



By Lisa A. Tyler
National Escrow Administrator

Title clearance is one of the many duties performed by settlement agents. Additional duties to clear title include ordering payoffs, ordering homeowners association statements, ordering or preparing deeds, and ensuring the documents are executed properly and notarized.

Recently, the American Land Title Association commissioned a study by a strategic economic consulting firm, ndp | analytics. The results of the study indicated title professionals spend approximately 22 hours to close a standard transaction and 45 hours for more difficult transactions. Thirty-six percent of all transactions require extensive, nonroutine title clearance efforts.

Due to fraudulent activity rising relating to real estate transactions, settlement agents are expected to perform even more, nonroutine steps. Read “A case of mistaken identity” for details on how just one added step protected the actual owners of the property, alerted the putative sellers to a serious mistake on their part, and protected the Company from a potential claim.

Imagine you have worked diligently to clear title, prepare the closing documents, coordinate the signing with the buyer and then the

seller, and obtain lender approval of the closing statement — only to have a last-minute invoice remitted. It is for roof repairs in the amount of \$22,340.

The real estate agent tells you the work has not been performed but provides instruction to charge the seller and give the check to the buyer at closing. This type of request occurs more often than you think. Read “LAST minute invoices” to find out how one of our most experienced escrow officers proceeded.

Be sure to read “THE value of title insurance” for an explanation of the coverage afforded a buyer under an owner’s policy of title insurance and to realize the small cost of a policy that comes with big assurances.

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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A case of mistaken identity

Settlement agents rely on a Preliminary Title Report or Commitment for Title insurance to clear title requirements or exceptions to coverage. They use it to compare against other facts in the transaction to ensure the principals are who they say they are and ensure the mutual instructions received are followed.

As previously reported, seller impersonation fraud is on the rise with absentee owner properties. One of the methods settlement agents use to identify the real property owner is to send a letter to the owner of the property at their mailing address. This has proven an excellent way to identify imposters before the sale closes.

Recently, one of our offices opened a sale of a vacant lot for \$65,000. The lot was one of several properties owned by Noah Riddle Jr., who was deceased. The administrators of the estate were three of his children.

Since this was a vacant lot, escrow sent a *Notice of Pending Real Estate Transaction* to the mailing

address of the owner. Within three days the owner responded. As it turns out, the property was owned by Noah Junior Riddle since 1963, **not** Noah Riddle Jr. The real owner, Noah Junior Riddle, was also deceased; his heirs were tending to the property, received the letter and promptly responded to the settlement agent.

It was determined that this was a case of mistaken identity, not fraud. The children of Noah Riddle Jr. did not know all their father's assets. The estate's attorney did a search of the public records and simply assumed this lot was supposed to be part of the property listed as part of the estate and the vested owner name was recorded improperly as Noah Junior Riddle.

The heirs to Noah Riddle Jr.'s estate did fully intend to list and sell the property they thought was owned by their deceased father. When they discovered it was owned by Noah Junior Riddle, the sale was halted and the settlement agent resigned from the transaction.

MORAL OF THE STORY

Company policy has been implemented to prevent absentee owner fraud and assist in preventing claims. In this instance it does not appear anyone intended to defraud the true property owners.

The inclusion of the property as part of the estate was simply a mistake, yet the *Notice of Pending Real Estate* did protect the Company from closing a transaction in which the putative seller was not the actual owner. One simple step protected the Company and proved the escrow officer a hero to her customers, deepening her relationship with them. They trust she will always take steps to mitigate risks.

Fraud and forgery claims are among two of the top three leading causes of loss to title insurance companies and are five times more costly (at more than \$143,000 in total average claim costs) than all other claims, according to a study conducted by Milliman, a premier global consulting and actuarial firm. This is just one of the reasons settlement agents are charged with more title clearance tasks to prevent claims by our insured customers.

Article provided by contributing author: Diana Hoffman, Corporate Escrow Administrator
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STOP

TELL US HOW YOU
**STOPPED
FRAUD**

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LAST minute invoices

A buyer searched and searched for the perfect home. She found it, made an offer and the seller accepted. During the inspection period, it was revealed the roof needed repairs. The seller agreed to pay for the repairs but did not want to pay until they knew for sure the buyer's loan would be approved.

The seller and buyer mutually agreed to the estimated amount due to the buyer at closing and the buyer would have the repairs done after closing. No one discussed this with the lender or escrow officer, Donna Santiago Woods, assistant vice president with Fidelity National Title in Corte Madera, California.

At closing, an invoice for \$22,340 was deposited into escrow with instructions to pay it from the seller's proceeds. Donna added the payment to the seller's closing statement and sent the statement to the lender with the following message:

Attached is an invoice and amended closing statement pertaining to the roof repairs being paid at closing per the request of the seller. If this payment is not acceptable to you, be sure to contact me prior to closing. Otherwise, your funding of the loan will be deemed your approval and acceptance.

The loan officer immediately contacted Donna. He argued the payment was being paid by the seller so she should have never sent an amended closing statement or required additional approval. She was shocked. Donna knows an escrow officer's responsibility is to disclose.

Prior to receiving the invoice, Donna already had the lender's approval of her closing statements. It was only after she received approval, did the seller and buyer remit the invoice to her. Donna did the right thing by *disclosing* this new payment to the lender.



It is up to the lender to investigate the payment and determine whether it affects their loan terms and/or the value of the property. An escrow officer must disclose all receipts and disbursements, regardless of who is paying them.

Clearly, Donna was the only one disclosing these repairs to the lender. The loan officer obviously had no intention of doing so. By disclosing material facts, she gave the lender the opportunity to determine whether the payment of this invoice was material to its underwriting of this loan.

By Donna ensuring the lender had all the new invoice information, she was exercising the highest standard of conduct for the Company. For this, she has received a reward of \$1,500.

Article provided by contributing author:

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THE value of title insurance

Title Insurance is:

- » An assurance against loss and indemnifies the insured against actual loss should the title to the property insured not be as stated in the policy
- » An agreement to defend the insured's title against an attack from parties claiming rights that have been insured by the policy coverage
- » An agreement to compensate the insured for actual losses suffered under covered title risks



Fraud and forgery are covered risks offered in a title insurance policy. Due to the increase in absentee owner or seller impersonation fraud, title insurance has never been more important. Here is an example of how it works.

A buyer made an offer to purchase a vacant lot for \$315,000. The seller accepted the offer. The seller, located in Canada had made arrangements to sign the deed with a Canadian Barrister.

After closing, the seller received a copy of the closing documents by mail at his home. The problem was, he had not sold his lot an imposter did. At closing, an owner's title policy was issued naming the buyer as the insured.

Without title insurance the buyer's only recourse would have been to try to track down the imposter who fraudulently sold him the lot. The chances of receiving a reimbursement for his purchase would have been very slim. Instead, he filed a claim and received a full refund of \$315,000.

The title insurance premium was \$1,500 representing less than 1% of the purchase price. For such a small cost, the buyer's investment was protected. Money well spent.

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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.



Adrienne Forks
Branch Manager and Escrow Officer
San Antonio, TX



Chicago Title in San Antonio, nominated Adrienne Forks as their All-Star employee. Throughout her career, Adrienne has developed a strong network of industry professionals. She remains committed to providing the best service in the marketplace.

Adrienne's expertise helps to provide smooth closings and long-term business relationships. Her dedication to her employees and creating a fun and collaborative culture in her office, contribute to her impressive leadership. She is an invaluable part of the operation.



Cindy Roddy
EPRO Manager
Phoenix, AZ



Fidelity National Title of Phoenix, AZ nominated Cindy Roddy as their All-Star employee. Cindy is one of the Company's most valuable team members. She is masterful at creating systems to assist the Company in becoming more efficient and consistently shares her wealth of knowledge. With her efficiency and expertise, she makes her colleagues' jobs a little easier.

Cindy is a standout employee because she is always willing to go above and beyond. The Company can always count on her, no matter what is asked.



Maddie Davis
Escrow Assistant
Colorado Springs, CO



Fidelity National Title of Colorado Springs, CO nominated Maddie Davis as their All-Star employee. Maddie is always positive and approaches each day with customer driven focus. She never waits to be asked before offering her assistance.

Maddie is especially helpful to her new colleagues by welcoming them and ensuring they are set up properly and ready to work. Her positive attitude is a bright light for her colleagues and customers.



Maria Shelley
Escrow Officer
Tempe, AZ



Lawyers Title of Tempe, AZ nominated Maria Shelley as their All-Star employee. Maria is always full of energy and enthusiasm. She is also considered the life of the party at Company functions.

Maria amazes her customers with her escrow knowledge and drive to get the deal closed. She has been an integral part of Lawyers Title's team for many years.

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