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## **UNDERWRITING BULLETIN**

Bulletin No.: CA10-007

### **Secondary Document Fraud.**

Real estate crime is at an all time high. As a result, the idea of Constructive Paranoia is a better concept than it ever was. In previous Underwriting Bulletins, forgery of deeds and security instruments has been discussed at length. However, clever criminals are increasingly forging other documents.

#### **Reconveyances:**

In the examination of a chain of title, the timing of reconveyances must be carefully considered. It is highly unlikely that an owner would pay off an existing loan using cash and subsequently refinance. If a reconveyance appears to be unrelated to a refinance transaction, extreme caution must be taken and the validity of such reconveyances should be examined. If the (supposedly paid) lender is easily found, then a contact with that lender would be appropriate. This is the most common forgery/fraud we are seeing today. It is not uncommon to find a property where there are two or three lenders prior to the current deed of trust who are unaware that there are recorded reconveyances of their deeds of trust and believe they still have a live loan.

#### **Assignments:**

Recently another take on fraud has surfaced. The chain shows a deed of trust and a subsequent assignment of that deed of trust. The owners loan information sheet gives the assignee as the source for demand. Demand is ordered from there, paid, and the new transaction closed. The only problem is that the assignment was forged. The paid funds have long since disappeared, as has the owner of the property. Meanwhile, the deed of trust remains a valid lien on the property.

Assignments should be carefully scrutinized to see if they make sense, particularly if they are in favor of an individual or an entity that has no established address or cannot be found with a simple Internet search. In general, just use some of your Constructive Paranoia to see if something “feels wrong”.

#### **Subordinations:**

Forged subordination agreements have been around for some time. Sometimes no harm is meant, but that isn't the way it turns out. Subordinations must be verified. Is there a cover letter from the beneficiary? Can the beneficiary be located independently of the information provided? If it is a private party beneficiary, can signature exemplars be obtained from the record on other properties owned by the beneficiaries?

**Intentional disregard of the matters contained in this Bulletin may cause any loss sustained under the terms of a policy to be allocated entirely to the Agent.**