

## UNDERWRITING BULLETIN - TEXAS

No. 13

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**RE:** Smart Phone Fraud

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In a recent incident in Florida, a title agent delivered the proceeds check to the sellers. The sellers left the closing, photographed the check on their smart phone, and transmitted an image of the check for deposit to their bank account. The sellers returned to the agent's office with the check and asked the agent to wire the proceeds to their account. The closer voided the check but, unaware of the deposit by smart phone, wired the closing proceeds to the sellers' account. This double disbursement caused a shortage in the escrow account.

Smart phone technology for making bank deposits is not yet widespread. However, according to "American Banker", many institutions are considering adopting mobile phone-enabled check deposit.

Agents should review and consider updating their procedures and internal fraud controls; require management approval for voided and reissued or exchanged checks; and alert closing personnel to not 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. 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](http://www.electronicpayments.org).

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

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

We urge you to speak with your own financial institution regarding these alternatives.