

Forgery Red Flags

1. The property is free and clear.

Sure, some properties are owned free and clear, but most properties are not. The question should be asked: Why are there no liens? Is it because the person either is well to do, or has paid the property off through the terms of the loan (30 years)? Could it be there is a forged reconveyance in the chain of title? When property is free and clear, it is typically due to the fact that the owner has owned the property for a very long time and has paid off a mortgage over the years. It is not common in this type of situation for a person to take out a new loan with monthly mortgage payments, except possibly in the case of a reverse mortgage.

2. Title was obtained by an uninsured deed.

An uninsured deed in the chain of title is fine if it is a transfer from the grantor to the grantor's trust, or from a person to himself and his spouse as joint tenants. In both cases the grantor has not parted with title. Otherwise the deed needs to be cautiously reviewed:

- A) The signatures on the uninsured deed should match those on a previous institutional deed of trust
- B) An Affidavit - Uninsured Deed should be obtained

3. Reconveyance is not accompanied by a transaction that could have paid off the deed of trust.

How often do people pay off a deed of trust with cash instead of replacing it with a new loan? Sure, it happens on occasion, but it is rare and can be highly suspicious. The reconveyance of record quite often turns out to be a forgery.

4. Hard money lender.

A "hard money lender" arranges loans for private investors. Multiple beneficiaries are the clearest indication of a hard money loan. The number of beneficiaries is irrelevant, there can be as few as one. The title industry experiences a much higher level of fraud and forgery claims with hard money lenders than with institutional lenders, MUCH higher! Reasons for this may include weaker loan processing standards and riskier borrowers. Forgers generally do not go to a bank when they want to commit a forgery, they usually go to a hard money lender due to some of the reasons listed above.



5. No documents are executed in the escrow office.

Obviously, signings outside of escrow are common, but be aware that this can be a complicating factor when combined with other flags of forgery. In fact, requiring documents to be signed in the title or escrow company's office is often a way to verify the validity of signatures, such as when there is an uninsured deed in the chain of title.

6. Cash-out refinance.

Forgeries involving loans almost always involve a large cash-out considerably over the amount of liens being paid off. It's not worth the forger's time otherwise. Obviously, if the property is free and clear, you automatically have a cash-out loan, as well as flag of forgery #1.

7. Buyer walking away with money or substantial buyer's credits are made outside of closing.

Traditionally something is wrong when a buyer walks away with money rather than bringing money in to close their purchase. This is a flag of potential loan fraud in which the property value is being inflated in order to defraud the new lender.

8. Absentee owner.

Obviously, sales by out of state or out of country sellers are common. Forgers prefer property where the owner is not near, so be aware that this can be a complicating factor when combined with other flags of forgery.

9. Proceeds are being wired offshore.

Sometimes, the bad guys like us to do their money laundering for them as a part of the transaction. Once money has been wired out of the country, it becomes almost impossible to recover once a forgery has been discovered.

10. MOST IMPORTANT

Your suspicions are aroused even if none of the flags described above are present.

This is probably the most important flag of all. None of the above is an absolute indicator of a fraudulent transaction, however, trust your instincts and seek advice from your title representative. Better to be safe than sorry!



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