CHICAGO TITLE
DC COMMERCIAL CENTER

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Capitol City Crime

A borrower presented a falsified payoff statement and then refused to allow the closer to talk to the payoff lender. Jay Hough, a senior closer, was not swayed by the borrower's fast talk.

Jay Hough, a senior closer for Chicago Title Company in Washington, D.C., received an order from a mortgage broker in Indianapolis, Indiana for a refinance of a property in D.C. The title search revealed two prior deeds of trust. One of the deeds of trust had been released and then later confirmed to still be in effect by a lender declaration recorded in the land records.

Since the title already had a sketchy past, Jay wanted to pay extra special attention to any loan payoffs or releases received from the broker, borrower or lender. The current lender provided Jay with a payoff letter addressed to the borrower, which indicated a principal balance of $30,000 less than the initial loan amount. It appeared as though some of the information had been "whited out." Since the loan had an 11 percent interest rate and was just taken out last year, Jay knew that it was highly unlikely that the borrower could have already paid down the loan by $30,000.

Jay contacted the mortgage broker and demanded the contact information for the current lender, who confirmed Jay's suspicion that the payoff letter was fraudulent. The borrower had falsified the payoff statement so it reflected a payoff amount of $50,000 less than the actual amount.

Jay stopped the transaction from moving forward and the mortgage broker cancelled funding with the new lender.

Verbal verification of payoffs or payoffs ordered and provided by mortgage brokers, real estate agents or borrowers are not acceptable. Many lenders do not calculate prepayment penalties when providing verbal verification. We will always ask for a payoff letter or statement addressed to our Company. However, a verbal update of a previously issued payoff statement is acceptable as long as it was addressed to our Company.