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**Detecting and Preventing  
Fraud In Closings**

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## **DETECTING AND PREVENTING FRAUD IN CLOSINGS**

### **I. Descriptions of “Fraud” (for this discussion only)**

- A. False identity of the individual
- B. Forgery of a signature on an instrument
- C. Email or series of emails to misdirect a wire transfer
- D. Inquiry to solicit information for any of the above or to achieve any of the above
- E. Counterfeit cashier’s checks

### **II. Acts of Fraud Involve**

#### **A. Identity and Identification**

The things you can do to “check up” on identity.

- 1. If possible, always have the people signing documents come in so you can see them face to face and talk to them, or go to them as the notary, or with another notary.
- 2. Get IDs and make copies (color copies, if possible). You want picture IDs and look at the picture to see if it is the person before you. If it doesn’t look right, check the ID date, ask for some other ID (like social security card, business card, or checkbook to see the name). The lack of any of these is a red flag.
- 3. Hopefully, a third party, such as a realtor or another attorney, is involved. If you have the chance, discuss the individual with the third party to see if the realtor, attorney or other third party personally knows the individual or has had other dealings with them.

4. Look at their signature on the driver's license and on the document. If they are a seller, look at their signature on recorded documents in the chain of title, if possible.

B. Authority

1. You want to verify who can "turn the crank" and perform an act on behalf of an entity.
2. The more obscure the information you receive on authority, the "redder the flag".
  - a. Understand the type of entity named in the document/contract and how that entity performs ("acts").
  - b. Check online the filings with the Secretary of State's office to see if the individual's name appears in the entity's formation documents or as the designated agent.
  - c. If the entity is a large organization, ask for copies of executed resolutions that include names and titles, or an incumbency certificate. Often you will be told, "We are too big to bother with authorization verification." Then, consider the size of the deal. If relatively small, our practice, after reaching this point, is to accept what we have. If the transaction is relatively large, we press for specific authorization documents.

C. Authenticity of the Document

1. Who is preparing the documents? If it is counsel for one of the parties to the transaction, did they include names and titles in the signature blocks? Ask them if they are opining on authority. Often they are. As a title company we usually are not included in the opinion, but knowing there is one on the issue is a big deal, especially from a known attorney or law firm.

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## Title search: Detecting and Preventing Fraud in Closings

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