



NATIONAL UNDERWRITING BULLETIN

FROM: WFG Underwriting Department

DATE: February 9, 2015

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

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SUBJECT: Fraud

Fraud is one of the greatest risks for both underwriters and agents. It can take as many forms as any criminal can imagine. Here are a couple of experiences that WFG agents have had recently.

In one case our agent recently suffered a substantial loss because of the following events:

The owner of Blackacre had it listed for sale. Title agent received by email a contract from buyer, regular on its face, signed by both parties, for \$230,000.00. The contract provided that the buyer would deposit \$97,000.00 in earnest money and that the title company could release that money to the seller upon receipt of written confirmation from the buyer that he had inspected the property and was satisfied with it and that he would proceed with the purchase. It further provided that buyer could extend the inspection period for an additional deposit of \$2,500.00.

Later, by overnight delivery, the title company received a cashier's check for \$97,000.00 which they deposited in its escrow account at their bank; the check was issued by a credit union in Michigan.

A couple of days later the buyer notified the title agent that he had completed the inspection and he authorized release of the funds to the seller. Title agent advised the buyer that they required written instructions from the seller and information about the seller's bank account. The agent received an email providing wiring instructions for an account at Wells Fargo. The email appeared to come from the seller but it did not. The title agent wired the funds to the Wells Fargo account on Friday, January 23. On Tuesday its bank notified the agent that the cashier's check was a forgery and that the agent's account had been debited \$97,000.00. Its bank has notified their fraud department but doubts the funds can be recovered. It appears that the party was waiting on the wire at Wells Fargo and withdrew the funds as soon as the wire arrived.

Here, there were no real estate agents involved and the title agent never spoke to either party. The earnest money was excessive for the sale amount and the provision allowing so much of the sale price to be paid to the seller before closing was unusual.

Agents must take whatever steps they deem prudent and necessary to verify that wire instructions, and especially wire instructions that arrive by email, are bona fide and authorized.

One approach is to never change disbursement instructions based on email. Verify all disbursement instructions either in person or by contacting the requesting party using a known good phone number.

Under no circumstances should you disburse on any check until it is fully and finally cleared into your account which can be several days or weeks. Reliance on the good funds rules are unfortunately not sufficient in our day and age. Check clearing rules are rather arcane, and a trap for the unwary. You should talk to your bank and confirm exactly when the proceeds of a check are in your account to stay.

Another of our agents has alerted us to the following fraudulent scheme:

We have come across two instances today where we received e-mails from realtors asking us to wire proceeds to an account different from the one previously provided, or stating that they wanted us to wire proceeds even though we had already issued a proceeds check.

It appears that these people are somehow commandeering realtors' e-mails and adding @mail.com to the legitimate email address. The e-mails look like they are coming from the realtor. Some of the emails also exhibited poor English language skills.

Agents should use extreme diligence when receiving wire instructions via email.

Also, once a proceeds check has been delivered, do not under any circumstances take the check back and issue an alternate form of payment. See [WFG National Underwriting Bulletin 09092011](#).

Be alert for emails which contain "@mail.com" at the end.

Please feel free to contact Underwriting if you are confronted with this or any other fraud related issue.

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.