



NATIONAL UNDERWRITING BULLETIN

FROM: Underwriting Department

DATE: March 7, 2013

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

BULLETIN No.: NATIONAL – 03072013

SUBJECT: FORGERY/FRAUD PREVENTION

Real estate and mortgage fraud costs everybody many millions of dollars every year. Title insurance companies and agents are particularly vulnerable and incur significant losses. As part of our efforts to collaborate with our agents, WFG has identified certain high risk situations based on its national experience that WFG wants to pass along to its agents for everybody's protection. Fraud prevention is everybody's business.

The following situations are considered extra-hazardous risks. Underwriting approval must be obtained before issuing a commitment or a policy when any of these situations are known to the agent. Failure to follow these guidelines will be considered a breach of the standard of care for title insurance underwriting.

- 1. Seller or mortgagor has a deed to the real property within the past year with no or nominal consideration.**

Many forgeries or fraudulent conveyances involve intra family fact patterns. Also, no consideration deeds between apparent strangers are a common start of a fraudulent transaction

- 2. Seller or mortgagor has a deed to the real property that shows significant consideration but no mortgage or deed of trust within the past year.**

The acquisition deed by the current vested owner was not accompanied by a concurrent purchase money deed of trust or mortgage instrument is rare given real estate prices. How many individuals may be in a position to make the largest purchase of one's lifetime without financing? Although there may be unique circumstances that allow an individual or individuals the ability to finance a purchase of a single family dwelling (i.e. inheritance, independent wealth, etc.), this must remain to be a red flag because most individuals do not have the financial resources to purchase real property without financing or a 1031 exchange. The explanation that the seller or borrower offers must be plausible.

If the deed is from an institution such a lender disposing of REO property, a check with the lender/seller confirming the validity of the deed is acceptable.

- 3. The name of the spouse joining in the deed with the seller or borrower is different than the name of the spouse on prior instruments such as a prior mortgage.** *A confirmation of which name is accurate as evidenced by a name affidavit is acceptable.*

- 4. Releases or Reconveyances unaccompanied by a new mortgage or deed of trust. Show the effect of the mortgage or deed of trust and the respective release or reconveyance in any commitment or preliminary report until you are provided satisfactory proof of payment.**

- 5. Power of Attorney coupled with over \$100,000 going out without a reasonable explanation for the absence of the principal.** *Beware of other red flags. Powers of Attorney are particularly dangerous when dealing with reverse mortgages or other transactions involving elderly parties.*

- 6. Seller's name is spelled differently than that of record title holder. The name of the seller has a different middle initial than the record title holder or the seller has a middle initial and the record title holder does not or vice versa without an affidavit identifying what is the correct name.**

Look for dissimilarity of signatures of the same party. (.e.g. Does the signature of a seller/borrower appear to be different than the signature appearing on a mortgage executed by the owner of record?).

- 7. Deed recorded several months or years after the execution date.**

The transaction may also involve real property which has been owned by the same person for many years.

- 8. Unusual Consideration.** *Worthless options, gold bonds or gemstones may tip off that the transaction is a sham. Anything other than wired funds, cashier's checks, or real money.*

- 9. Assignments of mortgages or trust deeds within one year from non-institutional lenders with the assignee offering a payoff statement or release.** *When dealing with a private beneficiary or hard money lender and you are asked to insure a release based an assignment of a mortgage or deed of trust, you must require production of the original promissory note and original recorded mortgage or deed of trust and make sure that an endorsement of the note to the assignee has been made.*

- 10. Seller's or borrower's proceeds exceeding \$100,000.**

Although not considered an extra-hazardous risk and not requiring pre-approval, transactions involving proceeds exceeding \$25,000 should raise a red flag to a closing agent. Keep an eye open for other red flags when substantial proceeds are disbursed. Hard money loans, powers of attorney, vacant land are red flags.

- 11. Corporate owner or LLC owner obtaining title before formation of corporate entity.**

Review the chain of title in which a corporation or an LLC appears. The corporate entity should be formed and corporate documents properly filed before the acquisition of title.

In addition to the matters noted above, beware of the following situations that raise red flags.

- 1. *Rushed transactions coupled with other red flags.*** A customer requires you to move through all of the hoops at the speed of light without having the opportunity to ask any questions (i.e. little time to examine documents) coupled with a power of attorney; you may want to take a deep breath and exhale. Take a fresh look at the transaction. The main reason may be that the customer doesn't want to provide an opportunity to scrutinize the documents that are being executed and submitted for recording. Be wary of these situations. Use your best judgment and skill to determine whether this situation requires you to step back and really take the time to examine the documents, signatures, acknowledgements and notary seal or stamps. A rush transaction may be acceptable if there are no other red flags present.
- 2. *A sale or finance of vacant land.*** Very easy to forge a signature and often have out-of-state area owners. Closers should scrutinize out of state identification forms. Hard money lenders with lower underwriting standards are ordinarily involved.
- 3. *Deeds not signed in closer's presence.*** If signing is to be outside of the closing, examine the documents carefully, and, if there is any question, talk to the person who took the acknowledgement. Approved signing services are much safer than relying on a broker's notary or an independent notary.
- 4. *Requests for validity of closing proceeds check.*** Be wary of situations in which a bank or check cashing operation calls you and asks you if your payoff or proceeds check to a seller is good. If a party to a closing does not deposit the proceeds into his own bank account then there is something wrong. Do not give them the ok until you have looked at the entire transaction again and have reviewed it with the underwriter for any red flags. The suspect is usually trying to break down any proceeds into smaller denominations for ease of use and to avoid having the money tied up by authorities.

NOTE: This Bulletin is intended for use by title issuing offices, title insurance agents and approved attorneys of WFG National Title Insurance Company and any reliance by any other person or entity is unauthorized. This bulletin is intended solely for the purpose of underwriting policies of WFG National Title Insurance Company.