



By Lisa A. Tyler
National Escrow Administrator

Social media offers opportunity to connect online with others anywhere in the world. People young and old use social media to meet other like-minded individuals. This virtual method also provides new ways for people to be taken advantage of or scammed. One involves criminal enterprises preying on vulnerable people who are simply looking for love in all the wrong places. Instead of finding love — they find a scammer trying to trick them into sending them money. Read “LOOKING for romance in all the wrong places” for the details.

Stealing property out from under someone is still happening. “MAC aroni loses 25 acres” is a story about fraudsters attempting to steal a piece of property, however our hero, Tanya, spoiled their plans.

The use of electronic currency has continued to expand within the real estate industry. The technology behind the process of using electronic currency has not changed. Blockchain and tokenization, however, may change the way real estate is owned. Read more in this month’s **cyber buzz** article entitled “TOKENIZATION of real estate.”

IN THIS ISSUE



Share Fraud Insights
via email, mail or word of mouth.



volume 15 issue 5
May 2020

Publisher
Fidelity National Financial
Editor
Lisa A. Tyler
National Escrow Administrator



LOOKING for romance in all the wrong places

Social media can provide opportunities for fraudsters to create online identities solely for the purpose of tricking victims. They use the information posted to victims' profile pages to "romantically" manipulate them. They move quickly and endear themselves by saying whatever they believe the victims want to hear.

Soon, the fraudsters will state they have an emergency and they need to "borrow" some money. They promise they will repay it. Unfortunately, that is never true and once a victim sends money they are placed on a "sucker list" where their names and identities are shared with other criminals who target them for more money.

Recently, two of our offices in Nevada elected not to close transactions where the sellers may have been victims of this type of scam.

At closing, a gentleman in his early 70's explained to the notary he was selling his home so he could send money to his fiancé in Dubai. She had inherited uncut gems valued at \$3 million dollars and could not leave the country with them until she paid the inheritance taxes.

He explained that as soon as his fiancé received the money from his sale proceeds, she would pay the taxes and then hire a private jet, private security and a special box to transfer the uncut gems to the United States.

The gentleman also explained he was now delinquent on his house payments, taxes and homeowner's association dues, because he had sent his fiancé more than \$150,000 during the last two years.

His fiancé needed to come to Las Vegas since her mother was in the hospital because she had a hole in her heart — but his fiancé would not leave Dubai without the gems. The notary asked if he had gone to visit his future mother-in-law in the hospital. He said she was transferred from Las Vegas to a hospital in Elko, Nevada, so he had not visited yet.

The gentleman even said, "I know it sounds like a scam," but insisted he was not being scammed. He also mentioned his fiancé's partners took off and left her to settle the taxes. Partners? I thought this was her inheritance.

Other odd things about the sale of this gentleman's home:

- » The buyer was an investor purchasing the property for less than full market value.
- » There were no real estate agents involved.
- » The buyer was aware of the seller's situation and agreed to release his \$6,000 earnest

money deposit when the escrow opened so the seller could send it to his fiancé.

The escrow officer did not want to close the transaction. She consulted with management who agreed with her decision. She resigned from the transaction explaining to the seller that due to the extenuating circumstances surrounding the sale, the Company elected not to close and insure the transaction. She shared two links with the seller:

www.fbi.gov/news/stories/romance-scams

www.consumer.ftc.gov/articles/what-you-need-know-about-romance-scams

The escrow officer urged the seller to meet with a local FBI agent. The seller objected. He insisted he was not being scammed and would still sell his house.

The investor buyer ended up being a good guy and visited the seller at his home and offered to take him to the FBI. The seller agreed. Hopefully, the FBI agent will be able to fully investigate the seller's situation and determine whether he is or is not being scammed.

Not too far away, a different operation opened a sale transaction. A trust owned the property, and the original trustee was deceased. His wife was the successor trustee who told the listing agent she was selling the home to send \$50,000 to her new husband, whom she only recently met in a casino.

Theirs was a whirlwind romance and they married after just three weeks. He was from Syria but left Reno, Nevada to finish a project for his employer, a major corporation in Africa. Not long after he left, he called stating he had been arrested in Turkey and was being held in jail. He was arrested with \$1,000,000 cash on him, which he claimed exceeded the limit allowed by Turkish law. He needed her to send \$50,000 which represented his fines. Upon receipt, he would pay it to the Turkish government who would release him and give him back the \$1,000,000.

The operation notified the listing agent that due to the extenuating circumstances, it would not be willing to close and insure the sale. The operation also sent over links to the FBI and FTC websites that related to these types of scams and urged the listing agent to have the seller contact the FBI.

The listing agent promised to consult with her client who had defaulted on her first and second mortgages, encumbering the property she was selling. She knew the sale would enable the seller to pay off the loans and still net some proceeds.

[Continued on pg 3]



STOP

TELL US HOW YOU STOPPED FRAUD

settlement@fnf.com or
949.622.4425

[LOOKING for romance in all the wrong places — continued]

The listing agent believed selling the house was still in the seller's best interest, but she hoped to convince the seller not to send any money to her husband. The real estate agent was going to share the links to the FBI and FTC websites with her client in hopes they would make a difference.

Although our Company was not being defrauded in either of these scenarios, our employees from the county manager, escrow administrator, escrow officer and notary still displayed the highest standard of conduct. None of them wanted to participate in the sale which appeared would have funded the romance scams. They did, however, want to direct the sellers to consult the experts to help them determine whether their partners were legitimate or not.

Here are some tips from the FBI website listed for anyone who develops a romantic relationship with someone they meet online:

- » Research the person's photo and profile using online searches to see if the material has been used elsewhere.
- » Go slow and ask lots of questions.
- » Beware if the individual seems too perfect or quickly asks you to leave a dating service or Facebook to go "offline."
- » Beware if the individual attempts to isolate you from friends and family or requests inappropriate photos or financial information that could later be used to extort you.
- » Beware if the individual promises to meet in person but then always comes up with an excuse why he or she can't. If you have not met the person after a few months, for whatever reason, you

have good reason to be suspicious.

- » Never send money to anyone you do not know personally. Victims of a romance scam, can file a complaint with the FBI at www.ic3.gov/default.aspx.

The Federal Trade Commission (FTC) has these tips posted on their site for anyone who suspects they are being scammed:

- » Stop communicating with the person immediately.
- » Talk to someone you trust, and pay attention if your friends or family say they are concerned about your new love interest.
- » Do a search for the type of job the person has to see if other people have heard similar stories. For example, you could do a search for "oil rig scammer" or "U.S. Army scammer."
- » Do a reverse image search of the person's profile picture to see if it is associated with another name or with details that do not match up – those are signs of a scam.

Victims should file a report with the FTC at ftc.gov/complaint.

Anyone is subject to this scam. Anyone online using the Internet is susceptible. If you know of someone who may be a victim share the links in this article and urge them to contact the FBI or FTC. They are the experts who can assist any potential victims.

Article provided by contributing author:

Diana Hoffman, Corporate Escrow Administrator
Fidelity National Title Group
National Escrow Administration

MAC aroni loses 25 acres

A real estate investor we will call by the fictitious name of "Mac Aroni" contacted Tanya Banovac, V.P. and Branch Manager of Lawyer's Title of Arizona, Inc. He needed her assistance with the purchase of several acres of vacant land in a remote desert area.

Aroni was working directly with the seller. There were no real estate agents involved; the purchase would be for sale by owner or FSBO. Tanya set up a time for them to come to her office to open an escrow.

Aroni and two other people that we will call by the fictitious names of "Candy Steeler" and "Lynn Meabuck" met with Tanya. Steeler explained the real seller, fictitiously known as "Joshua Moron," was unavailable since he was currently in prison. Steeler presented an Arizona quit claim deed fully executed and recorded, wherein Moron deeded the property to her. Tanya explained it would be necessary for Moron to sign a new deed since the Company generally will not rely on a quit claim deed in the chain of title.

Steeler and Meabuck were ready for Tanya's objection. They presented a fully executed general power of attorney (POA) wherein Joshua Moron appointed Lynn Meabuck as his agent. Tanya knew the general POA would never be approved by her title department.

Steeler and Meabuck appeared uneasy. Their body language was making Tanya uncomfortable and suspicious. She made copies of the documents they presented, thanked them for coming in and let them know she would order a title report and get back to them with a list of requirements.

The next day, Tanya looked over the deed and noticed the notary did not complete the notarial certificate properly. Rather than name the grantor as having appeared in front of him, he entered his own name. Next, she ran a chain of title for the property which revealed the property was owned by a family trust.

Tanya emailed Aroni, Steeler and Meabuck letting them know she would not be able to rely on the Arizona quit claim deed since the property was owned by The Smith Family Trust and not Moron. She asked them to provide her with a complete copy of the trust agreement and asked whether the original trustees were still alive.

Aroni, Steeler and Meabuck emailed her an amendment to the trust naming Joshua Moron, "...as full member and trustee and granted all rights and privileges associated with that position...with the rights to deal with real estate matters, including but not limited to buying, selling, leasing and financing...Any changes made in real property are to be done under the laws and ordinances of the governing state and county."

How convenient. The amendment was signed by someone unknown to Tanya and clearly not one of the original trustees.

Aroni, Steeler and Meabuck also provided an unsigned document, which was the entitled certificate of trust — but it did not provide any useful or reliable information. Steeler and Meabuck said the original trustees of the family trust were deceased. Tanya was never going to rely on the amendment to the trust and felt there was more to the story.

[Continued on pg 4]

[MAC aroni loses 25 acres — continued]

Tanya turned to the internet and entered a search for Joshua Moron. According to Aroni, Moron was supposedly the property owner. Tanya found a match! The information said he was serving time for embezzling \$25,000 from his employer and allegedly connected to a \$1.5 million fraud scheme perpetrated in California.

Tanya checked the property taxes. They were all paid current. She noticed the tax bills were mailed to James Smith, who had a local address. She ran a quick title search for that address and found an attorney prepared and recorded a deed from James Smith to The Smith Family Trust in 2018.

Tanya contacted the attorney, who put her in contact with James Smith. He had no clue who Moron, Aroni, Steeler and Meabuck were. James was in escrow at a sister company to sell the same property to a major builder.

Moron, Aroni, Steeler and Meabuck picked the wrong person to try to steal from. James is a retired law enforcement officer. He filed a

report and the case is being investigated. Moron had not learned anything and seemed to be continuing to perpetrate his schemes from prison with his cohorts.

Tanya Banovac not only protected the Company from a potential claim and total failure of title, she found the real property owner and was able to warn him.

Tanya observed and followed all the warning signs. The property was free and clear. She asked questions and knew better than to rely on a quit claim deed. She carefully read all the documents presented to her. Uncovered the incorrect notarial certificate on the deed. She did all of this on her own and never incurred unnecessary costs to her branch. Keep up the good work Tanya!

Article provided by contributing author:

Diana Hoffman, Corporate Escrow Administrator
Fidelity National Title Group
National Escrow Administration

TOKENIZATION of real estate

Bitcoins have come a long way since we first published an article on the topic in July 2013. At the time, bitcoin was only valued at \$114.50. Since then, the value has jumped to an astonishing high of \$19,650 in December 2017 and down to \$3,400 a year later. Now the value hovers around \$8,000. Don't you wish you had invested?

Bitcoin is obviously one of the most well-known virtual currencies, but there are numerous companies introducing virtual currency. Even Facebook, with Libra, is looking to break into the market.

A number of press releases or articles claim that bitcoin has been used to purchase real estate. This is troublesome for companies like ours due to the volatility of the bitcoin to dollar conversion ratio. Very much like a foreign currency of an unstable country, the conversion rate for bitcoin fluctuates significantly. In February 2018, the price dropped by 50% in 16 days. If a contract between a buyer and seller stipulated a purchase price in bitcoin instead of U.S. dollars — any fluctuation in the value of bitcoin would impact the equivalent U.S. dollar amount of the purchase price:

- » An increase in value would mean the buyer is paying more
- » A decrease in value would mean the seller is receiving less

Even with this risk, buyers and sellers continue the push to exchange property via virtual currency, citing their perceived advantages versus U.S. dollars. They are quickly transferred, easily sent to and from foreign countries, and as bitcoin advocates would lead you to believe may be more secure, since transfers are claimed to be irrevocable.

However, virtual currency transfers are still handicapped by their volatility, with little to no regulatory protections and the fact they are not universally accepted. Most, if not all, ancillary payments such as commissions, existing loan payoffs, taxes, insurance and other costs require U.S. dollars. Thus, an exchange from electronic currency to U.S. dollars is required.

Also, given the lack of regulatory oversight and the anonymous nature of the transfers, the most common use for bitcoin as a currency has been for money laundering or the purchase of illicit goods.

Blockchain claims to be a digital ledger that time-stamps records that cannot be altered. It allows for an alternative use in real property ownership besides payment. One possible use is for real estate owners to tokenize real property.

Tokenization is the process of property ownership being converted into a specified number of tokens, much like currency to bitcoins. Then the token holder can sell all — or a portion — of the tokens that is tracked on a blockchain ledger. This is similar in concept to selling a share of stock. Advocates of real estate tokenization claim this could substantially lower the cost of investment in real estate by only having to purchase a small portion of real property.

They further argue that the ease and speed at which you can purchase a token of real property upsets the traditional idea of real property ownership and investment. Real estate has always been treated as an illiquid asset, since it takes time to access any cash value. Comparatively, a tokenized home could be sold to thousands of virtual buyers within a day, if not hours. Moreover, it could open the door to global funding for real estate developers.

At this time, while some multi-million-dollar properties have been tokenized, the overall adoption of this model and of blockchain in any business, has been extremely slow. Also, the legitimacy of tokenized ownership for real property is still largely unproven and untested. The technology behind virtual currency is exciting and may have the potential to change the way we look at real property asset ownership down the road.

Article provided by contributing author:

Scott Cummins, Advisory Director
Fidelity National Title Group • National Escrow Administration