

# 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).
- ▶ Sales/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 insurers 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 FA-Secure Email or 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.
- ▶ See the Information Security (Info Sec) home page on FALive for more tips.



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