



NATIONAL UNDERWRITING BULLETIN

To: All Employees and Policy Issuing Agents of WFG Title Insurance Company and WFG National Title Insurance Company
From: Underwriting Department
Date: September 9, 2011
Bulletin No: NATIONAL - 09092011
Name: Smart Phone Fraud

The Florida Land Title Association recently reported on a case where sellers used a smart phone application to defraud a title insurance agent.

According to FLTA, the title agent delivered the closing proceeds check to the sellers. The sellers left the closing, took a picture of the back and front of the check on their smart phone, and transmitted an image of the check for deposit in their bank account. Then the sellers returned to the agent's office and requested that the agent wire the proceeds to their account. They returned the check which the closer voided. The agent, unaware of the deposit by smart phone, wire transferred the closing proceeds to the sellers' bank account. This caused a shortage in the escrow account.

Smart phone technology for bank deposits is not widespread. However, according to American Banker, many institutions are considering mobile phone-enabled check capture, a popular way of depositing checks in which consumers use their smart phones to take photos of checks to deposit them remotely.

The lesson for title insurance agents and settlement agents is to continually review and update their procedures and internal fraud controls; require management approval for voided and reissued or exchange checks; alert closing personnel not to leave signed checks unguarded at the closing. Where available, agents should consider the use of positive pay or reverse positive pay for bank accounts. No matter what controls are in place, it is advisable to put a stop payment on any check that is returned for any reason.

There are restrictions on the capability of smart phone technology. For example, specially formatted "Auxiliary On-Us Field" business checks cannot be converted to ACH (Automated Clearing House) payments without authorization. North Carolina state attorney regulations require that attorneys use such specially formatted trust account checks. If smart phone fraud becomes an everyday threat title insurance agents may want to consider issuing settlement checks only on such specially formatted "Auxiliary On-Us Field" business checks.

For a general explanation of ACH processing, go to www.electronicpayments.org.

For a discussion of "Auxiliary On-Us Field" see:

<http://www.electronicpayments.org/viewDocumentFile.cfm?MimeType=application%2Fpdf&key=D%3A%5Cinetpub%5Cwwwroot%5Celectronicpayments%5Cuserfiles%5Cfile%5CAuxOnUsField%2Epdf>

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.