

# RED FLAGS FORGERY

## Never Underestimate the Creative Genius of the Fraudulent Mind

There are numerous types of mortgage and real estate fraud prevalent in industry today. Recognizing the Red Flags may help with detection and prevention, and at the very least, encourage further investigation to ensure the validity of the transaction.

### SIGNATURE ON DOCUMENTS VARY

Signature on closing documents should be compared with signatures in the chain of title. A current seller has most likely signed a prior mortgage and these signature can be compared. Forgers may misspell names or sign them differently leaving off middle initials or designations such as "Sr." or "Jr."

### PROPERTY IS FREE AND CLEAR

A very small percentage of Americans own their property free and clear. If there was mortgage on the property that has been paid off over a 30-year period, it would be uncommon for the owner to obligate themselves by taking out a new loan on the property. Asking the question, "why are there no liens on the property?" and verifying the details of the transaction may uncover the possibility of a forgery in the chain of title.

### NO DOCUMENTS EXECUTED IN THE OFFICE

The use of a notary service may be a convenient option for buyers and sellers, but it increases the opportunities for fraud. Deeds, mortgages and other closing documents may be signed, notarized, and returned by mail to your office but the notary signatures, and even their stamps, can be bogus. If buyers and sellers are unable to appear at closing, utilize a reputable notary service to authenticate the identity of parties to the transaction.

### ABSENTEE OWNER

The sales of property by an out-of-state or out-of-country seller are increasingly more common and forgers may find it easier to commit fraud where the property owners are located in another area. Contacting the owners listed on the tax rolls may alert them to a scheme involving their property.

Preventing fraud is everyone's business and must be a priority. When you encounter a Red Flag scenario, slow down and really analyze the deal. Don't hesitate to consult with your local counsel or regional underwriter if you suspect you may have, fraudulent transaction.

### BUYER WALKING AWAY WITH MONEY

The best things in life may be free ... but free money at closing is a fairly good indicator that the property value may have been inflated. Further scrutiny of loan details may reveal potential loan fraud.

### PROCEEDS ARE BEING WIRED OFFSHORE

Once money has been wired out of the country, it becomes almost impossible to recover once a forgery has been discovered. If there are suspicious circumstances that cannot be adequately explained, further investigation is needed before proceeding with the transaction.

### TITLE OBTAINED BY AN UNINSURED DEED

A deed in the chain of title recorded outside of a closing deserves a cautious review. There are legitimate scenarios in which an uninsured deed may be recorded, but conveyance of property is normally transacted in conjunction with the issuance of a title insurance policy. Review the signatures on both the uninsured deed and the previous deed for accuracy.

### POWER OF ATTORNEY

There are valid reasons for a party to use a power of attorney, but documents can be easily fabricated. To limit the potential for fraud, the best case scenario is for the buyers and sellers to appear in person at closing.



"Where the Customer is our First Priority"

# RED FLAGS FORGERY

The stories regarding hacked email accounts, forged wire instructions, cyber fraud and other risks to your agency continue to be reported at an alarming rate. Protect your agency by keeping these helpful tips near the desk of everyone in your office, especially anyone in charge of wiring money!

In the cyber world, criminals are communicating with you posing as your customers. Worse, they are communicating with your customers posing as YOU.

**DON'T BE A VICTIM! VIGILANCE AND A HEALTHY DOES OF SKEPTICISM ARE THE BEST WEAPONS IN THE BATTLE AGAINST CYBER FRAUD.**

## **WIRE AND OTHER DISBURSEMENT INSTRUCTIONS**

**RECEIVED BY EMAIL** should be confirmed by telephone at a known or independently confirmed number, NOT the telephone number at the bottom of the email you are trying to confirm.

**CONSIDER PROVIDING YOUR WIRE INSTRUCTIONS VIA HARD COPY ONLY**, with a notation with cyber-crimes on the increase, it is important to be ever-vigilant. If you receive an email, or any other communication that appears to be generated from our office, containing new, revised or altered bank wire instructions, consider it suspect and call our office at a number you trust. Our bank wire instructions seldom change.

**BE ESPECIALLY SKEPTICAL OF ANY CHANGE IN WIRING INSTRUCTIONS.** Who really changes their wire instructions that frequently?

**CONFIRM THE ACCOUNT** in the name of the party entitled to the funds.

**BE SUSPICIOUS OF EMAILS FROM FREE, PUBLIC EMAIL ACCOUNT DOMAINS** as they are often a source of risk.

## **BE LEERY OF A NEW DEAL COMING TO YOUR OFFICE OUT OF NOWHERE.**

Example: "I have a sales contract and a deposit for property I am purchasing, and I was referred to your office. Will your office act as title and settlement for a transaction?"

This conversation is typically followed by a subsequent request to wire out funds originally deposited by check.

**WATCH OUT FOR PHISHING EMAILS WITH EMBEDDED LINKS**, even when they appear to come from a trusted source such as First American Title.