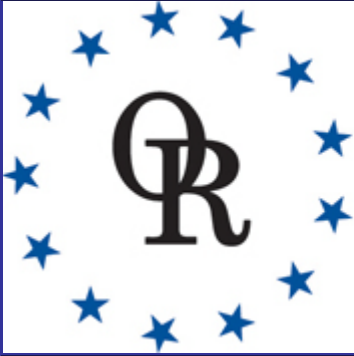


ORT News! – January 2007



OLD REPUBLIC

National Title Insurance Company



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Hello,

Happy New Year!

I am so glad you're reading this because the New Year is off to a great start and I have lots of information for you in this month's Newsletter.

Enjoy!

Inside ORT

You've probably had the pleasure of hearing her friendly voice over the telephone. Perhaps you've even met her in person. So this month we would like to take the opportunity to better familiarize you with ORT's "*Queen of Random*", aka Kindra Wessel.

Kindra has been with Old Republic National Title Insurance Company for 5 years and has self-proclaimed herself as the "junior underwriter". Her official title is that of Agency Administrator where she is the liaison between ORT and its Agents in both Texas & New Mexico. Kindra is a wealth of knowledge and assistance for Agents through a multitude of activities such as licensing issues, matters for indemnification, marketing materials, coordination of seminars and continuing education programs, and some underwriting issues - especially those related to manufactured housing. Kindra says it is important for all Agents to feel as if they are were the only ORT Agent and adds that she is "here to help, loves questions, and always has an answer" - which is why here at ORT she has been affectionately dubbed the "*Queen of Random*" for her ability to assist with all types of questions and issues.



A Houston native, Kindra has been married to Cole Wessel (pictured with her above) for 2 years - they met when he was working for Houston Title. Her hobbies include reading, country music and knitting. Prior to joining ORT, Kindra was the Trading Assistant for a bond trading desk with American General. And, Kindra just started back to school at the University of Houston where she is continuing her studies towards a Bachelors Degree in English with a concentration on Linguistics.

Kindra can be reached by calling 888-678-1700 or via email at: kwessel@oldrepublictitle.com

Industry News

Fraud Alert!

New Land Flip Scheme Takes the Country By Storm

This **new fraud scheme** is pervasive **throughout the entire United States** and is being perpetrated primarily by the "selling real estate agent or broker". The scheme also involves the TPO (Third-Party Originator), the settlement agent and borrower. There is **NOTHING LEGAL** about this scheme and participants risk significant civil and criminal penalties by engaging in this illicit fraud scheme designed to defraud the lender or secondary market investor.

A **recent example** will best describe how the scheme works. A residential property is listed through MLS for \$375,000. The **Buyer, through their real estate broker, tenders a Contract Offer that calls for the Seller to pay a percentage of the buyer's closing costs and is contingent on financing.** Everything proceeds in a usual and customary manner until closing.

At **closing the Seller is instead shown a HUD-1 that reflects a much higher sales price** of \$499,000 with 100% financing from a lender. **More importantly, the HUD-1 also reflects a pay-off** of a non-existent mortgage or lien for more than \$100,000. This money represents the "proceeds" of the fraud scheme. **These deals have also included over-inflated values** in the appraisal; false earnest money deposit letters generated by the settlement agent and "straw buyers" being used as the Buyers in these transactions. Sometimes, the "straw buyer" is being paid a fee for the use of their credit.

Another variation of the scheme involves a property **listed through MLS for \$474,900.** At the time the Contract Offer is presented to the Seller, the **Contract calls for a Sales price of \$600,000.** An Addendum to the Contract provides that the net difference in the Contract sales price and the MLS sales price be paid to release a "non-existent" lien or mortgage or to pay a management fee, fix-up expense, etc. This amount is generally in excess of \$100,000. As in the first example, **no money is being brought to closing,** financing is generally at 100% of the Contract sales price, the appraisal is grossly over-inflated and the borrower is an "investor" or "straw buyer". Investigation has shown the lender **DOES NOT** receive the Addendum to the Contract and is not aware of the additional terms that would preclude them from funding this mortgage loan. In addition, the **pay-off of the non-existent lien or mortgage is reflected on the seller's side** of the HUD-1 Settlement Statement.

This new scheme is clearly designed by the fraudsters to **defraud the lender into loaning more money on the property than what it is actually worth** and to **defraud the lender into believing the borrower is bringing money to closing** - when in fact, *they are not.*

If you have any questions, please call Shannon Savage at 888-678-1700.

ORT Tools

We heard from so many of our readers last month thanking us for this section in the December 2006 Newsletter - so, we decided to "*say it again*".

The Information You Need!

The Old Republic National Title Insurance Resource Center is the place to go for quick links, downloadable forms, tips, and other information to help make your transactions go smoothly.

We invite you to visit: www.oldrepublictitle.com/newnational/Resources/index.asp

Frequently Asked Questions

Since a big part of what we do is answer questions, we thought we'd share one of our most common FAQ's, and of course, the answer.

Question: "My lender insists on having successor language included in the mortgagee clause of the Insured Closing Letter further adding that all the other title companies do it with no problem. How do I respond?"

Answer: Many lenders request (which does not equal require) some variation of successor language on the ICL. Directive from the Texas Department of Insurance via *Bulletin 157* warns against certain successor language on Texas Commitments and Insured Closing Letters. This language includes the following:

- Its successor and/or assigns
- As their interests may appear
- ISAOA
- ATIMA
- or any combination of the above

Additionally, when completing the ICL request online at the ORT website, any use of the language or letters above will result in an error and the letter will not be produced.

This does not mean that your lenders are not protected. *Bulletin 157* does provide for specific language which may be used after the lender's name:

"ABC Mortgage Company and each successor in ownership of this indebtedness secured by this insured mortgage, except a successor who is an obligor under the provisions of Section 12(c) of the Conditions and Stipulations."

Once explained, if your lender still gives you trouble, please feel free to have them contact our office for further assistance.

ORT Service Excellence Corner

Why Customers Don't Do (or do wrong) What They're Supposed To Do

If you've ever thought to yourself that sometimes customers just don't do what they're supposed to, then surely you know the frustrations that come along with that. But keep something in mind - **most often people do not intentionally not do things or do things wrong**. What happens is that **based upon what they know, don't know, or even think they know**, they will react accordingly.

Very often because we work in the title industry business we assume that our customers know how to do business with us; not so. A recent study conducted by Bain & Company revealed that when asked, **70% of title business professionals** said they felt their customers know what they need to do, how to do it, etc. Yet, **46% of buyers reported** they felt they knew what they should do, how to do it, etc.

Those two very different percentages reinforce that it is our responsibility to educate buyers about the process of doing business with us, why certain things are done and how they (buyer) can help us to help them.

Knowledge is a great thing and can be a powerful tool; but only if you share it.

Before We Close...

On behalf of Old Republic National Title Insurance Company I would like to thank you very much for your business. I hope you enjoyed this Newsletter and invite your feedback and ideas on what you'd like to see in future publications.

Additionally, if you know of someone who would also like to be a subscriber to ORT News!, please refer them to our website at: www.oldrepublictitle.com.

Best Wishes for the New Year!