Vermont Attorneys Title CORPORATION

Payoff Fraud

Payoff fraud is on the rise and it is taking on NEW forms! Also, yes it is happening here in Vermont! Click **here** to read an article published by ALTA entitled, "Tips to Protect Payoffs from Wire Fraud." Be ever vigilant: protect your computer systems, train all staff, procure appropriate insurance.

DFR License Renewal - Action Required

Attention Title Producers (Licensed Agents): You should have received an email from DFR about renewing your Title Producer License (to sign policies). If you have not already renewed your License, NOW is time to do so as existing licenses expire on 3/31/19. The renewal period runs from 4/1/19 to 3/31/21.

You can renew your producer license by going to **Sircon** or **NIPR**.

For additional information please visit click **here** to visit DFR's website.

Upcoming VATC Seminars

VATC is continuing its ever-popular, County Seminar series! Topics include: Notarization and Remote Online Notarization; Important Legislation; New and Revised Title Standards; Latest Court Decisions/Ethics Opinions; other requested topics.

Remaining county seminars: Chittenden 3/7; Windsor 3/14; Rutland 3/26; and Addison 4/9.

Click **here** for additional details and to register.

Policy Change: Mechanic's Lien Exception

In the coming weeks, you will notice that the pre-printed portions of Schedule B, Exceptions for both the Commitment and Final Policy have been revised to remove the standard exception for unrecorded (inchoate) mechanics' liens. The reason for this revision is because the risk of loss resulting from an unrecorded mechanic's lien is minimal because Vermont law does not recognize inchoate mechanics' liens.

Scheduled CATIC Applications Outage

CATIC will be performing maintenance to PrepExpress Online®, JacketExpress, ICLExpress and CATIC.com beginning **Friday, March 8th at 8:00 p.m. until Saturday, March 9th at 8:00 p.m.** Attempts to access these applications will return a 404 Server Unavailable message.

Lau's Corner & Title Tips

Pre-Closing Title Updates

The "Gap Period" is the time between your title search and the date document are recorded). Risk arises during the Gap Period. In order to reduce or eliminate that risk and thus the possibility of a title claim, an in-person pre-closing title update should be conducted within **3 days** of closing and evidence of your visit should be documented in your file.

Why? Well, if a short form policy was issued, the risk during the Gap Period is borne by CATIC. If a Commitment was issued, the risk during the Gap Period is borne by the insured lender and/or the insured buyer. Regardless of whether a Commitment or SF policy was issued, all of the foregoing parties want their risk reduced or eliminated.

Reminder: If you are issuing a Commitment, please make sure that the "Commitment Date" on Schedule A reflects the date of your most recent title search or title update.

Notice of Availability Form

Are you discussing the availability of an Owner policy with your client(s)? If they decline coverage, are you asking them to sign the Notice of Availability form?

While many clients might remember declining coverage, Andy Mikell suggests that some clients will either forget the discussion or will have "selective recall". They may assert (AFTER a title issue has arisen) that an attorney was negligent for not informing them that title insurance was available.

Accordingly, when a client declines title insurance, it is best to have the client memorialize their decision by signing the NOA and keeping the form in your file. The NOA form is available in PrepExpress Online®, E-Closing and can potentially be added to other third party software vendors.

Tips to Protect Payoffs from Wire Fraud

February 26, 2019

Traditional mortgage wire fraud scams usually began with a fraudster deceiving a buyer or key party to the transaction into believing the imposter was a legit participant in the deal. Once inserted into the email chain, the criminal changes already established wiring instructions.

In a recent twist, fraudsters are deceiving title companies by issuing counterfeit mortgage payoffs and wire instructions from the start.

"Fraudsters now understand that it's not that hard to 'spoof' or imitate an authentic payoff statement—and that statement is the ultimate authority for title or escrow companies awaiting official wire instructions," said Thomas Cronkright, CEO and co-founder of CertifID. "As a result, the agent's guard is down and, once the fraudulent payoff statements are received by fax or email, the funds are quickly and mistakenly wired directly to the criminals."

According to Cronkright, emerging examples of payoff fraud include:

1. Spoofed lender payoff portals
2. Lender payoff statements received directly from the lender
3. Payoff received from current borrower
4. Land contract payoffs, seller-held mortgages and other third-party payments
5. Payoff trolling

In one instance, the California Land Title Association reported an altered payoff statement appeared to come from a loan servicer on behalf of a private party loan. However, the payoff really came from a spoof email account created to impersonate an employee of the loan servicing company. In

another instance, a nationally recognized bank sent a loan payoff statement. Then two days later, an unsolicited, updated statement came from whom the settlement agent thought was the lender modifying only the bank wire information. The statement and all other information contained was identical. In other instances, payoff statements appear to come from a related third party. When in fact a fraudster compromised the email account of the third party and sent a modified payoff statement. Third parties have included the seller's attorney or real estate agent and other interested parties.

How do the criminals find out about the transactions? In some cases, the fraudsters monitor properties on the Multiple Listing Service (MLS). When the property status updates to pending, the fraudsters watch the transaction by infiltrating one or more of the parties' email accounts. They watch the email traffic looking for payoff statements generated by a lender to the seller's attorney, seller's real estate agent or to the settlement agent directly. At that point, the fraudster intercepts and alters the statement then forwards it on with bank wire information for a money mule instead of the actual lender.

Tips to Avoid Falling Victim

1. Set up a repetitive wire transfer feature in your production system. Include the bank wire transfer information of the entities you repeatedly wire to the most, then lock down the wire information for that entity. If an employee receives a payoff statement containing bank wire information differing from the account information in your system, you will know they received fraudulent account information to illegally divert funds.
2. Disbursement should always make sense. If a nationally recognized bank supplies a loan payoff, the payoff should not direct the funds to another banking institution. In other words, BB&T loan payoffs are not sent to Chase Bank; that makes no sense.
3. Pay attention to details of each payoff statement. The account name on the wire instructions should be that of the payee or corresponding bank and no one else.
4. Verbally verify all bank wire information on payoff statements received from outside third parties. Only use a known, trusted telephone number and not the number reflected on the payoff statement. Statements with differing contact information are a red flag of fraud.
5. Verbally verify every non-institutional payoff every time, since the bank wire information is typically not available from previous successful wires.

"There is no silver bullet that will keep anyone safe at all times," Cronkright said. "A commitment to training, infrastructure, policies and procedures around data security will create a multi-layered approach to combat the ever-growing and evolving cyber threat."

Contact ALTA at 202-296-3671 or ***communications@alta.org****.*

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