



WATCH out!

By Lisa A. Tyler
National Escrow Administrator

Processing escrow transactions is done in steps. The steps include opening the order, sending an opening package to the seller, receipting in earnest money, etc. Many of these steps are automated, which enables escrow officers to be more efficient.

A human, however, often needs to sit and sift through all the details that may reveal something is wrong. It is not as simple as just checking boxes for each step to get to the end goal — closing. Read “PULLING out all the stops” to find out how our reward recipient followed the clues and prevented closing a fraudulent sale.

In August 2023, Fannie Mae and the Federal Housing Financing Agency (FHFA) confirmed the title insurance waiver program was abandoned. In a turn of events this year, the current administration declared a title insurance waiver pilot could save thousands of homeowners up to \$1,500 (and an average of \$750), with lower upfront fees unlocking substantial savings for homeowners and enabling more homeowners to be able to refinance.

A borrower’s largest life-of-loan costs in refinances are property taxes and recording fees, followed by fees paid to the

mortgage-backed security (MBS) investor and lender, homeowner’s insurance, and fees required by the Government Sponsored Entities (GSEs) who back mortgage products.

The fees paid to the GSEs are almost six times the cost of title insurance — which is often less than 0.5% of the purchase price of a home. Regardless, the administration’s declaration sparked a renewed interest in lenders originating refinance loans using Attorney Opinion Letters (AOLs), instead of title insurance. Read the article titled “AOL risks” to find out how it is affecting the industry and consumers.

All-Star was the theme for the 2023 FNF annual escrow training events. National Escrow Administration chose this theme because of our deep belief that our colleagues are the All-Stars in the industry. Our colleagues are what differentiate our Company from the competition.

Our settlement agents nationwide provide a top-notch customer experience, which is proven by our market share. They are the best in the industry. Read about a few of the recipients of the All-Star Award in the article titled “ALL-stars.”

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PULLING out all the stops

Caleen Chamberlain, Escrow Officer with Titor Title in Henderson, Nevada, worked on opening a purchase transaction in the amount of \$104,000. The seller, Redman Brick, sold the property to an investor without the benefit of a real estate agent.

The transaction purchase agreement reflected an all-cash purchase with a 22-day closing. Caleen ordered a title report and when it was finished, she began to review it. Item 11 of the report read as follows:

11. The vesting set forth in this title report is subject to verification, to the satisfaction of this company, of the validity and enforceability of the following uninsured deed:

Dated: May 17, 2024
Grantor: Abbott Costello, an unmarried man
Grantee: Redman Brick
Recording Date: May 23, 2024
Recording No. Book 202240123, Instrument No. 0000617, of Official Records

Caleen noticed the uninsured deed was recorded transferring title to the seller (Brick) just a few days before the buyer in Caleen's file signed the purchase agreement.

A deed is uninsured when the grantor and grantee do not utilize the services of a title insurance company for the transfer of title. Uninsured deeds in a chain of title always require additional steps be met before a title insurance company will insure a new transfer.

Caleen reached out to the seller. She explained she needed to contact the previous owner, Costello, and asked for his contact information. She called the number provided by Brick.

Caleen spoke to the previous owner, who agreed to meet with an approved signing agent in Las Vegas to sign an Uninsured Deed Affidavit. The signing was conducted at a local coffee shop and the signing agent returned the fully executed affidavit.

Also, since Brick did not occupy the property, Caleen sent a link to him to authenticate his identification. Brick completed the steps necessary to authenticate his identification and Caleen carefully reviewed the results.

Brick's identification was rejected because it contained evidence it was altered or forged. Caleen sent Brick another link and asked him to complete the steps a second time using a different I.D. He claimed he did not have another form of I.D.

Caleen realized it was time to dig deeper so she double checked all of the details. She began cross-referencing the addresses she had been provided, against the addresses of public



record. She uncovered the previous owner's mailing address was in Chicago, even though he supposedly signed the affidavit in Las Vegas. She was also told he resided in California.

Caleen reached out to the approved signing agent who notarized the affidavit, who said she was presented with a California I.D. Caleen escalated the file to her manager who found the correct phone number for Costello. Caleen called the number and Costello confirmed he had not sold his property and he was still the rightful owner.

Caleen resigned from the transaction and notified the title officer so they could note the title plant appropriately. She exclaimed, "Thank goodness for I.D. Authentication!!"

Nominated by her management team, Caleen has been rewarded \$1,500 for following Company policy and stopping this imposter from succeeding in defrauding our Company.

Watch out!

This is the latest twist to this scheme. The imposter transfers title to themselves or to an identity they have assumed. Of course, this is done without the benefit of an escrow and title company — making the transfer uninsured.

Then the imposter sells the property to an innocent buyer. They count on the escrow officer to reach out to them for the previous owner's contact information. Either the imposter or a co-conspirator signs the Uninsured Deed Affidavit.

Escrow must independently locate the previous owner. Underwriting's Document Execution Guidelines must be followed when the Uninsured Deed Affidavit is signed. Do not be afraid to ask the seller to authenticate their I.D. either. Send the request through the Company's I.D. authentication tool.

In this story, the "previous" owner clearly used a fake I.D. when he met with the approved notary. Fake I.D.'s can be hard to detect with the naked eye. Using I.D. authentication tools can be effective in detecting fraudulent identifications.

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AOL risks

Who will clean up the Attorney Opinion Letter (AOL) mess five to ten years from now when the homes securing the financing are sold or refinanced? Unfortunately, we will all be forced to deal with the consequences of this experiment with unregulated title insurance alternatives if we do not speak up now about the valuable and significant protections provided by our title insurance products and settlement services, and the risks these alternatives pose to consumers, lenders and the integrity of our nation's system of public records.

Law firms preparing AOLs in connection with a real estate loan closing do not have access to title plant records, meaning they likely will not uncover homeowner's associations' fees, delinquent taxes, income tax liens, liens for unpaid child support or judgement liens that have attached to a property.

Additionally, the American Land Title Association (ALTA) reports that one out of every three properties have title defects ranging from incorrect legal descriptions, to unpaid liens that were never released, to ownership interest of previous owners that have not been properly extinguished.

The defects listed above are unlikely to be identified in an Attorney Opinion Letter. However, those defects will have to be cured at a future date by the property owner, who will no doubt rely on settlement agents and title officers who have the expertise and experience to resolve complex title defects.

Think about this information from ALTA...

- » At no cost to taxpayers, settlement agents collect \$1.75 billion per year in back income taxes (State and Federal).
- » At no cost to taxpayers, settlement agents collect \$3 billion per year in delinquent real estate taxes.
- » The industry spends \$225 million per year to correct errors in the public property records that otherwise would lead to serious impairment to the property rights of millions of Americans.

- » The industry is also an important source of revenue for local governments, paying \$170 million per year to purchase copies of recorded documents.

Title insurance also plays an important role in protecting consumers, lenders and the public records system from the rising risks of real estate fraud, forgery and impersonation. Unregulated alternatives to title insurance, like AOLs, do not protect owners and lenders from these hidden risks. They also lack state insurance regulator oversight and consumer protections, such as statutory claims reserves.

All loans purchased by Fannie Mae and Freddie Mac must have the critical protection of title insurance attached to protect homebuyers and lenders. That is why Andrew Garbarino (R-NY) introduced H.R. 5837, the Protecting America's Property Rights Act, in the U.S. House of Representatives. A companion bill, S. 2687, was introduced in the Senate by John Kennedy (R-LA).

What can you do?

1. Make sure you are a member of the Title Action Network (TAN) to help advocate on this critical issue. Sign up for free and become a TAN member:
<https://www.alta.org/advocacy/tan/join-tan>
2. Ask members of Congress in your state to co-sponsor and support the Protecting America's Property Rights Act. Follow the link below and select the "View Our Action Center" button in red: <https://www.alta.org/advocacy/tan/>
3. Share your personal experiences and expertise about the value of our title insurance products and settlement services with your customers. You can find additional resources and updates on ALTA's advocacy page: <https://www.alta.org/advocacy/federal-advocacy/unregulated-title-insurance-products>



ALL-stars

All-Stars are highly effective and productive individuals. They are often self-starters, who are trustworthy, compassionate and demonstrate a high standard of conduct. They are tenacious and possess the ability to work with different personality traits.

This month we are featuring four individuals who were recipients of the FNF All-Star award in 2023.



Patricia Nuttbrock
Escrow Operations Manager
Salem, OR



Patricia Nuttbrock is highly respected by both her peers and other industry partners throughout the state of Oregon, as an escrow professional. Patricia is well-rounded in her experience having closed new construction, residential and commercial resale, short sales, personal property resale and refinance transactions, throughout her career.

Her dedication and contribution to the escrow industry and her employees is paramount. She is a true asset to Fidelity!



David Davila
Title Officer
Houston, TX



StarTex Title Agency nominated David Davila as their All-Star. David began his career in the industry as a copy shooter. Next, he worked the order desk and performed updates to existing commitments. At one point, he managed his own builder account. He continued to expand his skill set by becoming a residential title examiner, then a commercial title examiner and plant manager.

David is an experienced Title Officer. He is currently dedicated to assisting and training title examiners, as well as helping closers with complex questions and issues. David is an outstanding team player. He has been the recipient of title plant honors including Title Plant MVP. StarTex Title Agency is fortunate to have David on the team!



Diane Smith
Escrow Operations Manager
Winchester, IL



Diane Smith deserves to be recognized for her loyalty to the Company, her staff, colleagues and customers. She is always willing to help everyone.

Diane has shepherded offices through countless audits, ran various sales contests, provided training in customer service, and facilitated a large number of closings. She has done all of this, along with managing an office that is well known as one of the top operations in this area.



Marco Rodriguez
Escrow Officer
Scottsdale, AZ



Marco Rodriguez has been with Lawyers Title for more than 11 years. He does whatever it takes to get the job done. He never complains and does it all drama free.

Marco works tirelessly to make sure his customers have the very best experience. He is deserving of this recognition of All-Star.

Article provided by contributing author: Diana Hoffman, Corporate Escrow Administrator • Fidelity National Title Group • National Escrow Administration

