to raising awareness, it is our goal to provide associates of FNTG with tips and tools that will aid in the detection and prevention of fraud. Through the newsletter, we provide improved processes and procedures for all operations to embrace. In addition, we reward associates who are able to discover and thwart a potential loss. The rewards are provided if the heroic story is published in *Fraud Insights*. The rewards are \$1,500 per story, and to-date the Company has awarded \$302,500!

We highlight both bad practices and good practices in this edition. The first story occurs at a title company around the corner. The buyer's agent opened an order for the sale of a vacant lot in the amount of \$80,000. The property was held in the name of a limited liability company (LLC). The buyer was represented by a real estate agent who presented the purchase and sale agreement to open the escrow, along with an earnest money deposit in the amount of \$2,400. The property was owned free and clear, and a quick close

was requested. However, the closing was delayed when it was difficult to track down the seller for signing. Read through the red flag warnings and answer the question, "WOULD you close and disburse?"

The second story highlights an example of good, solid practices. Title insurance companies have risk mitigation practices in place to assist in minimizing claims due to fraud and forgery. Title officers thoroughly examine the chain of title. They compare signatures contained in a chain of title (such as those found on a deed of trust or mortgage) to those found on the purchase agreement, to discover whether or not they match. They also ensure the legal documents were properly notarized and any transfers of the property were insured by a known and reputable title insurer. For details about what additional requirements must be met when a transfer of title occurs without the issuance of a title policy, read "UNINSURED deed."

Criminals are drawn to the easiest and best way to get paid. Cryptocurrencies are the most commonly requested form of payment. The cryptocurrency is decentralized virtual money, secured by cryptography. It is a popular method to receive payment for illegal activities because it is quick and easy — and privacy wallets make it difficult for law enforcement to follow the money trail. Anyone, anywhere in the world who has an internet connection can send or receive this type of currency. Read this month's latest ransomware article titled, "WHY cryptocurrency?" to discover additional information.

IN THIS ISSUE



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WOULD you close and disburse?

🚩 **This publication has written at least seven stories regarding the dangers of closing and insuring non-owner-occupied properties. All the articles expressed the dangers of properties that are not owner-occupied. Any time a vacant property is being sold, all parties in the transaction should be on high alert for red flags. Here is a story about a sale transaction at a title company around the corner — for a vacant land.**

The property was obtained by the seller in 1972, and they had held title in the name of a trust until 2011, when title transferred to a limited liability company (LLC). The purported managing member of the limited liability company (LLC) submitted the operating agreement, and the title company ordered the certificate of good standing.

The LLC was a special purpose entity created solely to hold title for the subject property. The members of the LLC reside in Boca Raton, Florida. The property was free and clear of any encumbrances and the transaction, an all-cash deal, was set to close. The escrow officer contacted the seller to schedule the signing appointment.

The managing member requested the signing be scheduled for June 6, 2022, in Perry, Georgia. The purported managing member did not realize he would be required to sign under the supervision of an attorney in Georgia.

🚩 When the attorney who agreed to conduct the signing called to confirm the signing appointment, the signing was cancelled by the managing member, as he said he was leaving town and was too busy.

🚩 The following week, the managing member scheduled a new signing appointment to be conducted by a mobile signing agent on June 14, 2022, in Indianapolis. The signing appointment was scheduled to occur in a hotel lobby.

🚩 On the way to the signing appointment, the managing member called the mobile signing agent and said he left the hotel to get something to eat and wanted to meet her on the sidewalk outside of a building to conduct the signing.

The managing member presented a copy of his driver's license, but the signing agent insisted he produce the original. He produced the original but according to the signing agent he seemed rushed to get to his next appointment.

The signing agent demanded a second form of identification. The managing member produced a social security card bearing the same name. She asked him to remove his face mask and sunglasses, and she properly identified him based on the documents he provided. She conducted the signing and returned the documents to the title company for closing.

The signed documents contained wire transfer instructions for sending the seller proceeds. On June 17, 2022, the transaction closed, the documents recorded and the proceeds were wired to the account indicated on the Disbursement of Proceeds instruction signed by the managing member.

🚩 The wire transfer in the amount of \$76,175.97 was rejected by the receiving bank because the account number referenced on the wire transfer did not belong to the LLC.

🚩 On June 21, 2022, the managing member called the title company claiming he was having problems with his bank and needed the wire transfer sent to an entirely different bank. The title company received revised Disbursement of Proceeds instructions, called the number on file for the managing member and sent a new wire transfer in the amount of \$76,175.97.

🚩 The wire transfer was rejected again due to the name and account number not matching. The title company sent the wire transfer to the same bank account again. This time, the bank credited the account.

**[Continued on pg 3]**

STOP

TELL US HOW YOU STOPPED FRAUD

settlement@fnf.com or
949.622.4425

[WOULD you close and disburse? - continued]

On Friday, June 24, 2022, an attorney at the property management firm in Boca Raton that managed the subject property, contacted the title company. He received the seller's closing package in the mail and wanted to know how the property was sold without their knowledge.

The attorney noted the copies of the closing documents contained the signature of a purported managing member of the LLC. He stated the managing member of the LLC was a trust — not an individual — and the Operating Agreement presented to the title company was a complete FAKE. The escrow officer escalated the issue to her management team.

This imposter pulled off a bold triple crime:

1. Sold property belonging to someone else
2. Changed the organizational documents for the entity that owned the property
3. Used fake identification to sign as the managing member

UNINSURED deed

Uninsured deeds are always a cause for concern. Recently one of our commercial escrow officers was working on the sale of vacant land. The buyer was purchasing the property to develop into multifamily housing. The sale was more than \$1,000,000. Title at the Commitment Date was vested in:

Parker Carr and Heirs and Beneficiaries of the Estate of Kitty Carr, deceased, as Tenants in Common

Although Kitty Carr had passed away many years prior, probate for her estate was just opened. Then right before closing, a fully executed deed transferring title was presented to title. That deed was not part of the insured transaction at hand, but title was being asked to update the Commitment for Title insurance reflecting the grantee and record the deed as an accommodation before the sale closed.

Brooke McCranie, Escrow Officer for Chicago Title Company in Tampa, Florida, immediately contacted the seller's attorney for more information. Although this deed was not yet recorded, it fell within the scope of an uninsured deed. She reviewed the signature on the deed against other documents executed by the seller, as evidence the grantor executed the deed properly.

Brooke also reviewed the notarial certificate and was unable to verify the notary was approved by the Company. She asked the seller's attorney for a copy of Parker Carr's identification. A copy of an expired passport and driver's license was provided, but the signatures did not match.

The Company agreed to record the deed if Carr executed a new one in front of a Company approved notary. He would also need to provide valid identification or a credible witness acknowledgement. Carr's attorney explained he was currently out of the country.

Brooke provided the attorney with instructions for his client to schedule an appointment with the U.S. Consulate in the foreign country. The attorney refused to pass the information on to his

The title company around the corner had to stop working on all other transactions and start the process of unwinding the sale of the vacant lot by:

1. Recalling the wire transfer for fraud
2. Providing indemnifications to the sending and receiving banks
3. Opening a title claim
4. Contacting the buyer to let them know the transaction would have to be reversed
5. Voiding all other disbursements from the file, including the commission check
6. Redrawing and recording the deed back into the rightful owner's name
7. Contacting the tax collector to let them know there was no legitimate transfer of the subject property

It is a painful exercise to unwind a transaction and the parties to the transaction are never happy to participate. We hope after reading this article you will agree these were all red flags, and this transaction should have never closed.



client. Instead, the attorney called another underwriter in the Company in an effort to pressure the Company to accept the previously executed deed. It did not work.

In the end, the deal was moved to a competitor, who agreed to record the deed as an accommodation and close the sale. We do not know why Carr could not execute a new deed, but we do know that our risk mitigation policies are in place to protect our insured.

Brooke examined the deed against the signatures and identification that was provided to her, and it was unclear whether the deed was executed by Carr. She consulted with Underwriting Counsel, who agreed the signing requirements she demanded must be met in order to ensure the sale and protect the integrity of the chain of title.

It is our very own front-line workers, escrow officers such as Brooke, who assist in protecting the ownership rights to real property in America. For this, she is being rewarded \$1,500. Way to go Brooke!

Article provided by contributing author:

Diana Hoffman, Corporate Escrow Administrator
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WHY cryptocurrency?

Cryptocurrency is a digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority.

Cryptocurrency leverages a technology called blockchain. A blockchain is a ledger that keeps track of cryptocurrency transactions. It is maintained across computers that are linked through a distributed network, rather than one central authority. Transactions are logged into a blockchain that protects the currency from being counterfeited and prevents transactions from being duplicated.

The blocks that make up the chain log in each transaction link together, making up a historical record or ledger. These virtual exchanges are difficult for law enforcement — or anyone else — to track. This can make it difficult to unveil the threat actors who demand payments in the form of cryptocurrency for a ransomware attack.

There are many types of cryptocurrencies, all with their own blockchains. The first — and most commonly used — is Bitcoin, which is open source. No one person, entity or regulator owns or controls bitcoin. Anyone and everyone can own and transfer in bitcoin.

Ether is the second most common cryptocurrency, according to law enforcement. Their online community is Ethereum, which touts as having built a booming digital economy and method for other

creators to earn currency virtually. It is also available to anyone, anywhere in the world.

The U.S. Department of Justice has a National Cryptocurrency Enforcement Team (NCET). This team investigates illegal activities that utilize cryptocurrency to perpetrate their crimes. Ransomware is one of their focuses, since the hackers demand the ransom be paid in cryptocurrency.

The NCET continue to hone their skills and develop ways to track the payments (depending on the type of cryptocurrency being used) to identify the perpetrator. In some cases, they can catch the criminals when they cash in their cryptocurrency through exchanges.

The establishment of the NCET demonstrates the seriousness of these crimes and how they threaten our economy. In addition, **new or added** regulations are being proposed throughout all branches of the U.S. Government.

Preventing ransomware attacks is the theme for next month. It will focus on easy, but important, steps anyone and everyone can take to prevent becoming a victim.

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