



OLD REPUBLIC
National Title Insurance Company

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Bulletin

To: Agents, Attorneys and Direct Operation for the State of Texas
and New Mexico
From: Dwight Dunlap, Senior Counsel
Date: 06/08/2005
Re: Fraudulent Foreclosures

The Title Insurance industry has historically relied upon the record title assuming the authenticity of the documents and the facts portrayed by them with little question. We are now finding how susceptible that makes us to those persons with creative minds and fraudulent intents.

The newest fraud of which we have had brought to our attention concerns totally fraudulent non judicial foreclosure sales. A property is picked out for the scheme by what ever rationale is used by the perpetrator. The property marked for the scheme is the subject of an outstanding vendor's lien to a well known third party lender. A fraudulent Notice of Substitute Trustee's Deed is filed of record usually within a month of the alleged foreclosure sale date. The purported purchaser at the sale shortly thereafter deposits with a title agent a counterfeit escrow in order to open title as a seller. The transaction is closed and the subsequent purchaser attempts to move into the property only to find that it is occupied by the owners of record that had purportedly been foreclosed upon. The insured innocent purchaser immediately files a claim against his Owner's Title Policy. This type of fraud could result in a full policy loss.

How can you protect yourself? At first this type of fraud appears to be unpreventable. However, a second glance reveals patterns that should raise the proverbial red flags to your Title Department or Plant. The entire fraudulent activity takes place over an unusually short period of time. First of

all, the Substitute Trustees Deed is filed of record only a day or two following the alleged non judicial foreclosure sale. This is highly unusual as Substitute Trustees Deeds are rarely filed that fast. Secondly, the Earnest Money Contract is brought to the agent in order to open title only a matter of days after the alleged foreclosure sale.

The existence of these types of facts should give rise to a company policy that requires someone in the agency to actually contact the beneficiary of the Deed of Trust in order to inquire about the authenticity of the foreclosure sale.

Please call our underwriting counsel if you have any questions or concerns about these foreclosures.

888-678-1780

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