

FRAUD AND FORGERY RED FLAGS



Fraud is generally defined as false representations of facts to induce another to rely on them, with the intention to deceive.

The various schemes invented by fraudsters are often difficult to navigate. Some involve cyber fraud, email hacking or other information security issues. Awareness, vigilance and due diligence are key to detect and avoid fraud traps. While your work as a settlement agent is done outside your relationship with First American, we think you might find the following information helpful in your business.

Closing/Settlement agents are entrusted with Non-Public Personal Information (NPI) and should be diligent in protecting that information. By taking some simple security measures, you can help reduce exposure to threats and loss of sensitive information.

- ▶ Use secure email or a secure portal when sending messages or attachments containing NPI.
- ▶ Pay close attention and be aware of possible Phishing emails.
- ▶ Avoid public Wi-Fi to improve network security
- ▶ Keep software, including security patches, up to date.

Distressed Properties/Foreclosure Issues

Properties involved in financial distress or mortgage defaults are often targeted by fraudsters.

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 of a file and/or closing of a transaction.

Kaci Fellbaum

ESCROW OFFICER

Mohave Escrow & Title

928.889.6616

kaci@mohaveescrow.com



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Wire Fraud

Fraudsters use compromised email accounts to deceive financial institutions, and their customers, in order to misappropriate funds through unauthorized wire transfers.

RED FLAGS:

- ▶ Changes to wiring instructions (language, timing, amounts, etc.).
- ▶ Wire account name payee differs from the principals on 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

Free-and-clear properties are a target for fraudsters because of the obvious equity with no outstanding mortgage. Elder principals are also at a higher risk of abuse, as they may not be as transaction and tech savvy. In some cases, elder principals may be unaware that their property is being transferred.

RED FLAGS:

- ▶ Property has no mortgage to be paid.
- ▶ Seller(s) positioned to receive large cash out.
- ▶ Sales price on non-owner occupied property is *too good to be true*.
- ▶ Purchase contract has confusing counter offers, amendments or unusual terms.
- ▶ Property is immediately being transferred to another party after close of escrow.
- ▶ Use of a Power of Attorney (POA) to sign documents.
- ▶ You are unable to speak to, or communicate directly with, a principal at the request of another party (the principal is “*out of the county*” 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*.
- ▶ Parties involved are demanding a rush closing.
- ▶ Unexplained disbursements from seller proceeds. (Payments or repairs with no bill or documentation provided).
- ▶ Sales/Loan proceeds are paid to someone other than the borrower(s) or seller(s) of record.
- ▶ Principal appears disoriented, demonstrates a lack of understanding or unable/not allowed to speak on their own behalf.
- ▶ Change of contact person and/or authorized representative.
- ▶ Holder of POA requests funds be disbursed to him/her.



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