



OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

Title Matters
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CONTENTS THE OTHER SIDE OF THE FENCE
Wayne Trapp, Vice President and State Manager

PAGE ONE
The Other Side of the Fence

As I sit here looking out the window at one of our “few” sunny days this year, I begin thinking about everything that has taken place so far in 2013. Well, to begin with, I’ve just returned from taking a few calves to the processing plant. Really happy with the way this year’s beef turned out. The calves gained well and hopefully will make for some good grilling this spring and summer.

Page Two
Update on CFPB and ALTA Best Practices

PAGE THREE
Update on CFPB and ALTA Best Practices cont.
Internet Explorer 10 and ORT Applications

Just on a wild hair I did hook the tiller to the tractor and tilled the garden. Didn’t put out anything but it sure does look better being cleaned up. You know we’re only about six weeks away from being able to put out the garden without worrying about frost or cold weather. This winter, although not too cold, has been so ugly. We’ve had rain, rain and more rain coupled with cloudy windy days that have just lingered with us. Out here at the farm it’s so muddy that I can’t really do anything. I need to spread fertilizer and spray for weeds but as wet as it is the tractor tears us the fields. Who knows, maybe it will work out to take care of things by mid April. If not there are sure gonna be a lot of weeds at Windy Hill Farm. Good thing cows like thistles. Ever seen a cow eat thistles? They really like the bloom and will wrap their tongue around it and flip it in their mouths. Then of course the bloom is where the seeds are and they get deposited all across the pasture to grow the next spring.

PAGE FOUR
Know Your Priorities: The Need to Search the Buyer’s Name
Extension of Judgment Liens

PAGE FIVE
Extension of Judgment Liens cont.
Court Rules Against Title Company in Cyber-Crime Case

PAGE 6
Court Rules Against Title Company in Cyber-Crime Case cont.

It won’t be long now before we slap some hamburgers on the grill, get the ice cream freezer going under the Pecan tree, and the kids and friends gather to eat all afternoon. I can’t wait. One of the biggest pleasures we have is when our friends come out to the farm and relax. Y’all can come. Bring an appetite, sit a spell and enjoy. We can probably find something for you to do also.

PAGE 7
Tales from the Trail...Spring Cleaning
Tale of a Title Agent: Fraud & Murder in a Settlement Office

Well, time to put an end to another article and let you get inside to the real substance. As always thank you for all you do for us, for allowing us the opportunity to serve you. Without you we have nothing. Take care, be careful and we’ll see you next time.....on the other side of the fence.

PAGE 8
Tale of a Title Agent: Fraud & Murder in a Settlement Office cont.

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UPDATE ON CFPB AND ALTA BEST PRACTICES

Pamela L. Zimmerman, Assistant Vice President and Agency Manager

Since my article on American Land Title Association (ALTA) Best Practices in the Winter edition of *Title Matters*, several bulletins have been distributed by Phillip Brizendine on behalf of Kirk Moser sharing more detailed information on this topic from Anne Anastasi (former ALTA President, ORT's Director for Agency and Lender Education, and one of the first five recipients of ALTA's new National Title Professional designation).

As a reminder, ALTA's initial Best Practices categories, adopted 10/11/12 following the Consumer Financial Protection Bureau (CFPB) April 2012 letter concerning lenders' responsibility for actions of their service providers (including title and closing services) and the resulting furor involving third-party "vetting" companies, are:

- 1. Establish and maintain current license(s) as required to conduct the business of title insurance and settlement services.**
- 2. Adopt and maintain appropriate written procedures and controls for Escrow Trust Accounts allowing for electronic verification of reconciliation.**
- 3. Adopt and maintain a written privacy and information security plan to protect Non-public Personal Information as required by local, state and federal law.**
- 4. Adopt standard real estate settlement procedures and policies that ensure compliance with Federal and State Consumer Financial Laws as applicable.**
- 5. Adopt and maintain written procedures related to title policy production, delivery, reporting and premium remittance.**
- 6. Maintain appropriate professional liability insurance and fidelity coverage.**
- 7. Adopt and maintain procedures for resolving consumer complaints.**

On January 2, 2013, ALTA published enhanced "Title Insurance and Settlement Company Best Practices" which includes suggested procedures for meeting Best Practice goals and a "Frequently Asked Questions" supplement. Full copies of these documents can be accessed at www.alta.org/bestpractices.

In remarks to attendees at the Tennessee Land Title Association Convention in early April, Rob Chapman (ALTA President-Elect and ORT's Chief Information Officer) and Anne emphasized that, even though a final Rule from the CFPB is not expected until fall of this year (with an implementation date yet to be determined, but anticipated to be 12 – 24 months following issuance of the final Rule), it is important not to wait until the last minute to prepare for changes.

The ALTA survey referenced in the Winter *Title Matters* article shows that many agents are already following Best Practices, but most have not yet formalized and documented that these procedures are in place. What can you do to be ahead of the game?

Get started now by putting someone in charge of assessment and compliance (or, if your staff is large enough, assign a different employee to address each practice or a combination of practices); compile and document practices and procedures in writing; and - most importantly - communicate adoption of these practices to your lender clients.

To assist agents in this important undertaking, ALTA has created the following checklists to help organize efforts to implement Best Practices:

Checklist to Help Gather Proper Business Licenses [<https://www.alta.org/bestpractices/docs/checklist.pdf>]

Checklist to Implement Escrow Trust Account Procedures [https://www.alta.org/bestpractices/docs/checklist_escrow_procedures.pdf]

Checklist for Protecting Non-public Personal Information: Physical Security [http://www.alta.org/bestpractices/docs/checklist_NPI_physical.pdf]

Checklist for Protecting Non-public Personal Information: Network Security [http://www.alta.org/bestpractices/docs/checklist_NPI_network.pdf]

Checklist to Ensure Proper Pricing and Recording Procedures [https://www.alta.org/bestpractices/docs/checklist_pricing_procedures.pdf]

Checklist for Policy Production, Delivery and Remittance [http://www.alta.org/bestpractices/docs/checklist%20chart%20policy_delivery_premium.pdf]

Checklist to Help Gather Proper Business Licenses [<https://www.alta.org/bestpractices/docs/checklist.pdf>]

Checklist for Development of Process to Handle Consumer Complaints [https://www.alta.org/bestpractices/docs/checklist_consumercomplaints.pdf]

While adopting ALTA's Best Practices won't guarantee future business, it will provide the opportunity to open a dialogue with lender clients, demonstrating professionalism and differentiating your agency from others in the ever-changing business climate.

Old Republic Title continues to be involved in monitoring CFPB activities (including proposed changes to settlement disclosure forms which will inevitably impact the closing process), as well as participating in efforts to promote and implement ALTA Best Practices. Mark Budzinski (ORT's General Counsel) and Anne are currently serving on ALTA's initial Best Practices Task Force.

Watch for future announcements about Old Republic's efforts to assist agents in adoption of ALTA Best Practices . . . and make plans to attend our Annual Seminar in Nashville on Friday, August 9, 2013, to hear Anne Anastasi's up-to-the-minute information on these very important topics when she joins us as a speaker!

For additional information about CFPB, visit: www.oldrepublictitle.com/orstarslink/resources/CFPB.asp

For additional information about ALTA's Best Practices, visit: www.alta.org/bestpractices

For additional information about ALTA's National Title Professional designation program, visit: www.alta.org/ntp

INTERNET EXPLORER 10 AND ORT APPLICATIONS

Valerie M. Perry, Assistant Vice President and Agency Manager

As you may be aware, on or about April 10, 2013, Microsoft released version 10 of Internet Explorer. Those of you that have your computers set up to automatically update your version of Windows received the new version of Internet Explorer long before realizing it was running.

If you are experiencing any issues with the EZ Jacket, Rate Calculator and/or CPL websites, we recommend the following easy fix.

- A. Go into your Tools dropdown on your task bar. If you do not see a task bar with tools listed click the "ALT" button on your key board.
- B. Click on "Compatibility View Setting".
- C. If you do not see "oldrepublictitle.com" in the box, you will need to add it. Once the item is added, the websites should perform correctly.

We apologize for any inconvenience. If you have any questions or continue to experience issues, please contact Phillip Brizendine at pbrizendine@oldrepublictitle.com.



KNOW YOUR PRIORITIES: THE NEED TO SEARCH THE BUYER'S NAME
Mike Davis, Assistant Vice President and Underwriting Counsel

It comes as a surprise to many people, but there can be liens against a buyer which will have priority over that buyer's purchase-money first mortgage.

The reason this takes so many people unaware is that in most cases a purchase-money first mortgage is the strongest lien position that can be had. The debtor only owns that property because the lender provided the first mortgage funds that allowed the purchase. As a result, the law generally recognizes the superior rights of that secured loan on the buyer's new property, even though there were other creditors in line ahead of the new lender with regard to that buyer personally.

For example, in a 1968 Revenue Ruling the Internal Revenue Service recognized "that a purchase money security interest or mortgage valid under local law is protected, even though it may arise after a notice of Federal tax lien has been filed." 26 CFR 301.6321-1.

Tennessee State Tax Liens

However, the ruling of the Federal taxing authority does not apply to the State of Tennessee's tax liens. Tennessee Code Annotated § 47-1-1403 (c) lists the liens that have priority over state tax liens. They are: 1) county and municipal property taxes; 2) deeds of trust which are recorded prior to the recordation of the notice of state tax lien; 3) UCC security instruments which require filing for perfection which are properly filed prior to the recordation of the notice of state tax lien; 4) other UCC security instruments which are properly perfected prior to the recordation of the notice of state tax lien; and 5) vendor's liens on real estate which are recorded prior to the recordation of the notice of state tax lien.

As you can see, except for county and city property taxes, other security liens can have priority over a state tax lien only if the security interest is perfected prior to the recordation of the notice of state tax lien. If a state tax lien has been recorded against your buyer, it will attach as a lien to the newly acquired property immediately, at the time the buyer takes title, and that state tax lien will be superior to the lien of the purchase-money deed of trust.

Federal Judgment Liens

Judgment liens in favor of the US government or a federal agency take priority over a purchase-money deed of trust. Pursuant to the Federal Debt Collection Procedures Act, these judgment liens "shall have priority over any other lien or encumbrance which is perfected later in time." 28 USC § 3201(b). Additionally, these liens have a duration of twenty (20) years, and can be extended for an additional twenty (20) years. 28 USC § 3201(c). It is also important for foreclosure lawyers to be aware that, even if you have a deed of trust recorded prior to a federal lien, other than a federal tax lien, you may be required to foreclosure by a judicial procedure rather than the traditional non-judicial sale. See 28 USC § 2410.

EXTENSION OF JUDGMENT LIENS
Kirk Moser, Assistant Vice President and Tennessee State Counsel

IN THE COURT OF APPEALS OF TENNESSEE
AT KNOXVILLE
January 24, 2013 Session
STEPHEN H. COOK, ET AL. v. DAVID L. ALLEY, SR., ET AL.
No. E2012-01220-COA-R3-CV-FILED-APRIL 4, 2013

This appeal concerns the statute of limitation for the extension of a judgment. J. Waymon Ellison ("Plaintiff") obtained a judgment in the Chancery Court for Loudon County ("the Trial Court") against David L. Alley, Sr. and David L. Alley, Jr. ("the Defendants") in an action related to a real estate transaction. Years later, Plaintiff's successors-in-interest ("the Successors") sought to extend the judgment a second time for another ten years. The Trial Court extended the judgment, holding that the first ten year extension of the judgment began to run upon the expiration of ten years from the date the judgment was entered, and, that the initial ten year period in this case began to run from the date the judgment actually was entered rather than the *nunc pro tunc* date indicated in the judgment. The Court of Appeals affirmed the judgment of the Trial Court as modified.

The Trial Court found for the Successors and held, in an order entered on May 16, 2012, in relevant part:

- the Final Judgment in this cause was entered on March 7, 1996;
- said judgment was effective for a term of ten years until March 7, 2006;

- said judgment was extended by order of this Court entered June 14, 2000;
- as a matter of law, said revived judgment was effective for ten (10) years beginning on the tenth (10th) anniversary of the original final judgment until March 7, 2016;
- because the term of a renewed judgment under Rule 69.04 Motion begins on the tenth (10th) anniversary of the original final judgment – and not on the date of entry of the order extending the judgment – the motion to extend the final judgment in this cause is timely filed;
- the Final Judgment heretofore entered in this cause with a balance in the sum of \$715,561.28, as of April 2, 2012, together with post-judgment interest at the statutory rate of ten percent (10%), is hereby extended for an additional ten years through March 7, 2026;

Thus, the Trial Court not only extended the judgment ten additional years in keeping with the Successors' request, it found that the effective date of the original judgment was March 7, 1996, rather than the *nunc pro tunc* date of December 10, 1992, thereby resulting in the judgment being extended until March 7, 2026.

The Court of Appeals review of the relevant law determined that extensions of judgments are not new judgments in themselves. Their conclusion also comports with reason and the language of Rule 69.04 of the Tennessee Rules of Civil Procedure. When a judgment creditor extends a judgment, she merely is prolonging the judgment's existence an additional ten years. Since an extended judgment is not a new judgment, the lifespan of that extended judgment begins to run at the expiration of the first ten years from the effective date of the judgment. This result is consistent with the language of Rule 69.04 which talks in terms of "an additional ten years." Thus, the new ten year period is 'tacked on' to the previous ten years, and does not begin to run from the date of the entry of the order granting the extension.

The Court of Appeals found that the Trial Court erred in its May 16, 2012 order extending the judgment in not giving the proper retroactive effect to the *nunc pro tunc* provision of its final judgment. Given the *nunc pro tunc* effect, the original final judgment in this case was effective from December 10, 1992 and so the original ten years ran from that date. That the ten year period for the life of the original final judgment began on December 10, 1992 and not March 7, 1996 is evident from the fact that the Trial Court's March 7, 1996 order awarded "statutory post judgment interest of \$104,921.70 as of March 1, 1996. . . ." The original final judgment successfully was renewed by the June 14, 2000 order for an additional ten years from December 10, 2002 until December 10, 2012. Therefore, the Successors' November 10, 2010, Rule 69.04 motion was filed timely. As a result of the May 16, 2012 order, the final judgment of December 10, 1992 now has been renewed a second time for another ten years, until December 10, 2022.

The Court of Appeals affirmed the Trial Court's holding that an extension of a judgment takes effect from the expiration of ten years from the effective date of the judgment rather than from the date of the order granting the extension. The Court of Appeals however, modified the Trial Court's judgment to reflect that the effective date of the original judgment in this case was December 10, 1992 rather than March 7, 1996, so that the original judgment now has been extended until December 10, 2022.

COURT RULES AGAINST TITLE COMPANY IN CYBER-CRIME CASE

Pamela L. Zimmerman, Assistant Vice President and Agency Manager

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The following from a recently published ALTA article dealing with escrow and trust account security should be of interest (and concern) to all attorneys and title agencies:

"The U.S. District Court for the Western District of Missouri (Southern Division) last month rejected a suit brought by a title company seeking to recoup money stolen during a fraudulent wire transfer. [Choice Escrow and Land Title, LLC v. BancorpSouth Bank, Case No. 10-03531-CV-S-JTM]

Missouri-based Choice Escrow sued Mississippi-based BancorpSouth Inc. after hackers stole the title company's online banking ID and password and made an unauthorized wire transfer of \$440,000 to a corporate bank account in Cyprus.

Choice Escrow opened an escrow/trust account with BancorpSouth in 2009. The bank, at the time, required customers to utilize Dual Control, which mandated that two individuals use separate user IDs and passwords to complete an electronic wire transfer. According to court documents, the title company twice declined this safety measure, citing a preference for convenience and that the employee who handled wire transfers was in the office by herself.

While Choice Escrow alleged that BancorpSouth's security procedures were not commercially reasonable, the court based its March 18 decision on the fact that Choice Escrow declined the bank's recommendation to use Dual Control.

The court noted that Choice Escrow also declined to set a limit on the amount or number of wire transfers allowed each day, and that the transfer amount initiated by the criminals was not unusual for the title company."

In a pending North Carolina case, Park Sterling Bank has sued law firm Wallace & Pittman, PLLC to recover over \$336,000 following a 2012 fraudulent wire transfer from the firm's account to an account in Moscow. As reported in the Charlotte Observer, the fraudulent transfer was enabled by a click on a link in an e-mail purportedly from NACHA (the Electronic Payments Association which manages the development, administration, and governance of the ACH Network) regarding ACH payment transactions that had not cleared properly. Using the e-mail response, hackers were then able to access at least one of the firm's computers and install a "keylogger" to track user activity which led them to a user's online banking passwords. Trial in this case is not anticipated until the fall.

Are you aware of the terms of your bank's customer agreements and their security recommendations and/or requirements . . . and more importantly, are you following them?

And in an interesting twist (in addition to potential attacks detailed in Kirk Moser's 1/25/13 bulletin concerning reports that agents were receiving e-mails appearing to be from their underwriters requesting them to "Confirm your wire instructions with us" and his 4/25/13 bulletin concerning the wire scam attempt reported by one of our Tennessee agents), ALTA itself was the target of a scam! Their 4/23/13 bulletin advises they became aware of spam e-mails (originating from Brazil with a subject line "Land Title Auctions") which showed ALTA as the sender, were purportedly signed by ALTA President Frank Pelligrini, and contained a link which may have carried potential viruses.

ALTA reports: "Cyber criminals have used domestic and international wire transfers, business-to-business ACH payments, online bill pay and electronic payroll payments to hack into systems. The criminals target victims by scams. Victims unknowingly install software by clicking on a link or visiting an infected Internet site. Fraudsters then begin monitoring the accounts. Fraudsters collect login credentials when a victim logs on to an account. Fraudsters wait for the right time, then—depending on a company's controls—login after hours. If a company utilizes a token, they wait until the code is entered and then they hijack the session and send a message that the system is temporarily unavailable.

Sources for these viruses or malware can be malicious websites (including Social Networking sites), email, peer-to-peer downloads such as LimeWire and advertisements from websites.

This leads to the importance of providing security awareness training for employees. In addition to securing computers and networks, title companies should limit administrative rights and not allow employees to install any software without receiving prior approval. Spam filters should be installed and maintained and employees trained to use the Internet carefully. Software to detect and remove viruses and malware should be installed and maintained. These tools should be used regularly to scan computers, allowing for automatic updates and scheduled scans. Routers and firewalls should be installed to prevent unauthorized access to computers or networks. Default passwords on network devices should be changed. Additionally, pop-ups should be blocked and employees should avoid using public Internet access points when conducting business while travelling.

Computer lock ups, dramatic loss of speed, unexpected rebooting and unusual pop-ups are signs a computer may be under a cyber attack. Employees should know who to contact to report suspicious activity."

To help your office develop and maintain a written privacy and information security program and combat cyber crime, refer to the article on ALTA's Best Practices (pages 2-3 of this newsletter) for a link to the Checklist for Protecting Non-public Personal Information: Network Security. It's becoming a much scarier world . . . be safe out there!



TALES FROM THE TRAIL...SPRING CLEANING
John Anderson, Agency Auditor

As the cold chill of winter begins to fade and the flowers start to bloom you can only think of one thing (no not allergy season)...time to start SPRING CLEANING!

Spring is the perfect time of year to not only clean out the garage and spruce up the house, but it is also a good time to clean up your escrow accounts. Taking time out to make sure everything is in order with your accounts will go a long way toward making your job a lot easier.

Here are just a few ways to help get your accounts in good shape.

Dormant accounts, time to close?

Sometimes we have accounts that while they are no longer used, are still open. If these accounts have not been use in the past 6 months to a year, chances are, they won't be. Not only can a dormant account pose a drain on your resources through fees and time spent reconciling them, but they also pose a security risk. Most of these types of accounts get neglected, and often can be the victims of theft or other unusual activity. Remember, just because you don't use them, does not mean someone else won't. Your best policy is to get them closed as soon as possible.

Review your banking relationships

One of the most important factors in dealing with your accounts, is your relationship with your bank. Now is a good time to talk with your banker about your account. Have you had any turnover? If so, do you know who is on the signature cards for the escrow accounts? What about banking fees? Do you know what fees are being charged and how much? Are there other banks that can satisfy your company's needs at a reduced cost? Do you know who is authorized to send wires? How are you notified of any suspicious activity or fraud? Don't be afraid to take some time to sit down and talk with your banker about these and other questions you might have. Remember, the bank is one of your strongest lines of defense against outside and inside sources of theft and fraud for your accounts.

Reconciliation reports

Reconciliations are like cleaning the garage, while it can be a bear to do, it is essential. Ask yourself, when is the last time you **really** looked at your escrow account reconciliations (c'mon be honest)? Do you know what's in your reports? Do you have old file balances that need to get cleaned up? Many of us will review and if necessary, fund any negative files (hopefully there are none), but you should also review your positive balances. Any file with positive balances 6 months or older should be looked into to see why you are still holding that money. Maybe you just need to void a check or you need to follow up on an escrow agreement. Perhaps there is a policy that needs to be issued (hint, hint). Also, look at any checks that you have over 30 days outstanding. Are there any checks for recording, taxes, hazard insurance or payoffs? Do you need to reissue any stale dated checks? Also please remember that just like negative balances, deposits in transit (or outstanding deposits) are shortages in your account. Make sure that these items are researched and funded if necessary. Your reconciliations are essential to your operation as an agent as they give you information on a month by month, or better yet day by day basis. But the key is, you have to be sure and look at them. And much like the garage, once you get through that initial cleanup, the maintenance is not nearly as bad.

While these are just a few suggestions for your spring cleaning, they are certainly not the only ones. These ideas can help your office become more efficient, especially as business begins to pick up. Remember, taking care of a few details now, while fresh in your mind, can prevent bigger hassles down the road.

Enjoy the warm weather folks.

TALE OF A TITLE AGENT:
FRAUD & MURDER IN A SETTLEMENT OFFICE

Reprinted with permission of Joshua Williams, Escrow Accounting Solutions, Inc.
Based on a true story. Names and other details have been changed to protect identities.

Once upon a time there was a well respected title agent named Ralph Blutarsky who closed residential real estate loans out of his small office in a mid-size city in the heartland of America. Ralph had operated for over 30 years and had gained an excellent reputation in the industry.

Continued on Page 8

He was well known for his kindness to others, and often gave generously to community causes. His work ethic was phenomenal and lenders loved doing business with him. Ralph Blutarsky, LLC was always known to be reliable, courteous and efficient. Ralph had gone to great lengths to protect himself and his underwriters over the years and was unsurpassed in his attention to details at the closing table. Ralph's office had never had a title insurance claim of any kind in his 30+ years of closing loans. Over time he had become a pillar of the local community. Everyone loved Ralph and his staff.

Ralph had a paralegal named Donna Pepperidge who worked with him for over 20 years and functioned as his right hand. She was amazing in every way and well respected by her peers. Donna was wonderful with the customers and lenders alike. She was highly competent and reliable. Her loyalty to Ralph was off the charts. Donna was the definition of a long term, trusted employee and she more than earned her keep on a regular basis. She understood the new HUD like the back of her hand and rarely made a mistake. When Ralph requested something, it was rare for Donna to not have anticipated the need and already prepared a well thought out answer for him.

Ralph knew how valuable Donna was to the success of his business and he went to great lengths to reward her with raises, bonuses and kind words. The last thing he wanted to do was lose her to another firm over a few bucks, considering how much he had come to rely on her. Donna handled closings and almost everything else, including maintaining the firm's 3-way escrow reconciliations. She would send the firm's monthly escrow account statements to the third party firm that reconciled their accounts, but she was often tardy in doing so. She rationalized that she was so tied up putting out other fires, the recs could wait until she had time to get to them. Sadly, this was a fatal error. Her primary failure was that the office would get so busy, she often allowed months to go by without sending statements to be reconciled. Ralph knew Donna was trustworthy and also knew he balanced every file to perfection at the closing table, so he permitted Donna to put the recs on the back burner from time to time and didn't think much of it.



One day the reconciliation firm found two unusual checks from a few months back that cleared but were not posted in the closing software. The overall account was also out of balance, which had never been the case as far back as Donna could remember. What was going on? When queried about those items, Donna went around the office and quietly asked if anyone knew what they were. Donna had requested some help since the office was busy, and Ralph hired a paralegal that Donna handpicked. It turns out that Donna helped hire her own killer. Soon the thief knew the gig was up and Donna was on her trail, sure to uncover her financial misdeeds. The murderess sprang into action with several co-conspirators to maximize her take given the situation. Donna had no tolerance for dishonesty and was looking for evidence to trap the thief, but was fatally attacked by the criminals when she went home for the evening. They suffocated Donna to death with a plastic bag after threatening her at gunpoint, and left Donna in her own house with the scene manipulated to make her death look like a suicide. They went back to the office for the next three days and wired out well over \$1,000,000.00 to various accounts before Ralph received word that Donna was dead and foul play suspected. Ralph was devastated over the loss and struggled to comprehend how this could've happened. He knew they had special tokens from the bank that were needed to wire money and thought that only Donna had access to them. Later he found Donna's token in the desk of the murderess.

Justice was swift and efficient as the investigation soon uncovered the insider and her co-conspirators, but the damage was done. All the offenders were charged with capital murder and remain in prison to this day. Over 90% of the stolen funds were recovered within a few weeks, but Ralph had many challenges ahead. The title insurance company required that the unrecovered funds be replaced by Ralph until such time as he could recover them. Ralph did not have this kind of cash on hand and found himself in a very bad situation. Multiple payoffs had not been made and interest and penalties were adding up every single day, making the situation even worse. Claims ended up being filed with the title insurance company and Ralph ultimately had to close his firm's doors due to the losses. While Ralph's situation was tragic and impossible to predict, he had to re-evaluate his responsibilities in the end. He lost his best employee and the entire firm. He wondered aloud how they could have prevented this...

- 1) Timely reconciliation. Catch the thief quicker to prevent further damage and maximize odds of recovery. Donna was too slow to send statements for reconciliation and did not properly prioritize the firm's reconciliations. An increased sense of urgency was needed as is the case in many firms across the country today.
- 2) Tighter controls on who has access to passwords and tokens. Donna's killer had no trouble wiring money to herself once she had the token and password access. Passwords and tokens should never be shared.
- 3) Don't put too much faith in staff to handle everything and maintain active involvement in the reconciliation process. Knowledge is power, and if Donna had felt that Ralph was at all interested, she would have brought the initial stolen checks to his attention before investigating them herself. The Principal should always be in the loop on all escrow issues. It was to Ralph and Donna's severe detriment that he was not.
- 4) Verify that bank statements are being reconciled early each and every month, and personally review the reports for issues.

