Gotcha!

Description

The phrase â??Build a better mousetrap and the world will beat a path to your doorâ?• is commonly attributed to Ralph Waldo Emerson. Although really a misquote, it could just as easily be stated as â??Build a better mousetrap and someone will build a better mouse.â?• The history of fraud and double dealing is as old as man himself. Over the last few years, we in the title industry have seen an inordinate rise in the types and frequency of fraud in our industry. As a result, underwriters try to keep our agents up-to-date on duplicities old and new.

Fraud can occur at any phase of a transaction and by any party. The most frequent targets of the bad actors are the title agent or the lender representative, as they present the most lucrative opportunities along the timeline of the transaction for assets to be pilfered (particularly assets â?? money â?? in transit).

On the lender side, numbers can be inflated, money can be transferred erroneously, and accounts can be doctored. In this era of electronic banking, money can disappear at the stroke of a keyboard.

On the title side, money can also be diverted, accounts skimmed, or intentional title errors can be made. The title agent can even manipulate the timing of the transaction to commit fraud.

As title folks we are the last line of defense against many fraudulent practices. As such it also makes us prime targets for outsiders to perpetrate fraud upon us. Some transactions such as low or no cost consideration, intrafamily transactions, and short sales pose the biggest dangers. Every transaction, however, has the potential for fraudulent activity.

Beware of such things as the â??overly helpfulâ?• client or unusual documentation from a client. *Double check all money transfers!* If there is any change in the source or distribution of funds, stop where you are in the transaction and verify the change. Trust me on this, the client will not be mad for very long when you tell him that by doing so you just saved his loan money from being shipped overseas. With the advent of TRID and other regulations, any changes in what should be routine events should be approached with a particularly jaundiced eye.

Beware the â??international transactionâ?• or one that seems too big a deal to be true. Although I do very few transactions myself anymore, I get a lovely personal letter emailed to me recently from the Vice President of Mega Petro International something or other wanting me to handle a deal that will bring me $6-8 million a year. That and the power ball numbers would be good.

Please be sure of all identification documents. This is going to sound clichÃ©, but know the life status of your parties. More than once we have seen dead people signing deeds. Finally, under old business the old â??property that doesnâ??t really existâ?• scam is still tripping up title people. Even in this climate of regulation, secure e-mails, faxes, and encrypted this or that, the bad guys still find a way. Every year brings some new scam. With the advent of e-transactions, the scenarios below will likely play out in some form in your professional career in the near future.

Here are two variations of fraud that are recently making the rounds of title agents and law firms alike.

- **Scenario 1:** The title agentâ??s office closed and disbursed on a sale of property on a Friday. On the following Thursday, following a holiday weekend, the office was contacted by e-mail by a party pretending to be the seller on that file.
- **Scenario 2:** The title agent closed the file on a Friday. On Tuesday the agent received an e-mail from a bad actor presenting himself as the â??sellerâ??s attorneyâ?• asking to have the funds wired, when a check had already been issued at closing.

Common threads in both of these scenarios:

1. The e-mail address used by the scammers was SellersName@mail.com. The sellerâ??s correct e-mail was Seller.Name@mail.com. The period (.) is easily overlooked. This is a common tactic that fraudsters will use to fool the potential victim (in this case the agent).
2. E-mail addresses that are similar to, but not the same as, the party it is purporting to be. Be sure to review and compare it letter by letter since underscore (_) and period (.) are easily missed by the eye.
3. The e-mail used stilted or incorrect English to ask for a wire to be sent to the phony seller because the seller could not cash the check.

- **Sample e-mail:** â??Thanks for your reply, it is quite unfortunate that we had difficulties cashing the check at our bank, we want you to put a stop on the check and initiate a wire transfer. I have attached a written note along with wire transfer instruction where the funds should be wired to.â?•

â??The attorney has request you put a stop on the check and the check has been shred already since Monday morning due to the fraud notification of a bounced check. Kindly confirm the receipt of the wire instructions and let me know when you will wire the proceeds.â?•

4. Parties asking for money to be sent by wire or otherwise when a check has already been issued.

5. International or non-local phone numbers.

6. Callers/parties who canâ??t speak logically about the matter theyâ??re complaining about.

7. The agent asked to have the check returned and was told the check was shredded.

8. When the bad actor presented the wire instructions, the payee did not match the name the agent had in their file. The agent contacted the sellerâ??s attorney by telephone to verify the instructions and was informed that they had never sent an e-mail asking for the funds to be wired.

REMEMBER WHAT WE PREACH IN UNDERWRITING:

Do not assume that just because an e-mail appears to come from an attorney or other party to a transaction that it is legitimate.

Always be skeptical and look for other proof!

If it seems too good to be true, it probably is.

Trust, but verify.

Use your common sense /â??spidey sense.â?•

If you read at all, read it all!

Donâ??t be afraid to report concerns immediately to your Manager, underwriter, or CFPB Hotline.

Remember that almost no real estate deals are ever lost because of your diligence and cooperation, unless of course, somebody has something to hide!

Category

1. Cybersecurity
2. Settlements

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