



# Investors Title

INNOVATIVE BY INSTINCT

## **FRAUD ALERT: Imposter Refinance Borrowers, Fraudulent and Forged Notaries, and Mail-Away Closings**

The purpose of this alert is to promote awareness of the increase in recent deed/notary fraud scams involving mail-away document executions. If you have a transaction that has any of these elements, closely examine the transaction for red flags and take the below precautions when necessary.

### **How it works:**

1. **Cash-Out Refinance:** Borrower to receive funds from a refinance in excess of any current outstanding debts.
2. **Remote Borrower:** Remote borrower that is not known to the party closing the transaction, never appears at closing or on screen, and/or wants the proceeds wired.
3. **Mail-Away / External Execution:** Refinance documents are prepared in your office but executed and notarized outside of your office.
4. **Unknown Notary:** Notary is not personally known to the party closing the transaction.
5. **No Outstanding Debts Secured By the Property:** While not required, the best target property is one that does not have any payoffs to be made.

In this scheme, the fraudster impersonates the owner of the property and forges the true owner's signature (as borrower) on the refinance documents. Often, a legitimate notary's credentials and seal are fraudulently applied without the notary's knowledge.

One would correctly believe that this fraud would require more effort on the part of the fraudster. It also makes sense that the bank would have performed significant due diligence before committing to the loan. We are aware, however, of instances where the fraudster fooled the bank first and then fooled the party closing the loan.

A claim arises when the true owner of the property discovers the fraud and comes forward to challenge the lien on the property, a scenario that is typically insured through a lender's title insurance policy. As the fraudsters are often hidden in cyberspace, it is difficult to find and prosecute these bad actors.

### **RED FLAGS**

If any of the below elements are present, there should be heightened scrutiny in the pre-closing procedures. While a single red flag is not enough to halt a closing, it is enough to trigger additional precautions.

### **1) Cash-Out Refinance**

- a. Everyone should be careful when sending large sums of money to someone that you do not know.

### **2) Borrower**

- a. Only has a digital presence and only communicates by text or email.
- b. Resides out of state and does not attend closing.
- c. Demands that proceeds be wired (often to an account in a different location than the property).
- d. Signature does not match or resemble previous signatures in the chain of title.
- e. Refuses to meet online in a virtual video call.
- f. Cannot produce identification.
- g. Refuses to adhere to routine protocols and procedures put in place by the party closing the transaction.
- h. Only wants to receive documents via email.
- i. Uses P.O. box for address.

### **3) Notary – Mail-Away and External Execution**

- a. Notary is not known to the party closing the transaction.
- b. Notary is in a state other than where the property is located.
- c. Notary is in a state other than where the borrower is located.
- d. “Owner-occupied” loan, and borrower not located at property.

## **PRECAUTIONS AND MITIGATION EFFORTS**

If any of the above red flags appear in a transaction, take these additional precautions and ask these questions to avoid falling victim to this fraud scheme:

### **1) Verify the borrower’s identity:**

- a. Do not just “get copies” of identification, but compare them in real time to the individual executing the documents.
- b. Contact the borrower directly at an independently discovered and validated phone number.
- c. Ask the borrower for a copy of their government-issued identification.
- d. Ask the borrower to meet you online (Zoom or other platform) to share identification.
- e. Use an identity verification platform, such as [CertifiD](#), to validate the borrower’s credentials.
- f. Check to see where the tax bill is sent and compare it to the borrower’s contact information.
- g. Upon receipt of documents, compare the borrower’s signature to the signature on previously recorded documents (possibly in the chain of title).

### **2) Only send documents to property address or tax address:**

- a. In a refinance, you absolutely know where the property is located.
- b. If it is an “owner-occupied” loan, then the borrower should be residing in the property.
- c. Alternatively, you could refer the closing to a service provider able to close in the county where the property is located.

### **3) Verify or select the notary:**

- a. Verify the notary’s credentials with the commissioning authority.
- b. Contact the notary directly, at an independently discovered phone number, to confirm or arrange the execution of the documents.
- c. Request a copy of the notary’s errors and omissions insurance or notary bond.
- d. Require that the notarization be performed by a vetted and approved notary, which could include RON, if authorized in your state.

- e. Arrange for the borrower to go to an acceptable service provider such as an attorney or bank to execute the deed. (It is more important that the borrower does not know the notary than it is for the closing party to know the notary.)

**4) Control the disbursement:**

- a. Compare that wire instructions match account details on borrower's disbursement authorization form.
- b. Require a copy of a voided check with the disbursement authorization form.
- c. Require that a check be sent for borrower proceeds rather than a wire.

Fraudsters continuously look for areas in which we have become comfortable, complacent, or take things for granted, and this situation is no different. Chances are that just one of these precautions will flush out a fraudster, but it may take more than one to catch a particularly skilled imposter borrower. If it simply takes asking a question or two to avoid potentially significant losses, it is well worth the effort.