



CHICAGO BULL

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**No mortgages,
New owners,
New (old) frauds?**



Using YOUR COMMON SENSE!

The ramifications of the economic crisis in the real estate market and the creativity of fraudsters are still out there! “Zombie” properties, vacant homes in varying stages of foreclosure (or those re-vacated by squatters), satisfactions outside of a closing transaction, quitclaim deeds, deeds in lieu but not to an institutional lender, deeds drawn by non-lawyers, all the way to “common law liens” of “freemen” and “sovereign citizens” cause havoc for titles, closing attorneys, purchasers and mortgagees. So it’s time to revisit a few horror stories and a **checklist of red flags!!**

*Exercise your common sense as well as your professional judgment
to protect your client(s) ... and yourself!!*

Attorneys (and their clients) have recently been blind-sided, suffered significant losses, and even had to serve prison time, by not recognizing some key recurring fraudulent schemes. So here are a few seemingly benign but highly toxic recipes for disaster!

1. **Quitclaim Deeds!** Such as:
 - a. To unrelated third parties for no consideration (i.e. forgeries), or
 - b. To “dealers” (really wheeler-dealers!) who may or may not find buyers and may or may not make the mortgage payment with any rent money (“Real Estate Resale Dealers” or “We Buy Homes” people),
 - c. To out-of-state unrelated “trustees” promising to “eliminate your mortgage!”
2. **Unencumbered property!** How many people can actually own their property free and clear? Double check, triple check and ask questions every time! Is the mortgage in a prior name? Was there an assumption of a prior owner’s mortgage? Or were there ...
3. **Unexplained cancellations!** Did your seller inherit a fortune recently or where did that payoff come from? Verify the current status with the lender whose lien was canceled out of the blue! Don’t get caught with a potentially fraudulent satisfaction!

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4. ***Mortgage Elimination Schemes!*** Property owner conveys title to an out-of-state trustee who then executes their own power of attorney purportedly on behalf of the lender, signs their own “satisfaction” as attorney-in-fact for the lender and quickly refinances without any payoffs (sharing a split of the profits, of course!)
5. ***Powers of attorney:***
 - a. To unrelated, non-bank attorneys-in-fact
 - b. To a relative who is using the principal’s assets to pay their personal debts!
6. ***Trusts with unrelated, non-bank trustee***
7. ***Names with punctuation marks instead of spaces***, such as: “John;Smith-Jones”: Have you heard of “freemen” or “sovereign citizens?” How do you search that on a computer!?
8. ***Inaccurate excise taxes on deeds***, especially higher than the statutory rate! See 2001 FEO 12.

WHAT YOU ALWAYS NEED TO KNOW:

- Does the transaction make sense?
- Are there suddenly new parties?
- Understand the transaction. Look behind the surface – “Where’s the Money?”
- Are you and your title insurer satisfied with the “*bona fides*” of the transaction?
- Is this realistic for this buyer?
- Are the documents correct – such as:
 - not saying “principal residence” if it’s clearly not?
 - not reflecting clearly erroneous excise or transfer tax (misrepresenting value and price paid)?

REMEMBER: The mortgage broker, “dealer” is probably not the investor or lender whose money is at stake!

**BOTTOM LINE:
ASK QUESTIONS.
GET SATISFIED WITH THE ANSWERS!
TRUST, BUT VERIFY!!!**

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