



TITLE TIP

From the Central Alabama Title Center, LLC

March 17, 2014

Avoiding Title Claims:Part 2, Who Gets the Money?

This is the second in a three part series that will discuss avoidable title insurance claims.

WHO GETS THE MONEY?

In an all-cash purchase and sale for \$300,000, the title agent through the title commitment reported an open mortgage in the amount of \$275,000. Prior to closing, the seller's attorney prevailed upon the purchaser's attorney to pay all of the closing proceeds over to him, and he gave assurances to the purchaser's attorney that he would use most of the proceeds to satisfy the mortgage. The seller's attorney was well known to the purchaser's attorney and to the title agent, both of whom had transacted business with the seller's attorney for more than 20 years.

You can guess what happened — otherwise, we would not be writing about it here. The seller's attorney stole the payoff money. Neither the purchaser's attorney nor the title agent had any inkling that the seller's attorney had any problems, financial or otherwise. On the strength of assurances from the seller's attorney, the funds were turned over to him, and the open mortgage was omitted from the title insurance policy. More than 20 criminal complaints have been filed against the seller's attorney, involving an amount of stolen funds that exceeds \$3 million.

The basics: There is rarely a good reason to turn payoff funds, particularly mortgage payoffs, over to a third party, instead of either having a check made payable directly to the party that is owed the money or having proceeds wired to that party. With the down turn in the market this could happen to you just as easily as it happened in this scenario. It is better to be safe than sorry when dealing with someone's mortgage payoff funds.

With the down turn in today's market theft of payoff funds is happening more and more. It's Better to be safe than sorry.

As always, should you have questions, please feel free to give CATC at call at 888-207-6200

Information compliments of Feb. 2014 Agent Insights, FNTD, Frank Carroll, Regional Counsel.

Note: Information contained herein is not intended to be used for anything other than general educational purposes and no legal opinion is stated or implied. The Central Alabama Title Center, LLC, its agents, employees or contractors will not be liable to you for any loss or damages of any nature arising out of your use of information provided in this flyer.