

# Fraud: An Overview for Florida Title Agents / Fraud Prevention Technology

1 hour CE (Ethics), 1 hour CLE (General, Real Estate, Technology)

## Donavon Beals

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## Mauri Hawkins, Esq.

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Vice President, Risk Management and Data Privacy Officer

CE Course Number: 130466

CE Course Offering Number: 1204247

CLE Course Number: 2407003N





## Donavon Beals

Vice President of Client Services, Finigree, LLC

Donavon Beals joined Finigree in 2011 and has held many leadership positions during Finigree's growth. Currently, Donavon is Vice President of Client Services and due to his deep product knowledge also assists in sales support activities including product sales presentations and demonstrations in addition to his training and support functions. Donavon applies user feedback by synthesizing this information with competitor data and working closely with Technology Development teams to manage the development roadmap, bringing new features and functionality to life for Finigree's customer base.

Prior to working at Finigree Donavon spent over 12 years in the banking, mortgage and title industries, providing him with an in-depth knowledge of these industries, which translates into subject matter expertise for Finigree as they serve these industries.

Finigree, LLC is an Omaha, Nebraska-based company that partnered with Alliant National in 2023 to bring the SecureMyTransaction tool to the market.





## Mauri Hawkins, Esq.

Senior Vice President, Claims Manager  
Alliant National Title Insurance Company

**M**auri Hawkins joined Alliant National Title Insurance Company in October 2020 as Claims Counsel, and in December 2021 she became the Claims Manager. Mauri previously worked with several title insurance underwriters as Claims Counsel. She has investigated and managed complex title insurance claims in multiple states, evaluated liability and established settlement and expense reserves, assessed recovery opportunities, and retained and managed outside counsel in a variety of title and escrow claims. In addition to her work in the title insurance industry, Mauri worked as the professional development director in the continuing legal education department with the State Bar of Arizona and as an adjunct faculty member for two universities.

She earned her Bachelor of Science degree at University of Florida; Master of Business Administration degree at Goldey-Beacom College; Juris Doctorate degree at University of Florida Levin College of Law; and Master of Laws in Corporate Law and Finance degree at Widener University School of Law.

Mauri is a member of the Florida Bar, Florida Bar's Real Property, Probate and Trust Law Section, and the Florida Land Title Association.





## Tom Weyant

Vice President of Risk Management and Data Privacy Officer  
Alliant National Title Insurance Company

Tom Weyant is Vice President of Risk Management and Data Privacy Officer for Alliant National Title Insurance Company, having joined Alliant National ten years ago. Tom has over 30 years of experience in audit, compliance, information management and security and risk management, working with previous employers IBM Corporation and Ball Aerospace and Packaging Corp.

Tom's areas of expertise include:

- Internal Audit, Accounting, Compliance, Risk Management
- Information and Cyber Security
- Quality and Process Improvement
- SSAE 18 Program and Certification
- ISO 27701 and 27001 Programs and Certifications

Tom is a Certified Auditor, a Certified Fraud Examiner, and a member of both the American Society for Quality (ASQ) and the Association of Certified Fraud Examiners (ACFE) and a member of the ALTA Audit and Technology Committees.



## OVERVIEW

**Name of Provider:** Alliant National Title Insurance Company

**Name of Course:** Fraud: An Overview for Florida Title Agents / Fraud Prevention Technology

**Targeted audience:** Florida Title Insurance Agents and other Title Insurance Professionals

**Course Objectives:**

This course will provide an overview of fraud trends impacting the title industry. The session will cover fraud scenarios that have given rise to title claims in recent years and discuss the quantitative and qualitative impact of these schemes. Agents will be provided with practical steps and best practices for fraud prevention. We will discuss tools and technologies, such as the SecureMyTransaction (SMT) tool, to assist in mitigating such risks and combat fraud. Also, the course will include a discussion about the importance of cyber insurance and how to spot coverage gaps when reviewing the insurance policies.

**Course Relevance:**

From national to local agencies, we all are aware of the various fraud schemes that are prevalent in the title insurance industry. Whether the fraud comes from seller imposters, diverting funds to a different account, or outright stealing of property through the use of fraudulently executed and recorded instruments. By being vigilant with knowing the parties involved in the transaction, providing frontline safeguard with strong policies, practices and procedures, and protecting your business investment (your customers, and the industry) are all key for successful title insurance professionals.

**Study Method:** Classroom



## OUTLINE

- |  |                   |
|--|-------------------|
| I. Introduction and overview   | <b>1 Minutes</b>  |
| II. Fraud Trends and Stats   | <b>10 minutes</b> |
| <ul style="list-style-type: none"><li>• Overview of current fraud trends impacting the title industry</li><li>• Key statistics and data points illustrating the prevalence of fraud</li><li>• Emerging patterns and common schemes</li></ul>     |                   |
| III. Claims resulting from Fraud Schemes – Examples  | <b>10 minutes</b> |
| <ul style="list-style-type: none"><li>• Case studies of incidents affecting title agents</li><li>• Analyses on how these schemes were executed</li><li>• Impact to the victims and industry</li></ul>  |                   |
| IV. Actions to Take to Prevent Fraud   | <b>10 minutes</b> |
| <ul style="list-style-type: none"><li>• Practical steps and best practices for fraud prevention</li><li>• Tools and technologies to mitigate risks</li><li>• Collaboration and communications tips for staying vigilant</li></ul>                |                   |
| V. Cyber Insurance and Insurance Gap Reviews   | <b>10 minutes</b> |
| <ul style="list-style-type: none"><li>• Importance of cyber insurance for title agents</li><li>• Common coverage gaps and how to address them</li><li>• Evaluating and choosing the right insurance policies</li></ul>                           |                   |
| VI. SMT Tool and Agent Testimonials  | <b>15 minutes</b> |
| <ul style="list-style-type: none"><li>• Introduction to the SMT Tool: features and benefits</li><li>• Live demo of the tool in action</li><li>• Taped testimonials from agents who have successfully used the SMT Tool to combat fraud</li></ul> |                   |
| VII. Q & A   | <b>4 minutes</b>  |

Total Instruction Time - **60 minutes**

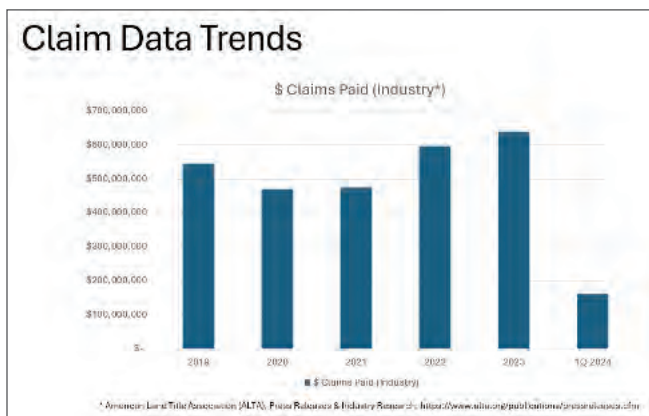




# FRAUD PREVENTION TECHNOLOGY

## Overview of current fraud trends impacting the title industry

When compared with national data reported by American Land Title Association in 2022, the industry claims dollars paid have increased by \$42 million in 2023 over 2022. The first quarter of 2024, American Land Title Association did report a slight decrease in claims dollars paid from the same time last year by \$1.5 million.



In May 2024, the American Land Title Association provided information from an independent analysis which reported several findings regarding title professionals, title defects, and fraud and forgery claims. Specifically, the report found that “title professionals perform significant curative work upfront to resolve title defects before the transfer of property ownership rights — approximately 22 hours to close a standard transaction and 45 hours for more difficult transactions ...”. In addition, in their analysis they found that fraud and

forgery claims are 1) five times more costly than all other claims; 2) fraud and forgery claims under owner’s policies have an average cost of more than \$100,000; and 3) fraud and forgery claims under owner’s policies have an average cost of more than \$194,000. American Land Title Association, 2004-2024.

Business email Compromise (BEC), Social Engineering, and Wire Fraud remain the top risks from the cyber threat area. These, combined with vacant land and identity fraud present agents with a challenging fraud environment. The latest FBI IC3 report showed BEC approaching total losses of \$3B and the average wire fraud event loss over \$147K.

While these fraud threats have been with us for several years, the emerging threat of Artificial Intelligence (AI) is causing even greater losses and challenges, due to sophistication and rate of speed fraudsters employ to perpetrate the thefts. AI is allowing fraudsters to vastly improve fake identification instruments, and combined with so much online public information, including notary seals, has allowed them to become far more effective.

It is no longer possible to look at an ID instrument and determine authenticity. It is now essential to use a technical tool to validate the identification instrument and identity of individuals, as well as to validate and confirm ownership of bank accounts to defend against ID and wire fraud.



While the available tools are effective defenses, none are a substitute for cyber insurance. Cyber insurance provides your business with the protection it needs as a backstop should all means to prevent ID and wire fraud fail. Having comprehensive cyber insurance, covering both cyber-crimes and liabilities is critical. The standard E&O policy does not cover cyber crimes and liability, so it is essential to understand your coverage and to ensure you purchase the right coverage for your protection.

## Ways to protect yourself from escrow fraud:

### Systems

- Make fraud prevention a part of your written security program.
- Ensure latest security patches are installed, and system is set to auto accept patches.
- Monitor your anti-virus programs to make sure they are up to date.
  - › Switch from traditional anti-virus to Endpoint Detection and Response (EDR) Technology
- Enable multi-factor authentication (MFA) for webmail, VPNs and accounts that access critical systems.
- Require accounts with password logins to have strong, unique passwords and require updated passwords every 90 days.
  - › Or require a personal pass-phrase of at least 12 mixed letters, numbers, symbols and never change it
- Require employees to have passcodes on their work phones.
- Make sure your WiFi is password protected.
- Use a technical tool to validate identity and verify bank accounts.

### Email

- Advise all participants that you will never accept wiring changes via email.
- Implement a user training program for you staff to raise awareness about phishing.
- Always check to see who sent the email and that the email address from the sender is spelled correctly. Even one letter off could indicate a suspicious sender.
- Review the email communication carefully for any odd phrasing or spelling that might indicate the email is not from a known person.





- Train your staff to be suspicious when receiving a document or link, asking if this is an expected or requested communication and carefully examining the email sender information and signature block before opening a document or clicking on a link to ensure the email is legitimate.

## Wires

- Require sellers who request proceeds to be wired to an account to fill out and sign a request form and attach a voided check from the indicated account.
- Never accept wire instructions or changes to wire instructions based on an email, fax, telephone call or other form of electronic communication. If a change is requested, it must be verified with the requester according to pre-determined protocols.
- To verify wire instructions by phone, establish a PIN code or challenge question established with the seller at the outset.
- Never communicate the PIN or challenge question electronically.
- Insist that a party calling to confirm or change security measures must come into the title company with appropriate identification.
- Do not provide a copy of a wire confirmation (which contains all the consumer's bank account information) to anyone based on an unconfirmed email, fax, text or inbound telephone call

## SecureMyTransaction (SMT) – Alliant National's Tool to Protect Against ID and Wire Fraud:

AI-driven 3D photo verification via state-of-the-art facial recognition technology

- Instantaneous verification accelerates file processing
- ID instrument validation (US and over 200 countries)
- Bank account validation and ownership
- Payoff and proceeds verification
- Business verification and background information
- OFAC searches (FinCEN included in the OFAC feed)
- Alliant National underwriting alerts



Protects against Seller impersonation fraud

- Vacant property fraud
- Wire fraud
- Deed and document forgeries
- And more

## Cyber Insurance

- E & O Typically Does Not Cover Wire Fraud and Diversion
  - › Errors and Omissions and loss incurred internally
  - › Wire fraud initiates electronically and externally
  - › May be able to purchase a rider to cover wire theft and diversion
- Cyber Event Standalone Policy
  - › Best form of protection
  - › Broad coverage is needed to protect
  - › Must include both liability and crimes coverages
  - › Subjectivities – number and extent (coverage is subject to: MFA; encryption, etc.)
- Cyber insurance comes in many different variations and costs, so it is important to know what product works best for you, considering and balancing coverage and cost.
- Most glaring risk agents face is wire fraud – escrow theft and diversion
  - › Critical to have coverage for this cyber event
- Consult with your insurance carrier for specific coverage offerings and cost and weigh the decision that is right for your business and budget. Remember, the broadest form of coverage will best protect you and your business so while it may be more expensive, your business will be better protected against the risks we face in today's business environment.



## Gap Review

- To Assess if You Are Covered or Adequately Covered:
  - › Alliant National offers a complimentary cyber insurance gap review
  - › No cost, no obligation
  - › We review your current coverage for:
    - » Breadth of coverage and types of events
    - » To ensure both liability and crimes are covered
    - » Point out "subjectivities"
    - » Social media & Privacy
    - » Third-party failures

## Claims resulting from Fraud Schemes - Examples

Fraud continues to run rampant through all industries. It is no surprise that the title industry continues to be a target for criminals. Through tried-and-true schemes and leveraging technology to assist in the fraud, title agents are battling fraudsters on a daily basis in an effort to protect their customers and their business. Occasionally these criminals break through and can cause havoc in a transaction creating unhappy "true" owners, disgruntled buyers, and frustrated lenders.

When an insured is made aware of a potential fraudulent transaction, a notice of claim is submitted to the claims department. Typically, title policies may cover fraud and forgery claims.

ALTA 2021 Owner's Policy and Loan Policy, this is Covered Risk No. 2, reads as follows:

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, ALLIANT NATIONAL TITLE INSURANCE COMPANY, a Colorado corporation (the "Company") insures, as of Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

...



2. Any defect in or lien or encumbrance on the Title. Covered Risk 2 includes, but is not limited to, insurance against loss from:
  - a. a defect in the Title caused by:
    - i. forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation.

*See the Owner's Policy's and Loan Policy's Covered Risk #2.a.i.*

Our claims department has encountered several fraud situations in recent years, let's discuss a few fraud examples.

### **Example 1 – "Power of Attorney"**

Our first case involves a Power of Attorney. A Power of Attorney ("POA") means a writing that grants authority to an agent to act in the place of the principal, whether or not the term is used in that writing. *Florida Statute § 709.2102 (9)*. The "[p]rincipal" means an individual who grants authority to an agent in a power of attorney." *Florida Statute § 709.2102 (11)*. The "[a]gent means a person granted authority to act for a principal under a power of attorney, whether denominated an agent, attorney in fact, or otherwise. The term includes an original agent, co-agent, and successor agent." *Florida Statute § 709.2102 (1)*.

Typically, the POA can be useful in helping someone conduct business when he or she is unable to execute the documents for legitimate reasons and is prepared and properly executed in accordance with the law. However, there are times when such a document can be used to commit fraud.

In this scenario, Tonia has owned property since 2008. The property is under contract for \$300,000, and you notice that Kim's name is shown as the seller. The title commitment confirms that Tonia solely owns the property. Her sister, Kim, states she is authorized to act on behalf of Tonia under the Power of Attorney ("POA"). Kim presents a copy of a POA document to the closer. Without any further questions or inquiries, the closing occurs. The buyer goes to the property and is immediately confronted by Tonia who says she did not sell her property and that Kim is not her attorney-in-fact as Tonia has not executed a POA. Tonia filed a lawsuit naming the buyer.

What could have been done differently to potentially avoid this situation?



Here are a few suggestions to consider:

- 1) Ask questions and critically review the POA instrument.
- 2) Prior to the closing, if feasible and through independent research, reach out to Tonia at her property address shown on the tax collector's or property appraiser's website, to confirm.
- 3) If there are recorded documents executed by Tonia, compare Tonia's signature.

## **Example 2 – "The case of the Scotts"**

The next case involves James T. Scott and Susan A. Scott who have held title to their homestead property since 2008. A few weeks ago, a purchase contract arrives in your office which says Susan A. Scott is selling the property and her husband, James Scott, is deceased as he died in 2012. The contract is for \$500,000.

A title search was ordered, and both the search report and the documents were provided. Included in the title search report is a mortgage that was executed by James T. Scott and Susan A. Scott in 2019 involving the property. A title commitment required the 2019 deed of trust be paid.

Recalling that Susan A. Scott said her husband died in 2012, you request a copy of his death certificate. The death certificate shows James R. Scott died in 2012.

The closing occurs and funds disbursed.

The buyer goes to the property and is quickly met by James T. Scott and is told that he and his wife did not sell their home as they both continue to reside at the property.

What happened?

- a. Jason T. and Susan A. Scott have sellers' remorse and are just trying to rescind the contract.
- b. The heirs or beneficiaries did not convey their interest by deed.
- c. The wrong sellers were involved in the closing.



In this case, attention to detail is important. There are a few opportunities to identify that Susan A. Scott in your office is not the correct Susan A. Scott that owns the property. It happens that she has the same name as the “true” owner of the property. Thus, the red flags included:

- a mortgage in 2019, seven years after the husband died in 2012;
- husband has a similar name to the person on title but in this case, the husbands had different middle names / middle initials.

In this case the incorrect Susan now states that she wasn’t previously aware of this property and claims that a person contacted her by phone about the property and she was “convinced” that she did own it because of the “same or similar name” in this situation.

Alternatively, we have also seen cases that involve male suffix situations (i.e., Sr., Jr.) as an example. In these cases, the deed shows title is held in “Robert Springer” since 1998. When reviewing an identification for the person at the closing table (i.e., the purported seller), the name is “Robert Springer, Jr.”. In this case, do not make an assumption that they are one in the same person as there is a discrepancy. It may take some additional steps to determine and verify the proper party such as determining Junior’s age in 2000, asking questions about which title company handled the 2000 transaction, and/or comparing signatures that may be of record against Junior’s signature. Being vigilant in knowing the proper titleholder and who is actually at the closing table will help prevent an intentional fraud or an unintentional and costly mistake.

### **Example 3 – “The case of the surprising sale”**

The next case involves a residential property that is titled in the name of Steven Johnson, a single person, since 1983. There are no mortgages or liens on the property. In May 2023, a quit claim deed from Steven Johnson to Deborah Anderson is recorded. There is no information showing a title company was involved in that transaction and the deed shows \$10.00 as the consideration.

In January 2024, Deborah Anderson contracted with ABC Land Company, LLC to sell the property for \$60,000.00. And a second transaction is set for the same day but with a different title company to sell the property from ABC Land Company, LLC to Melody Jefferson for \$150,000.00.

Both transactions close. Proceeds from the latter transaction were used to fund the first transaction. Deeds are recorded.

Melody Jefferson goes to the property and notices a family enjoying a nice day in the front yard. The family stops Melody Jefferson from entering the property. They tell her that they are relatives of Steven Johnson and





they have been living on the property since 2015. At that time, a family member advised Melody that Steven Johnson died in December 2020; thus, he could not execute a deed in 2023. A death certificate was provided to confirm Steven Johnson's death.

How to potentially avoid this situation?

- a. Be suspicious of "naked" deeds in the chain. Underwriting Bulletin 2015-01.
- b. Ask questions of Deborah Anderson regarding the quit claim deed.
- c. Be curious and evaluate the legitimacy of the "flip" transaction.
- d. Be willing to decline a transaction if it does not make sense.

Florida Statute § 817.535, *Unlawful filing of false documents or records against real or personal property*, identifies various instruments that are subject to the statute. More specifically "Instrument" is defined in (1)(c) as follows:

(c) "Instrument" means any judgment, mortgage, assignment, pledge, lien, financing statement, encumbrance, deed, lease, bill of sale, agreement, mortgage, notice of claim of lien, notice of levy, promissory note, mortgage note, release, partial release or satisfaction of any of the foregoing, or any other document that relates to or attempts to restrict the ownership, transfer, or encumbrance of or claim against real or personal property, or any interest in real or personal property.

If the fraudulent Instrument is the subject of a lawsuit, under Florida Statute § 817.535 (8)(b)1. it states that the court may find the entire instrument as null and void ab initio.

(b) Upon a finding that the instrument contains a materially false, fictitious, or fraudulent statement or representation such that the instrument does not establish a legitimate property or lien interest in favor of another person:

1. The court shall determine whether the entire instrument or certain parts thereof are null and void ab initio. If the court finds the instrument void in its entirety, it may order the instrument sealed from the official record and removed from any electronic database used for indexing or locating instruments in the official record. The court may also, permanently or for a period of time, enjoin the defendant who filed the instrument or who directed the filer to file the instrument from filing or directing a person to file an instrument in the official records without prior review and approval for filing by a circuit or county court judge, provided that as to third parties who may have given



value for an interest described or granted by any instrument filed in violation of the injunction, the instrument shall be deemed validly filed and provides constructive notice, notwithstanding any failure to comply with the terms of the injunction.

### **Example 4 – “New bank instructions from the seller”**

In this next situation it involves one of our agents who uncovered and prevented a claim. The facts are as follows: On the morning the closing was set to occur, an email was received from a party purporting to be the seller, wanting to change the “true” seller’s bank account information in an effort to have the seller’s proceeds diverted. The fraudster sent new wire instructions to the agent. The agent contacted the seller’s attorney, and it was confirmed that the email was fraudulent. The agent also notified their IT department to investigate their system and to block the fraudster.

This agent did the right thing by:

- a. Not ignore their gut of suspicion
- b. Using confirmed numbers, inquired about the email and new wire instructions received
- c. Contacting their IT department

The Seller Spoof scheme is not new and involves fraudsters posing as the seller, sending an email to the settlement agent using an email address that looks like the seller’s, or even using the seller’s actual email address. Through this impersonation or hacking, the criminals attempt to divert seller proceeds to a fraudulent account.

### **Example 5 – “Do not let go (of the transaction)”**

A contract between sellers and buyers arrives in your office. It is a \$800,000 transaction. The listing agent, who is well-known in the industry, has been and continues to be the primary contact for the seller but occasionally the seller has been included in a few communications. Even though the property is in Florida, the sellers send an email and state they will not be in the area for the closing but will be in Colorado. The listing agent says, “send me the closing documents and I will get them to the sellers”. You agree to do so.

The closing documents are eventually returned to you. Without further inquiry, the closing is finalized, funds disbursed, and documents recorded.



A few weeks later, the receiving bank for the seller contacts you and advises that the bank account has been marked as suspicious due to the large deposit and the subsequent withdrawals.

You look at the closing documents and realize the notary block shows it was notarized in New York. It is confirmed that the named notary is not a notary in New York, Colorado or Florida. Now, all the phone numbers are disconnected for the sellers.

The "true" owners of the property filed a police report and are preparing to file a lawsuit.

What could have been done differently to potentially avoid this situation?

- a. Do not agree to accept documents that are notarized outside of your office unless it is through a verified notary which you have contact, control, and communication.
- b. Review the documents carefully for proper execution by any and all necessary parties and properly notarized.
- c. Use identification and bank account verification resources.

Alliant National issued Underwriting Bulletin 2017-03 titled Document Execution and Notary Guidelines. This guideline provides information on best practices to handle mail-away closing including the closing documents and notary instructions. Be on the lookout for more communication from us on the best practice for handling out-of-office closings.



## Resources:

Alliant National Title Insurance Company - Underwriting Bulletin 2015-01. *AVOIDING CLAIMS - Fraudulent Releases and Conveyances*;

Alliant National Title Insurance Company - Underwriting Bulletin 2017-03. *Document Execution and Notary Guidelines*.

Alliant National Title Insurance Company (2022). *Escrow Fraud / Social Engineering – Recent Schemes and prevention Tips*.

Alliant National Title Insurance Company (2024). *Technology, Insurance and Fraud Prevention*. <https://alliantnational.com/technology-insurance-and-fraud-prevention/>

American Land Title Association (ALTA), *Press Releases & Industry Research*, <https://www.alta.org/publications/pressreleases.cfm>

American Land Title Association (2004-2024). *Wire Fraud*. <https://www.alta.org/topics/wire-fraud>

American Land Title Association (2004-2024). *Independent Analysis Finds Average Title Insurance Claim Cost for Fraud and Forgery is \$143,000*. <https://www.alta.org/news-and-publications/press-release/Independent-Analysis-Finds-Average-Title-Insurance-Claim-Cost--for-Fraud-and-Forgery-is-143000>

The 2023 Florida Statutes, Title XLVI – Crimes – Chapter 817 – Fraudulent Practices. [http://www.leg.state.fl.us/statutes/index.cfm?App\\_mode=Display\\_Statute&URL=0800-0899/0817/Sections/0817.535.html](http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0800-0899/0817/Sections/0817.535.html)

The 2023 Florida Statutes, Title XL – Real and Person Property – Chapter 709 – Power of Attorney and Similar Instruments. [http://www.leg.state.fl.us/statutes/index.cfm?App\\_mode=Display\\_Statute&URL=0700-0799/0709/0709.html](http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0700-0799/0709/0709.html)

