

ANATOMY of an altered payoff demand



In certain markets, such as Southern California and Washington State, independent escrow agents handle real estate closings. They order the title insurance from a title insurance company that has a sub escrow division to process payments for any lien related items. These divisions pay off any existing mortgages as a part of the services they provide.

The payoff demand is ordered by the escrow agent, who provides it to the sub escrow officer. The sub escrow officer scrutinizes the payoff demand and compares the wire instructions to the Company's known trusted wire instructions. This is exactly what Wendy Troxell, Accounting Administrator with Ticor Title in Riverside, California, did.

Wendy immediately noticed the account number was not the same account number the Company wires payoff funds to hundreds of times every month. She picked up the phone to call the bank; it was confirmed the account number was not valid in any way. She asked them if the other, known number she had was the correct account number and it was confirmed it was.

Wendy reached out to the independent escrow agent who confirmed they ordered a payoff demand at the beginning of April 2019. Then, about 20 days later a revised demand was received via eFax.

Wendy asked why an update to the demand had been ordered, since the amounts did not change. The escrow agent told Wendy she never ordered the update, it just showed up. Let's compare the two:

Original Fax Number
083/9764318250/XP125/L/1

ABC HOME MORTGAGE

April 4, 2019

Sally Seller
2223334444

ABC Home Mortgage response to inquiry about paying off the mortgage noted below.

Mortgagor: Sally Seller
Property Address: 1234 Adams Street
Anywhere, USA 98765
Loan Type: Conventional

Loan Number 12121212121212121

MORTGAGE PAYOFF STATEMENT:
All figures are subject to final verification by the noteholder. The TOTAL AMOUNT OUTSTANDING OF \$160,917.05 is based on the payoff/closing date of 05-01-19.

1. TOTAL PRINCIPAL INTEREST, AND OTHER AMOUNTS OUTSTANDING UNDER NOTE/SECURITY INSTRUMENT	
NOTE: 04-01-19 is the next payment date under Note/Security Instrument	
Unpaid Principal balance	159,588.63
Interest as of 05-01-19	1,130.42
TOTAL AMOUNT OUTSTANDING UNDER NOTE/SECURITY INSTRUMENT	160,719.05
2. ADDITIONAL CONTRACTUAL AND OTHER FEES AND CHARGES OUTSTANDING	
Recording Costs	198.00
TOTAL CONTRACTUAL AND OTHER FEES AND CHARGES OUTSTANDING	198.00
TOTAL AMOUNT OUTSTANDING through 05-01-19	160,917.05

Same Payoff Amount

Timing of loan payoff:
Total amount outstanding is good through 05-01-19, or until any activity occurs on the account. Funds received after that date will be subject to an additional \$18.58 of interest per Day.

After payoff, we will release the lien on the property in accordance with state law.

WHERE TO SEND PAYOFF FUNDS
BY WIRE: no checks
ABC Bank, N.A.
Beneficiary Bank ABA: 111000975
Beneficiary Bank Acct: 989899999888 Correct Account Number
Apply Funds to: loan 12121212121212121
Mortgagor: Sally Seller

04/21/2019 10:18 AM to 2223334444 Page 1/1 From Incoming Fax Fax: 8889990000 Amended Demand Came From Different Fax Number

083/9764318250/XP125/L/1

ABC HOME MORTGAGE

April 21, 2019

Sally Seller
2223334444

ABC Home Mortgage response to inquiry about paying off the mortgage noted below.

Mortgagor: Sally Seller
Property Address: 1234 Adams Street
Anywhere, USA 98765
Loan Type: Conventional

Loan Number 12121212121212121

MORTGAGE PAYOFF STATEMENT:
All figures are subject to final verification by the noteholder. The TOTAL AMOUNT OUTSTANDING OF \$160,917.05 is based on the payoff/closing date of 05-01-19.

1. TOTAL PRINCIPAL INTEREST, AND OTHER AMOUNTS OUTSTANDING UNDER NOTE/SECURITY INSTRUMENT	
NOTE: 04-01-19 is the next payment date under Note/Security Instrument	
Unpaid Principal balance	159,588.63
Interest as of 05-01-19	1,130.42
TOTAL AMOUNT OUTSTANDING UNDER NOTE/SECURITY INSTRUMENT	160,719.05
2. ADDITIONAL CONTRACTUAL AND OTHER FEES AND CHARGES OUTSTANDING	
Recording Costs	198.00
TOTAL CONTRACTUAL AND OTHER FEES AND CHARGES OUTSTANDING	198.00
TOTAL AMOUNT OUTSTANDING through 05-01-19	160,917.05

Same Payoff Amount

Timing of loan payoff:
Total amount outstanding is good through 05-01-19, or until any activity occurs on the account. Funds received after that date will be subject to an additional \$18.58 of interest per Day.

After payoff, we will release the lien on the property in accordance with state law.

WHERE TO SEND PAYOFF FUNDS
BY WIRE: no checks
ABC Bank, N.A.
Beneficiary Bank ABA: 111000975
Beneficiary Bank Acct: 989899999888 Altered Account Number
Apply Funds to: loan 12121212121212121
Mortgagor: Sally Seller

The highlighted information in the two letters is listed below for readability.

	ORIGINAL DEMAND	AMENDED DEMAND
Fax Number	083/9764318250/XP125/1/1	888999000 (different)
Payoff Amount	\$160,917.05	\$160,917.05 (same amount)
Account Number	989898989898	32323232323232 (altered)

Wendy notified her manager, Chad Finn, of her findings. Chad alerted the escrow agent that someone's email account had been compromised. He suggested they have their systems checked.

The escrow agent called back a few days later. It turns out, they had been communicating with the fraudster all along. The fraudster was intercepting emails between the real estate agent and escrow agent for several days, and responding as if he/she were the real estate agent.

The independent escrow agent had no idea fraudsters were intercepting payoff demands and altering them. They were shocked to discover eFax is an unsecure method to transmit payoff demands. The independent escrow agent reported the incident and is working with law enforcement to prevent falling victim in the future.

Every time we think we have the swindle figured out, the fraudsters tweak it just enough to conceal it. The escrow agent even uses this as their email tagline:

*****CAUTION: EMAIL FRAUD CONTAINING INCORRECT WIRE INSTRUCTIONS. If you receive an email requesting you to wire funds to ESCROW CALL YOUR ESCROW OFFICER IMMEDIATELY to verify the information prior to sending Funds.*****