



New Fraud Scheme Targets Title Agencies 2012 Bulletin 14 5-25-2012

As title agents we hold large sums for our customers in our trust accounts. That has always made us a target for any number of fraudulent schemes. Criminals, being very creative, have come up with a new scheme which targets title agencies and seeks to steal our corporate identities and good reputations. The scheme then redirects funds to the criminals before the funds ever reach our trust account.

I want to thank our friends at Stewart Title for sharing information about this new fraud scheme and for giving us permission to reproduce their thoughtful bulletin for the benefit of all FLTA members.

Dear Associates:

Identity theft is not limited to individuals. The Company has recently been made aware of several situations occurring in South Florida where corporations have been set up utilizing names similar to those of our licensed title insurance agents. The imposters use a new corporate name very similar to the licensee, although they will add something like "services," "group" or "corporation" to the name to distinguish it slightly, to allow for incorporation with the state division of corporations.

Once the imposter corporation is registered with the state, they are able to obtain a federal tax identification number and open up their own bank accounts. We found these entities do not have fixed office locations and commonly use cell phones as their office phone. The imposters create documents purporting to be title insurance commitments, using commercially available software and provide lenders with fraudulently created insured closing service letters.

We have discovered the existence of these schemes through claims made by defrauded lenders as well as reports from our agents who have discovered imposter agents. Your efforts to maintain the integrity of your agency's corporate identity is crucial in our efforts to fight agency identity theft. There are several things you can do:

Be aware of communications received from buyers, sellers, vendors, lenders, brokers or any other parties relating to a closing that you have not been asked to handle. This may seem like an innocuous request since many times a closing simply has not yet been referred to you, or your office was the proposed recipient of the closing and the file has been moved to another closing agency. However, these calls are also the primary method to catch this type of identity theft.

Many times a party to the imposter's closing will try to contact the imposter, but find your contact information in a phone book or in a vendor's or lender's database, and call you relating to the imposter's closing. You will need to train your staff to be cognizant of this specific type of phone call and if one is received, you will need to gather as much information from the person as possible relating to the imposter agency. It is imperative the parties are made aware your office is not handling the closing.

Another red flag to be aware of is a notice from your bank. We are aware of several situations wherein there was miscommunication between the lenders and parties as to whether to use the imposter's escrow account or whether to use the real agent's escrow account. The use of positive pay, strict guidelines as to who is authorized to make withdrawals and continual diligence/oversight with respect to the transactions occurring in your escrow account are always the best preventative measures to take to avoid potential losses occurring as a result of instances of agency identity theft.

Finally, regular review of records maintained by the Secretary of State relating to your corporate name may be appropriate. As noted above, imposters use a very similar name to that of our licensee and may even use your actual address.

Because this scheme originated in Florida, routine checks of the Sunbiz website by Florida Agents is recommended. www.sunbiz.org

Please note this list of red flags is not exhaustive and as this scheme is relatively new, and other fraudsters join in, new and different schemes will arise. Police and other authorities are still struggling to determine how best to handle this from a law enforcement perspective, although if you have become a victim, you should report any losses incurred to local authorities.

FLTA: If you think you may have been targeted in this type of "corporate identity theft" scheme, please contact your underwriter immediately.

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