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The city of Philadelphia’s records department has made its free Deed Fraud Guard service available to homeowners and commissioned notaries. This effort continues the record department’s efforts to fight deed fraud and protect families’ generational wealth. Find out more in the story titled “DEED fraud guard.”

Both Fannie Mae and Freddie Mac allow the use of attorney opinion letters (AOLs) in lieu of a title insurance policy under limited circumstances. AOLs are intended to further the Equitable Housing Finance Plans announced earlier this year by the Federal Housing Finance Agency (FHFA) which are aimed at lowering closing costs and making home ownership more accessible for low- to moderate- income and minority homebuyers. To clarify what that means for the protection of property rights and the title insurance industry, read “AOLS.”

A cryptocurrency tumbler service is being used to lower recovery of stolen funds in diverted wire transfer scams. The time to detect and deny an illegal act of diverted funds is being interrupted by the tumbler service. Read the article titled “TUMBLER” for more information.

Several governmental agencies track reported ransomware attacks. Detecting and reporting attempted, and successful ransomware attacks makes it possible for law enforcement to hold the criminals behind the attacks accountable for their crimes and provide tips for preventing future attacks. This also enables them to be able to learn the latest tactics being used to stop the syndicates from being able to launder their ill-gotten gains. There are many reports on the number and types of ransomware attacks. The article titled “RESOURCES” focuses on the FBI’s IC3 2020 Internet Crimes Report and FinCEN’s analysis based on suspicious activity reports filed.

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DEED fraud guard

Since 2019, Philadelphia homeowners have been able to sign up for Deed Fraud Guard, Philadelphia's free email alert service. This service sends the subscriber an email notification if their name appears in any document, such as a deed or mortgage, recorded with the department of records. The subscriber can then view the document online to determine if it may be fraudulent.

Deed fraud is when a person sells a home pretending to be the owner but without permission from the legal owner. Mortgage fraud is when a person signs a mortgage for a property they do not own. The person then borrows money against the property. In both cases, the change happens without the legal owner's knowledge or informed consent.

Property owners register their names on the Deed Fraud Guard website. If a document is recorded with their name on it, they are notified by email. The document can be viewed, printed and saved. All property owners in Philadelphia can register for free.

The city's commissioner of records stated that the service is not just for homeowners; notaries can also take advantage of this service. Notaries can subscribe and receive email alerts if their

names appear as a notary to a document recorded in Philadelphia.

Every document recorded in the state of Pennsylvania must be notarized by a licensed notary public. When there is deed fraud, it is common for a thief to forge the signature and official stamp of a licensed notary. That means innocent notaries can be victims, too.

Philadelphia's service empowers notaries to identify deed fraud when they are a victim. The records department has also issued a new regulation that permits notaries to record an affidavit against the stolen property — at no cost. This puts everyone on notice that the last deed recorded contained a fraudulent notarization.

The fraud program includes commissioned notaries in Pennsylvania and elsewhere. The program includes any individual commissioned or otherwise authorized to perform a notarial act by the Commonwealth of Pennsylvania or an individual similarly authorized to perform notarial acts by any other state.

Deed Fraud Guard is an exciting program and a complement to the title industry who researches and defends against deed fraud. We hope the program spreads quickly to other jurisdictions across the United States.



AOLS

The Federal Housing Finance Agency's (FHFA) Equitable Housing Finance Plans announced earlier this year are aimed at lowering closing costs and making home ownership more accessible for low- to moderate- income and minority homebuyers.

The title insurance industry is eager to work with FHFA to ensure that equitable access to sustainable homeownership opportunities is available for all Americans, including minority and underserved communities.

The title industry plays a critical role in the ability of American households to build wealth through homeownership by ensuring the proper transfer of real estate from seller to buyer and securing property rights.

Lower protection alternatives to title insurance, such as the use of an attorney opinion letter (AOL) under limited circumstances, will make homeownership less sustainable and increase unnecessary risk for more vulnerable, low- and moderate-income consumers.

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STOP

TELL US HOW YOU
**STOPPED
FRAUD**

settlement@fnf.com or
949.622.4425

[AOLS — continued]

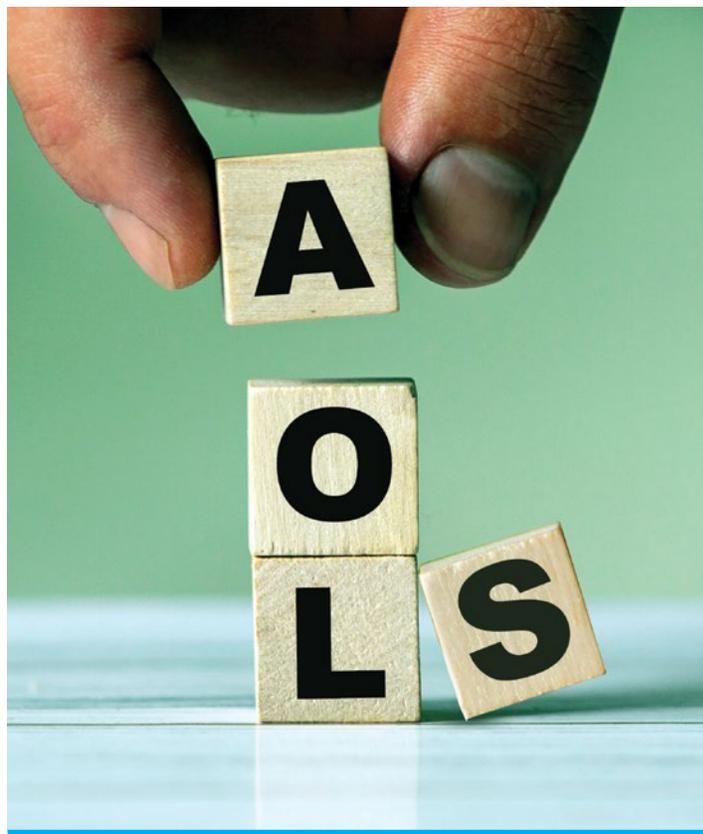
Some of the requirements for using an attorney title opinion letter include:

- » The attorney issuing the title opinion letter must be licensed to practice law in the jurisdiction where the subject property is located and must be insured against malpractice in rendering opinions of title in an amount commonly prevailing in the jurisdiction.
- » The attorney title opinion letter must also:
 - Be addressed to the lender and all successors in interest of the lender,
 - Be commonly accepted in the area where the subject property is located,
 - Provide gap coverage for the duration between the loan closing and recordation of the deed of trust or mortgage,
 - List all other liens and state they are subordinate, and
 - State the title condition of the property is acceptable, and the mortgage constitutes a lien of the required priority on a fee simple estate in the property

As a whole, the title industry believes it runs counter to FHFA's mission and the intent of the Equitable Housing Finance Plans to encourage lenders to accept, and to promote to borrowers, alternatives to title insurance that provide less coverage and introduce more risk to both lenders and homebuyers.

In fact, the American Land Title Association (ALTA) published these reasons why alternative products increase lender risk:

- » Lenders considering the use of attorney opinion letters or other alternatives must understand the risks they are taking on by not getting title insurance. Attorney opinions, in providing more limited coverage of risks, represent a shifting of risk to the lender, not an elimination of the risk.
- » Title insurance provides an underwriting service to mortgage lenders to ensure the borrower has clear ownership rights to the property, free of any other claims to ownership.
- » Historically, lenders have preferred the protection of a title insurance policy because it provides strong protections and mitigates risk. In fact, the protections afforded by title insurance actually replaced attorney opinion letters as the realities of risks experienced from a static examination of the title records became clear.
- » One sizable risk is related to items not discoverable in a public records search like federal tax liens, mis-indexed items or HOA



liens. An attorney opinion letter does not cover items not shown in a public records search.

- » Another important example of the difference in coverage is fraud or forgery of title documents. Title insurance provides coverage when a seller's deed was forged or there was fraud with the previous owner's will. An attorney opinion letter does not.
- » Unlike an attorney opinion letter, title insurance provides lenders with a defense — including all attorneys' fees and costs — in a lien priority dispute or other matter covered by the policy.
- » Importantly, title insurance policies are also backed by statutorily required financial reserves to cover future claims risks.

These reasons are meant to be shared with your lender customers considering an AOL over a lender's title insurance policy.

TUMBLER

The Internet Crime Complaint Center (IC3) collects reports of internet crime from victims. IC3's recovery asset team then assists in freezing accounts to recover hundreds of thousands of dollars for victims of the diverted wire transfer scam.

One of the many tools IC3's recovery asset team deploys is a "kill chain" to halt the transfer of funds from multiple accounts until the funds can be sent out of the country. The time frame for executing the kill chain is 48-72 hours.

Criminals perpetrating the diverted wire transfer scam recruit money mules to open accounts to receive illegally diverted wire

transfers. A money mule is someone who transfers or moves illegally acquired money on behalf of someone else. Money mules add layers of distance between crime victims and criminals.

Money mules can move funds in various ways, including through bank accounts, cashier's checks and virtual currency. Recently, cyber thieves started convincing their money mules to convert the dollars stolen in a diverted wire transfer scam to cryptocurrency.

After the dollars are converted to cryptocurrency, they are put in a tumbler. A cryptocurrency tumbler is a service that mixes potentially identifiable funds with others, so as to obscure the trail back to the fund's original source.

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[TUMBLER — continued]

A cryptocurrency tumbler service pools together source funds from multiple inputs for a large and random period of time and then spits them back out to destination addresses. As all the funds are lumped together and then distributed at random times, it is difficult to trace specific coins.

This is all done to decrease the effectiveness of the kill chain by reducing the time the kill chain can restrict further movement of illegally acquired funds from 48-72 hours down to 12-24 hours. It means victims must act FAST and have an incident response plan in place to have any chance of recovering illegally diverted funds.



RESOURCES

The U.S. Treasury's Financial Crimes Enforcement Network's (FinCEN) financial trend analysis noted that ransomware filings in the first six months of 2021 exceeded the total of all filings in 2020. Their analysis says, "In 2020, the IC3 received 2,474 complaints identified as ransomware with adjusted losses of over \$29.1 million. In the first six months of 2021, FinCEN identified \$590 million in ransomware-related SARs, a 42 percent increase compared to a total of \$416 million for all of 2020." They also reported the, "...mean average total monthly suspicious amount of ransomware transactions was \$66.4 million and the median average was \$45 million."

The FBI's Internet Crime Complaint Center (IC3) reflected a 20% increase in reported ransomware incidents and a 225% increase in ransom amounts in 2020. Clearly, this type of cybercrime is not going away anytime soon. Hopefully, the information in our *Fraud Insights* articles have shed a light on the seriousness of this cybercrime. Take advantage of the resources listed below:

The U.S. Department of Justice (DOJ) and the Department of Homeland Security (DHS), together with federal partners, launched <https://www.cisa.gov/stopransomware>. The website intends to be a one-stop source to learn about ransomware and learn how to effectively prevent becoming a ransomware victim. It was designed for anyone and everyone to use.

Victims may report an intrusion and request technical assistance to one of the following:

U.S. Cybersecurity & Infrastructure Security Agency (CISA)
cisaservicedesk@cisa.dhs.gov
888.282.0870

Federal Bureau of Investigations (FBI)
FBI's cyber division
CyWatch@fbi.gov
855.292.3937

Internet Crime Complaint Center (IC3)
<https://www.ic3.gov/>

Victims may also contact a local FBI field office. The local field office of the U.S. Secret Service is another source.

Keep in mind every single person can make a difference. More than 90% of all successful attacks are the result of a person opening the virtual door and letting the hackers in. If each person simply uses strong, unique passwords, multi-factor authentication and installs all security patches and software updates in a timely manner, the criminal's success rate would drop significantly. Do your part and be cyber smart.

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