FRAUD Insights

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RAMPANT
fraud and forgery in L.A.

By Lisa A. Tyler
National Escrow Administrator

Fraud and forgery has been rampant in L.A.:

- In 2011, thirty-three percent of all Fidelity National Financial's (FNF) Fraud and Forgery claims closed in **Los Angeles County,** Calif.
- A total of $20 million was paid out in Fraud and Forgery claims from transactions closed in the **Los Angeles County area**
- Over the past three years more than $44 million was paid in Fraud and Forgery Claims from transactions closed in the **Los Angeles County area**

The story entitled "SPELLING counts!" is a perfect illustration of the type of crime experienced frequently by our title operations in the Los Angeles area.

Non-public personal information is defined as personally identifiable data such as information provided by a customer on a form or application, information about a customer's transaction or any other information about a customer which is otherwise unavailable to the general public. Non-public personal information includes first name or first initial and last name coupled with any of the following: social security number, driver's license number, state-issued ID number, credit card number, debit card number or other financial account numbers. Read the story entitled "FRONT porch" to discover how a signing agent compromised a borrower's non-public personal information on a recent refinance transaction – not once, but multiple times.

"BAD press" is a story about a former employee who made the choice to claim property escheated to various states in the name of the Company. It was within the scope of his job to do so, but instead of ensuring the funds were applied to the Company or their rightful owner, it is alleged he used the funds to cover his gambling debts!

This newsletter concentrates on fraud but there are many other crimes which can affect our readers. Be sure to read this month's "SAFETY CORNER" on "TRAVELING."

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FRAUD Insights

Publisher
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SPELLING counts!

In the Los Angeles County area 70% of all transactions are closed with independent escrow agents. Most independent escrow agents do not have the stringent controls in place that our in-house escrow operations do, such as our document execution guidelines or a minimum of ten (10) hours of training every two years. As a result, our title officers are trained to scrutinize the documents they receive in escrow for inaccuracies, as well as fraud and forgery.

A title only order opened in the Burbank, Calif. branch of Lawyers Title Company for a $273,000 second cash-out loan. The deed to the subject property reflected the original owners in title since 1980. The transaction closed with an independent escrow company and Terri Westfall, the title officer, received the documents that were to be recorded the very next day. The recording package included a deed from the original owners to a new individual, Artak B., a single man, and a deed of trust executed by the individual in the amount of $273,000.

The signatures on the deed looked suspicious to Terri because they were inconsistent with the signatures on documents in the chain of title. Terri noticed the documents were signed in the presence of the escrow officer. Terri asked the escrow officer for copies of the identification presented to her at the signing. She compared the identification to the names on the deed and quickly discovered these spelling errors:

Name on Deed	Name on Identification
Nellie Kokikian	Nelli (missing e) Kokikin (missing a)
Vanouhi Kokikian	Vanouhi Kokian (missing ki)

Name on Deed	Signature on Deed
Nellie Kokikian	Nelli (missing e and entire last name)
Vanouhi Kokikian	Vank (missing ouhi and entire last name)

In addition, Terri knew the property had been acquired by the actual owners in 1980, but the identification indicated Nellie was born in 1980 and Vanouhi was born in 1975 (which would have put them at zero and five years of age at the time of the initial property acquisition).

Terri halted the transaction and notified the escrow agent that Lawyers Title Company would not be recording the documents, nor would they be insuring this transaction.

Terri then handed the documents over to her supervisor and he in turn posted the property address to the title plant records to warn other title insurers of the crime almost perpetrated on Lawyers Title Company.

For Terri's careful attention to details and her diligence in asking for supporting documentation that lead to her discovery of a forgery, she has been rewarded $1,000 and has received a letter of recognition on behalf of the Company.

MORAL OF THE STORY

Had Terri accepted the documents and recorded them without a careful review, the Company would have issued a loan policy to the new lender insuring 100% against forgery. When the borrower failed to repay the loan, the lender would likely start foreclosure against the unwitting property owners who never deeded over their property.

The end result would have been a claim against the Company by the owners for recording an erroneous lien against their property and a claim by the lender under their insurance policy for a complete forgery in the chain of title leading to a failure to foreclose under their deed of trust.

TELL US HOW YOU STOPPED FRAUD

settlement@fnf.com or
949.622.4425

FRONT porch

A Fidelity operation in Northern California regularly uses the services of an outside signing company to perform document signings. On one particular transaction they sent the documents to an approved outside signing company in an unencrypted email.

The borrowers were refinancing their property to reduce their monthly payment by $200. Little did they know the refinance might end up compromising their credit and identities. The borrowers were husband (information security specialist) and wife (doctor).

The lender failed to include the borrowers' financial statements and tax returns in the original package of the loan documents and they were later transmitted to the outside signing company. Since the signing agent had already left with the loan documents to meet with the borrower, the signing service company emailed the trailing financial statements and tax returns directly to the borrower with a message to print and sign the documents, and hand them to the signing agent when she arrived.

The borrower was outraged the documents containing their non-public personal information had been sent over the Internet unencrypted. The borrower contacted the signing service company owner and demanded they stop sending emails to them, to the escrow officer and to the lender containing their non-public information unless those emails could be secured through encryption.

The signing company owner stated the documents were sent by the title company unencrypted, so he forwarded them unencrypted. Then the signing company sent unencrypted, unsecure messages containing non-public information (such as their social security numbers, loan numbers, bank account numbers and credit card numbers) to the borrower two more times.

Although angry, the borrowers met with the signing agent and signed their loan documents. The signing agent left the borrower's residence and headed home. After returning home, she finished notarizing, sorting and packaging the documents to be picked up by courier, and returned to the signing company's office. She leaned the package of signed loan documents against her front door around 8 p.m. The signing agent labeled the envelope with the signing company's name and a smiley face.

The signing agent went inside and told her husband and daughter a package was left on the front porch, that someone was coming by to pick it up and not to bring it back in the house. At 11 p.m. the signing agent's doorbell rang. When she answered the door she was shocked to see the courier there to pick up the package of documents. The courier did not have the documents and the package was missing!

The signing agent scrambled looking for the package. She woke her husband and daughter to see if they took it. The husband said he turned off the front porch light at 10 p.m. and the package was gone, so he assumed the courier had come and gone. The signing agent waited until morning and then asked her neighbors if one of them had picked up the package, but none of them had seen it. The signing agent filed a police report and the documents were never recovered.

As a result of the above incidents the office took the following steps:

1. **Arranged for another signing appointment with a BancServ notary at no cost to the borrower**
2. **Provided the borrower with a year's worth of Credit Check® Basic through Experian®**
3. **Contacted Lisa Tyler, the National Escrow Administrator, who provided a sincere verbal and written apology on behalf of the Company**
4. **National Escrow Administration permanently removed the signing service company from the approved notary list, since they violated the Notary Public's Professional Responsibility & Requirements (specifically Item #12 which requires they keep all documents safe while in their possession)**

As a result, settlement agents need to verify the signing company they use for each and every transaction to ensure they have not been removed from the list. If settlement agents need assistance in verifying an approved notary, they should contact the National Escrow Administrators via email at settlement@fnf.com or by phone at 949.622.4425.

The transaction ultimately cancelled. It is not likely the lender who directed the order or the borrower will ever use our Company in the future to serve their escrow and title needs.

MORAL OF THE STORY

Before sending documents to a signing agent, consider how the documents are transmitted. If they are sent by email, make sure the email is sent using our Company's encryption software – called Voltage. To find out more about the Voltage technology read escrow technical memorandum *#148.2011 Secure Emails*.

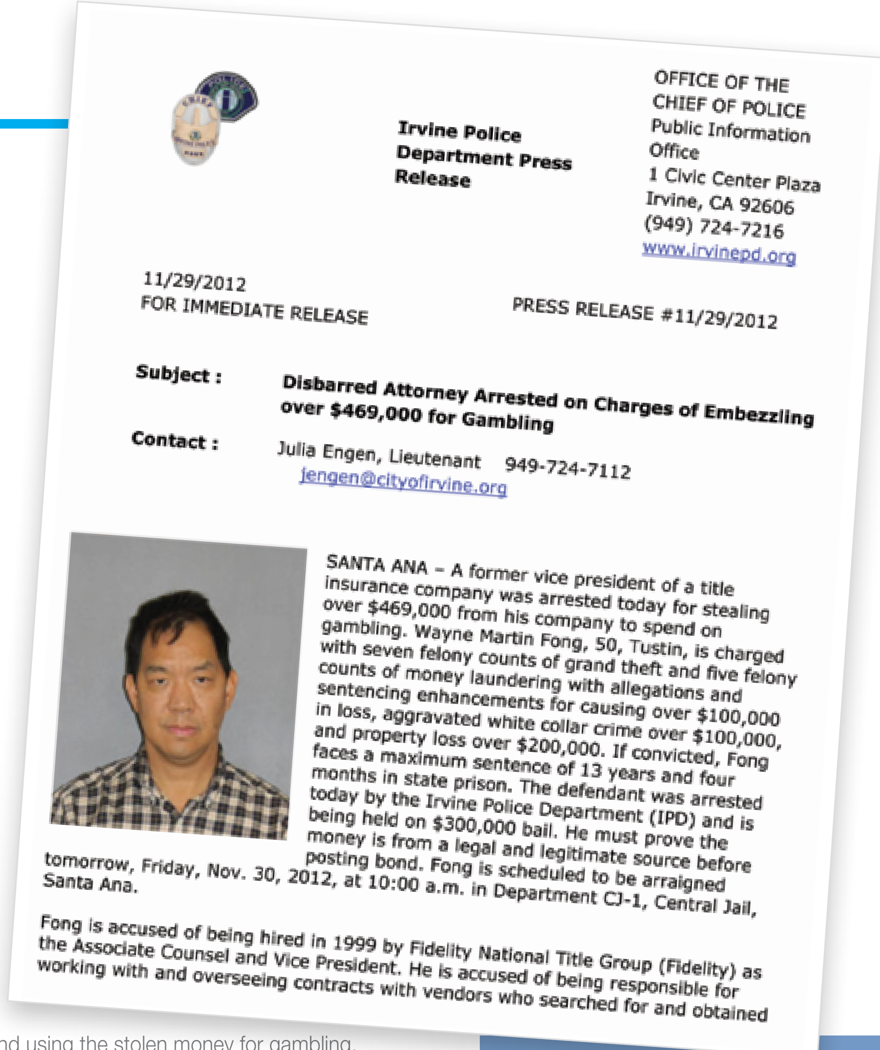
Make sure the signing agent has a way to transmit a secure message back to escrow and/or to the borrower, if they will be transmitting non-public information. If they do not have encryption software available, they should not be transmitting emails containing non-public information.

Better yet, make the safe bet and use BancServ, the Company's wholly-owned subsidiary signing service company. BancServ has technology that enables the settlement agent to upload the closing documents to a secure website. The assigned signing agent/notary logs into the website and can only print the documents – they cannot be saved to the signing agent's personal computer. After 30 days has lapsed the document package is permanently removed from the BancServ website. This technology maintains the integrity of the customers' non-public information and prevents unwanted disclosure over the Internet through unsecure emails.

FRAUD Insights

BAD *press*

SANTA ANA – A former vice president of a title insurance company was arrested today for stealing over $469,000 from his company to spend on gambling. Wayne Martin Fong, 50, Tustin, is charged with seven felony counts of grand theft and five felony counts of money laundering with allegations and sentencing enhancements for causing over $100,000 in loss, aggravated white collar crime over $100,000, and property loss over $200,000. If convicted, Fong faces a maximum sentence of 13 years and four months in state prison. The defendant was arrested today by the Irvine Police Department (IPD) and is being held on $300,000 bail. He must prove the money is from a legal and legitimate source before posting bond. Fong is scheduled to be arraigned tomorrow, Friday, Nov. 30, 2012, at 10:00 a.m. in Department CJ-1, Central Jail, Santa Ana.



Irvine Police Department Press Release

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11/29/2012
FOR IMMEDIATE RELEASE

PRESS RELEASE #11/29/2012

Subject : **Disbarred Attorney Arrested on Charges of Embezzling over $469,000 for Gambling**

Contact : Julia Engen, Lieutenant 949-724-7112
jengen@cityofirvine.org

SANTA ANA – A former vice president of a title insurance company was arrested today for stealing over $469,000 from his company to spend on gambling. Wayne Martin Fong, 50, Tustin, is charged with seven felony counts of grand theft and five felony counts of money laundering with allegations and sentencing enhancements for causing over $100,000 in loss, aggravated white collar crime over $100,000, and property loss over $200,000. If convicted, Fong faces a maximum sentence of 13 years and four months in state prison. The defendant was arrested today by the Irvine Police Department (IPD) and is being held on $300,000 bail. He must prove the money is from a legal and legitimate source before posting bond. Fong is scheduled to be arraigned tomorrow, Friday, Nov. 30, 2012, at 10:00 a.m. in Department CJ-1, Central Jail, Santa Ana.

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Fong is accused of being hired in 1999 by Fidelity National Title Group (Fidelity) as the Associate Counsel and Vice President. He is accused of being responsible for working with and overseeing contracts with vendors who searched for and obtained missing assets for the company.

The defendant is accused of signing a service agreement on behalf of Fidelity with a vendor, Global Discoveries (Global), in March 2009. In July 2009, Fong is accused of contacting Global, requesting by email to have all payments sent to a different account, and providing them with a different email address, phone number, and mailing address. The defendant is accused of embezzling over $469,000 by having payments intended for Fidelity deposited into his own personal account and using the stolen money for gambling.

One of Fidelity's vendors became suspicious about the change in email address, bank account number, and mailing address provided to them by Fong. The case was reported to IPD, who investigated this case. At the time of the crime, Fong was a licensed attorney but has since been disbarred. The defendant was also a former police officer in the state of New York.

MORAL OF THE STORY

The Company remits thousands of payments every business day, which sometimes result in a refund or sometimes cannot be properly applied by the payee. In either case, the funds do not always make it back to the issuing office to be reissued to the rightful owner, typically the buyer or seller. When this happens the payees will often escheat the funds to the state in our Company's name. The state posts on their website all unclaimed property.

The FNF Family of Companies has hundreds of thousands of dollars in unclaimed property posted to various state websites. Unless the Company can determine with certainty the rightful owner of the funds, they do not make an effort to claim the funds. The funds do not belong to our Company, if they were issued as payment on behalf of principal. As a result, if an employee finds unclaimed property or is contacted by a service to assist in claiming property posted in the Company's name, they should refer the matter to FNF's Unclaimed Property Group to process.

TRAVELING

It is important to communicate with your customers when you are leaving town, but it does not mean you have to advertise to everyone you will be leaving town and your home will be vacant. It only invites unscrupulous characters to rob you.

The same is true when posting updates to social media sites such as Twitter® and Facebook®. Do not post a tweet about how beautiful the sunset is from the beach in Mexico or post a picture on Facebook while you are on a tour of the Eiffel Tower.

When using your out-of-office notification, simply notify customers when you will be out of the office and who they should contact during your absence. You can share your memories and pictures upon your return.

SAFETY CORNER