



## UNDERWRITING COMMUNICATION

Issued by

**First American Title Insurance Company**

**NC-2019-003 Alert**

**FROM:** Karl Knight, State Counsel for North Carolina

**DATE FILED:** March 13, 2019

### Fraud Red Flags

**Purpose:**

This Alert is being sent to all agents and employees of First American Title Insurance Company doing business in the State of North Carolina. Attached please find our Home Office's recently publicized flyer entitled UNDERWRITING CHALLENGE – FRAUD RED FLAGS.

We are all aware that criminals are constantly developing new and ingenious, or should we say insidious, ways to get people to part with their hard-earned resources. North Carolina approved attorneys often look to you, the agent, for resources on how to spot new and evolving schemes and practices that these criminals employ in perpetrating fraud and misrepresentation, in other words, theft of valuable income and resources. First American would like to share with you, our agents, resources from time to time, such as the attached UNDERWRITING CHALLENGE – FRUAD RED FLAGS, to assist you and your approved attorneys in spotting these schemes before they result in harm. Please pass this along to your approved attorneys who are on the front lines every day, "fighting the good fight," so to speak.

**Contact Information for Questions:**

If you have any questions, please feel free to contact the State Office or email [tkknight@firstam.com](mailto:tkknight@firstam.com). Thank You.

**NOTE: This Bulletin is intended for use by title issuing offices, title insurance agents and approved attorneys of First American Title Insurance Company and any reliance by any other person or entity is unauthorized. Should you have any questions regarding this Bulletin, please contact your local First American underwriter.**

**PLEASE SHARE THIS BULLETIN WITH YOUR STAFF AND RETAIN AS PART OF YOUR  
PERMANENT REFERENCE MATERIALS.  
UNLESS OTHERWISE NOTED HEREIN, ALL OTHER UNDERWRITING  
COMMUNICATIONS APPLY.**

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# FRAUD RED FLAGS

Fraud in the title insurance and settlement services industries is a continuous concern. The schemes invented by fraudsters are sophisticated and show an “insider’s” knowledge of our business. Schemes include email hacking/spoofing, fraudulent wiring instructions, forged deeds and reconveyances/releases, and phishing and other attempts to obtain private information. The key to not falling victim to these traps is being educated, aware and vigilant.



*The following “Red Flags” will help you identify at-risk transactions and the tips at the end offer guidance on keeping NPI safe.*

## DISTRESSED PROPERTIES/FORECLOSURE ISSUES

Fraudsters often target properties in financial distress.

### Red Flags:

- ▶ Recently recorded Assignment of Mortgage/Security Deed/Deed of Trust.
- ▶ Recently recorded Release, Reconveyance, Trustee Deed, Substitution of Trustee, or other foreclosure document.
- ▶ Request to rush the opening or closing of a transaction.

## WIRE FRAUD

Fraudsters often use compromised email accounts to deceive parties involved in real estate transactions in order to misappropriate funds through unauthorized wire transfers.

### Red Flags:

- ▶ Changes to wiring instructions (language, timing, amounts, etc.). Wire instructions rarely change.
- ▶ Wire account name payee differs from the principals in the transaction.
- ▶ Request to wire funds to foreign or unknown bank.
- ▶ Instructions sent by email, especially when sent late in the transaction process when verification would be more difficult – at month end, for example.
- ▶ Instructions marked as rush, urgent or secret.

## CLOSING FRAUD SCHEMES

Properties with no encumbrances (sometimes referred to as “free-and-clear properties”) and properties that are not owner occupied are common targets for fraudsters. Unencumbered properties are tempting targets due to the available equity, and non-owner occupied property makes the fraud easier to conceal. Properties owned by elderly principals are another target. The elderly owner may lack the capacity to consent to a sale or mortgage—or may be the subject of undue influence.

### Red Flags:

- ▶ Free and clear property has no mortgage to be paid off.
- ▶ Seller positioned to receive a large amount of cash.
- ▶ Sales price on non-owner occupied property seems too good to be true.
- ▶ Purchase contract has confusing counter offers, amendments or unusual terms.

- ▶ Property is being transferred to another party immediately after close of escrow.
- ▶ Use of a Power of Attorney (POA) to sign documents. Requests to disburse funds to the holder of the POA.
- ▶ You are unable to speak to, or communicate directly with, a principal at the request of another party (the principal is “out of the country” or “very busy”).
- ▶ Chain of title reveals a recent purchase, or flip, indicating a sale price significantly different from the previous and/or current transaction.
- ▶ Recent transfer of title for no consideration.
- ▶ Requests for a rush closing.
- ▶ Unexplained disbursements from seller proceeds. (Payments or repairs with no supporting bill or documentation provided).
- ▶ Sales/loan proceeds are paid to someone other than the borrower or seller of record.
- ▶ Seller or borrower appears disoriented, demonstrates a lack of understanding or unable/not allowed to speak on their own behalf.
- ▶ Change of contact person or authorized representative.

**INFORMATION SECURITY:** Title insurers receive lots of Non-Public Personal Information (NPI) in the course of handling real estate transactions. Take the following security measures to reduce the risk of leaking NPI or other sensitive information.

- ▶ Use FA-Secure Email or Secure Portal when sending messages or attachments containing NPI.
- ▶ Click Smart. Be aware of possible “phishing” emails. Do not click on suspicious links.
- ▶ Improve your network security. Avoid public Wi-Fi when traveling or working remotely.
- ▶ Keep software up to date so you have the latest security patches.
- ▶ See the Information Security (Info Sec) home page on FALive for more tips.



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