



Insight



UPDATED PAYOFF STATEMENT

Originally posted by Fidelity National Financial on October 2018:
<http://fraudinsights.fnf.com/vol13iss10/article1.htm>

In Southern California, 70% of all transactions are closed by independent escrow companies. Institutional lenders involved in the transactions end up wiring the loan proceeds to the title insurance company, rather than the independent escrow company.

The title insurance company pays the existing encumbrances, taxes, and the title invoice, for premium, recording fees, and transfer tax. The balance of the funds is then sent to the independent escrow company to complete the disbursement of commissions, proceeds, and to pay invoices submitted into escrow. Internally, we refer to these orders as "title only" orders.

Zina Jefferton, An Accounting Clerk for Lawyers Title Company in San Diego, was working on a title only order.

She received a payoff statement from the independent escrow company to pay the existing loan on July 5, 2018.

The transaction did not end up closing until August. On August 6, 2018, the independent escrow company sent over a second updated payoff statement. The transaction was set to record and disburse on August 10, 2018. On the morning of the 10th, Zina picked up the phone to verify the payoff amounts with the payoff lender. The payoff lender was a mortgage company she had paid hundreds of times.

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Zina reviewed the second statement, noticing the telephone number for the payoff lender was not printed in the normal spot. She searched all over the payoff statement for a telephone number, but it was not there. She pulled the previous payoff statement she received in July, located the telephone number, and started to call the lender to verify figures, when she noticed something else.

The second payoff statement did not have any contact information for the payoff lender, and the address to send payoff checks via overnight delivery had been removed. According to the statement, the lender only accepted wire transfers.

Zina reviewed the bank wire information and discovered the information had been completely altered in an attempt to divert the payoff funds to an entirely different bank. The original payoff statement indicated the funds should be wire transferred to LockBank in Cleveland. The second payoff statement directed the loan payoff funds to Farris Bank in Janesville, Wisconsin.



Zina immediately took both payoff statements to her manager. Together, they contacted the independent escrow company to let them know they could not use the payoff statement they provided, as it had been altered.

The independent escrow company was able to order a new unaltered statement and send it to Zina to pay off the existing loan. They were thankful Zina had caught the altered statement, and so are we!

As a result of her detection of the altered payoff, Lawyers Title Company has rewarded Zina \$1,500 along with a letter of recognition.

*Originally posted by Fidelity National Financial on October 2018. The names of the individuals and businesses featured in this story have been changed from the original article by FNF:
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