



NATIONAL INFORMATION BULLETIN 2015-10

FROM: WFG Underwriting Department

DATE: November 4, 2015

TO: All Policy Issuing Agents of WFG National Title Insurance Company
All WFG Employees

SUBJECT: Naked Sats aren't Always Satisfying!

It seems to happen every few years. We are again seeing a surge in forged satisfactions and reconveyances of mortgages resulting in claims. On every claim (albeit with the benefit of hindsight) we've found red-flags that were overlooked or ignored.

One title officer accepted a printout delivered by the Seller purporting to show a wire transfer that had paid off a recorded mortgage. Instead of double checking with the lender and getting either a zero balance estoppel letter or better yet the reconveyance of the deed of trust, they closed figuring the reconveyance would be filed in due course. It wasn't. Instead the allegedly paid off lender decided to foreclose.

In other cases, we've had claims based on recorded, but fraudulent satisfactions and reconveyances. While it hasn't bitten WFG, we've also heard of claims based on doctored payoff letters showing up at closings – usually delivered by either the seller or someone on their behalf (sometimes the over-helpful and mislead Realtor).

The best defense is your common sense and knowledge of the way the real world works.

We urge all of our agents to be VERY cautious of “Naked Satisfactions.” If you find a satisfaction or reconveyance recorded (or delivered to your office prior to a closing) without a sale or refinancing of record that would have provided the funds, DIG DEEPER. Of course, people do pay off their mortgages, usually after many years. They don't usually pay them off completely and then immediately refi or sell.

Although we haven't seen a live example (fortunately) various states authorize title insurers to release a mortgage after it has been paid off. Those types of releases/reconveyances are also subject to fraud and forgery, so should also be scrutinized against other recorded transactions which might have provided the proceeds.

So finding a “Naked Satisfaction” can be an indicator of fraud; or it may be that a refinancing hasn’t yet been recorded or was mis-indexed by the clerk (something you definitely need to know), or that someone won the lottery. But dig a little deeper and confirm directly with the lender that issued the satisfaction or reconveyance that they really were paid off. (and don’t use the phone number and contact information on the suspect document) You can also check online with MERS at <https://www.mers-servicerid.org/sis/> and confirm that the debt really was paid off.

The honest customer will appreciate the care you exercise to prevent fraud – the less than honest will rant and rave. And their reaction can tell you a lot.

I know this repeats the advice every title insurer has given many, many times, but we still hear of agents being caught in the trap of relying on a payoff letter brought to them by the seller – and later discovering that, through the magic of Photoshop, the mortgage had been “reduced” by a significant amount.

So, if your seller, their Realtor, or any “non-traditional” source brings you a payoff letter, thank them politely, but obtain your own payoff letter directly from the lender.

One last point, human error can creep into the search & exam process. Many examiners “flag” properties where they do not find any open mortgages. **This is your warning to dig deeper.** Confirm that the last mortgages were actually paid off, look at the history of mortgages and refinances and ask yourself “do I really believe that this person owns that property free and clear?” Then ask your owner face-to-face if they have any mortgages. Just as in poker, most people have “tells” that you can spot when you are face-to-face.

The “Bad Guys” are out there! And they want to steal from You, your lenders and your clients.

Your best defense is to borrow from Ronald Reagan and an old Russian proverb – TRUST, BUT VERIFY!

Information Bulletins are designed to provide our agents with information we think will help in managing their business or just being better title professionals, but which does not rise to the level of being an underwriting mandate.