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UNDERWRITING BULLETIN

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Institutional assignment fraud.

If you have a transaction where the existing financing has been assigned from an institutional lender to an investor be very cautious that the assignment is genuine.

Recently the following scenario played out:

Homeowner purchases a high-end residence for about 1.7 million with a first trust deed in favor of MERS as beneficiary and America's Wholesale Lender (which was a division of Countrywide, hence now Bank of America) as lender for \$1,440,000.

Escrow is opened for the sale of that note for \$930,000. An assignment of the deed of trust (allegedly) signed by America's Wholesale Lender, together with a lost note affidavit is supplied to escrow. The escrow closes, funds are wired to America's Wholesale Lender and an assignees endorsement is issued to the purchaser of the note. On the face of the recorded assignment, the following was typed:

"MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC. is hereby removed as Nominee and beneficiary."

The problem here is that the "America's Wholesale Lender", who had a bank account back east for the receipt of the \$930,000, wasn't the lender. It was a new 'company' set up by the bad guys. The money is now long gone. The BofA entity that actually owns the note had nothing to do with this transaction.

The innocent purchaser of the note has made a claim under the terms of the endorsement.

There are folks out there who are selling a rescue scheme where an investor purchases the existing first trust deed and note at a significant discount and works with the property owner to either refinance or sell at a profit. There is nothing obviously wrong with this, but the above scenario tells us to be very sure that the seller of the note is genuine.

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.