

FRAUD RED FLAGS

Fraud in the title insurance and settlement services industries is a continuous concern. The schemes invented by fraudsters are sophisticated and show an “insider’s” knowledge of our business. Schemes include email hacking/spoofing, fraudulent wiring instructions, forged deeds and reconveyances/releases, and phishing and other attempts to obtain private information. The key to not falling victim to these traps is being educated, aware and vigilant.



The following “Red Flags” will help you identify at-risk transactions and the tips at the end offer guidance on keeping NPI safe.

DISTRESSED PROPERTIES/FORECLOSURE ISSUES

Fraudsters often target properties in financial distress.

Red Flags:

- ▶ Recently recorded Assignment of Mortgage/Security Deed/Deed of Trust.
- ▶ Recently recorded Release, Reconveyance, Trustee Deed, Substitution of Trustee, or other foreclosure document.
- ▶ Request to rush the opening or closing of a transaction.

WIRE FRAUD

Fraudsters often use compromised email accounts to deceive parties involved in real estate transactions in order to misappropriate funds through unauthorized wire transfers.

Red Flags:

- ▶ Changes to wiring instructions (language, timing, amounts, etc.). Wire instructions rarely change.
- ▶ Wire account name payee differs from the principals in the transaction.
- ▶ Request to wire funds to foreign or unknown bank.
- ▶ Instructions sent by email, especially when sent late in the transaction process when verification would be more difficult – at month end, for example.
- ▶ Instructions marked as rush, urgent or secret.

CLOSING FRAUD SCHEMES

Properties with no encumbrances (sometimes referred to as “free-and-clear properties”) and properties that are not owner occupied are common targets for fraudsters. Unencumbered properties are tempting targets due to the available equity, and non-owner occupied property makes the fraud easier to conceal. Properties owned by elderly principals are another target. The elderly owner may lack the capacity to consent to a sale or mortgage—or may be the subject of undue influence.

Red Flags:

- ▶ Free and clear property has no mortgage to be paid off.
- ▶ Seller positioned to receive a large amount of cash.
- ▶ Sales price on non-owner occupied property seems too good to be true.
- ▶ Purchase contract has confusing counter offers, amendments or unusual terms.

- ▶ Property is being transferred to another party immediately after close of escrow.
- ▶ Use of a Power of Attorney (POA) to sign documents. Requests to disburse funds to the holder of the POA.
- ▶ You are unable to speak to, or communicate directly with, a principal at the request of another party (the principal is “out of the country” or “very busy”).
- ▶ Chain of title reveals a recent purchase, or flip, indicating a sale price significantly different from the previous and/or current transaction.
- ▶ Recent transfer of title for no consideration.
- ▶ Requests for a rush closing.
- ▶ Unexplained disbursements from seller proceeds. (Payments or repairs with no supporting bill or documentation provided).
- ▶ Sale/loan proceeds are paid to someone other than the borrower or seller of record.
- ▶ Seller or borrower appears disoriented, demonstrates a lack of understanding or unable/not allowed to speak on their own behalf.
- ▶ Change of contact person or authorized representative.

INFORMATION SECURITY: Title agents receive lots of Non-Public Personal Information (NPI) in the course of handling real estate transactions. Take the following security measures to reduce the risk of leaking NPI or other sensitive information.

- ▶ Use a secure portal when sending messages or attachments containing NPI.
- ▶ Click smart. Be aware of possible “phishing” emails. Do not click on suspicious links.
- ▶ Improve your network security. Avoid public Wi-Fi when traveling or working remotely.
- ▶ Keep software up to date so you have the latest security patches.



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