2026 **Title Tenets** Webinar Series

Pitfalls & Perils: Avoiding Common and Uncommon Title & Escrow Red Flags

Presented by:

Dannielle Booth, Senior Commercial Escrow Officer

Rob Hainey, Commercial Underwriter

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Introduction

Purpose of the Presentation

- Increase awareness of title and escrow risks
- Identify common and uncommon transaction red flags
- Review real-world examples and lessons learned
- Discuss practical risk mitigation strategies

Why This Matters

- Fraud schemes continue to grow in sophistication
- Regulatory scrutiny and liability exposure are increasing
- Title and escrow professionals serve as a critical line of defense
- Early detection often prevents losses and claims

Section I: The Role of Title & Escrow in Risk Prevention

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Title Responsibilities

- Verify ownership and vesting
- Identify title defects and encumbrances
- Evaluate insurability
- Provide title insurance protection

Escrow Responsibilities

- Act as a neutral third party
- Manage funds and documents
- Verify transaction requirements
- Help prevent fraud and financial loss

Why Risk Awareness Matters

Every transaction presents risk. The goal is not simply to close transactions but to identify and resolve issues before they become claims.

Section II: General Transaction Red Flags

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Common Red Flags

Unusual Urgency to Close

- Transaction must close immediately
- Parties resist normal procedures
- Limited documentation available

Discussion Point:

- Ask: "Where is the fire?"
- Determine the business reason for the urgency
- Consider whether urgency is being used to bypass normal review

Common Red Flags

Seller Refuses Standard Protections

- Refuses to convey by Statutory Warranty Deed
- Refuses to sign an Owner's Affidavit
- Refuses customary closing documents

Discussion Point:

- Why are these representations being avoided?
- What risk is the seller attempting to exclude?

Common Red Flags

Missing Heirs or Family Disputes

- Deceased parties remain in the chain of title
- Potential heirs are unidentified
- Family members disagree regarding ownership

Case Study

Receivership matter involving easement acquisition and sale authority issues.

Common Red Flags

Prior Title Company Declined to Insure

- Property previously reviewed elsewhere
- Another company refused to proceed

Discussion Point

- What did they discover?
- Do they know something we don't?
- Conduct enhanced underwriting review.

Common Red Flags

Power of Attorney Transactions

- POA used to convey, encumber, or refinance property

Additional Review Needed

- Verify authority
- Review durability provisions
- Confirm principal's status and capacity
- Consult underwriting when appropriate

Section III: Elder Abuse & Undue Influence

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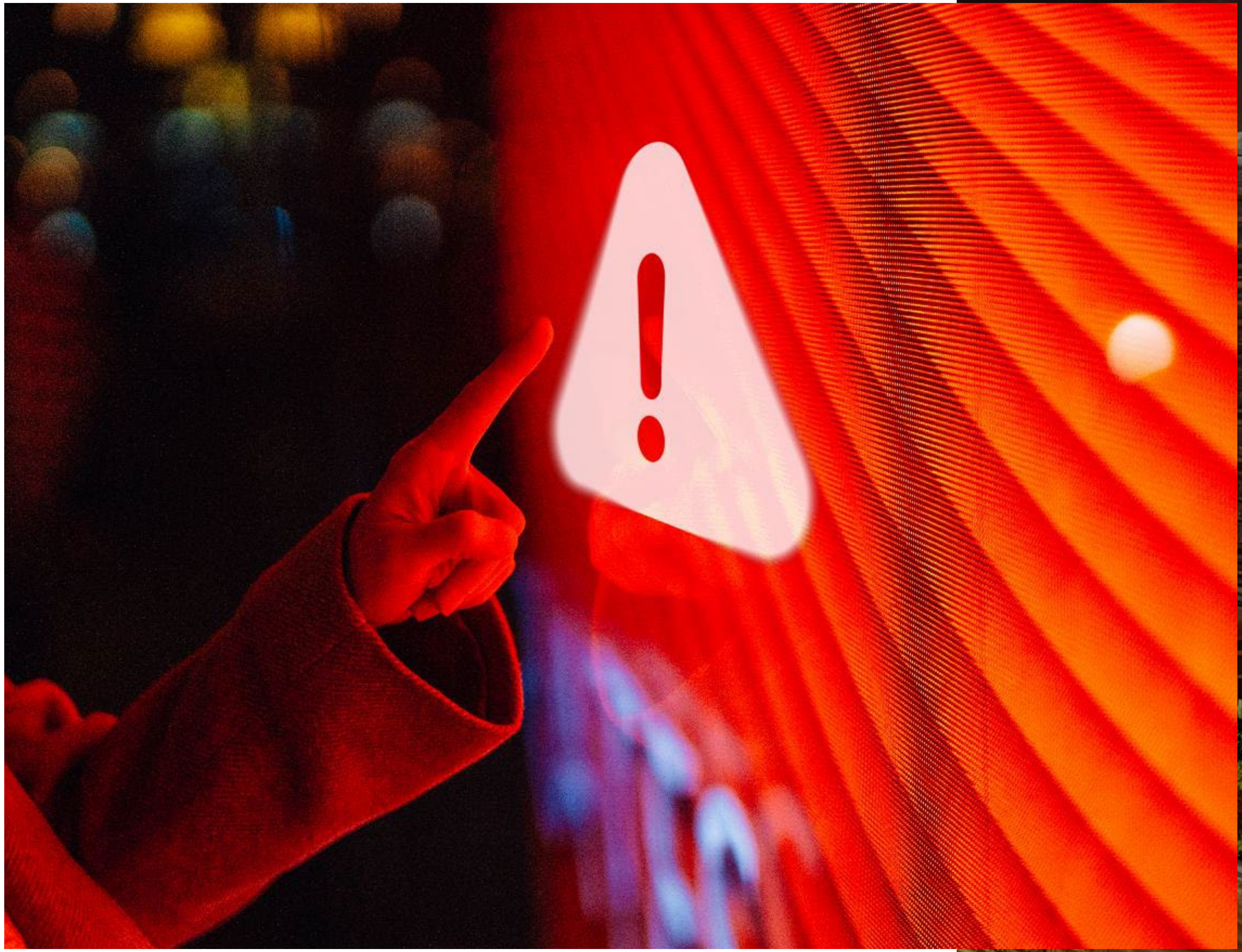
Red Flags

- Caregiver involvement
- Sudden transfers
- Significant change in estate plans
- Pressure from family members
- Inconsistent statements from the owner
- Capacity concerns



Best Practices

Review Prior Documents

- Compare signatures from prior recordings
- Signature changes do not automatically indicate incompetency
- Identify unusual variations

Consider Legitimate Explanations

- Physical ailments may affect handwriting

Verify Capacity

- Speak with the notary when appropriate
- Obtain supporting documentation if concerns exist
- Physician letters may provide additional comfort

Case Study

Facts

- Pierce County Development Sale
- Elderly owner planned to sell property to a commercial developer
- Son alleged the owner suffered from dementia
- Sale was challenged

Company Response

- Closing was suspended
- Parties were notified of concerns

Best Practices

Outcome

- Guardianship proceeding followed
- Physician and owner testimony established competency
- Sons admitted concern was largely financial due to potential inheritance value

Learning Point

- Allegations alone do not establish incapacity, but they should trigger additional review.

Section IV: Uninsured Deeds & No-Value Transfers

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Common Red Flags

- Quitclaim deeds
- Gifts between related parties
- Minimal or no stated consideration
- Uninsured conveyances
- Transfers below apparent market value

Risk Assessment Framework

Review the Nature of the Transfer

- Many no-value transfers are legitimate, including:
- Individual to wholly owned LLC
- Estate planning transfers
- Family conveyances

Review Who Prepared the Deed

- Attorney prepared deeds may warrant greater confidence
- Self-prepared deeds may require additional scrutiny

Underwriting Approach

If concerns remain:

- Decline to vest through the deed
- List as an exception
- Seek additional documentation
- Discuss directly with the owner before closing

Case Study

Facts

- Altered Legal Description
- Individual claimed neighboring owner received too much property
- No title policy existed for claimant
- Parents had previously conveyed property

What Happened

- Claimant altered a previously recorded deed
- Crossed out the legal description
- Attached a new description
- Re-recorded the altered instrument

Learning Point

Recorded documents are not automatically reliable merely because they appear in the public record.

Section V: Fraudulent Recordings

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Common Red Flags

- Unknown parties appear in chain of title
- Signature discrepancies
- Suspicious notarizations
- Documents containing obvious errors
- Incomplete conveyance history

Risk Assessment Framework

Best Practices

- Review the chain of title as though assembling a puzzle:
- Every conveyance should fit logically
- Every ownership transfer should be explained
- Missing pieces require investigation

Risks

- Clouded title
- Fraud claims
- Ownership disputes
- Insurance losses

Section VI: Predatory Lending

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Common Red Flags

- Excessive fees or costs
- Unusual loan terms
- Repeated refinancing
- Borrower confusion
- Borrower appears distressed or pressured

Harms and Protections

- Consumer harm
- Regulatory violations
- Litigation
- Rescission claims

Relevant Washington Statutes

- RCW 19.86 Consumer Protection Act
- RCW 31.04 Consumer Loan Act
- RCW 19.146 Mortgage Broker Practices Act
- RCW 19.52 Usury Act
- RCW 61.24 Deeds of Trust Act and Foreclosure Fairness provisions

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Best Practices and Example

- Ensure disclosures are complete
- Identify signs of borrower confusion
- Ask questions when terms appear unusual
- Escalate concerns

Case Study

Section VII: Wire Fraud

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Common Red Flags

- Last-minute wire changes
- Requests sent only by email
- Urgent demands to transfer funds
- New payment instructions shortly before closing

Dire Consequences

- According to the FBI's Internet Crime Complaint Center (IC3):
- More than 1 million cybercrime complaints were reported in 2025, with losses exceeding $20.8 billion, a 26% increase over the prior year.
- Real estate fraud accounted for 12,368 complaints and approximately $275 million in reported losses.
- More than 22,000 complaints referenced artificial intelligence, with losses exceeding $893 million.
- Business Email Compromise (BEC) schemes continue to rank among the most financially damaging cybercrimes reported to the FBI.
- January 2026: $4.1 Million Closing Proceeds Diverted
- The Rise of Deepfake Fraud

Best Practices

- Verify instructions verbally using known phone numbers
- Never rely solely on email communications
- Educate customers about wire fraud risks
- Follow company verification protocols

Section VIII: Understanding Policy Coverages

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Owner’s Standard Policy

Generally covers:

- Defects existing as of policy date
- Lack of ownership
- Improper execution of documents
- Undisclosed liens

Extended Coverage Policy

- Adds coverage for certain off-record risks, including:
- Survey matters
- Encroachments
- Certain unrecorded issues

Homeowner's Policy

- Provides enhanced residential coverage, including:
- Expanded post-policy protections
- Building permit violations
- Certain zoning issues
- Additional affirmative coverages

Policy Comparison

Coverage Issue	Standard ALTA Owner's Policy	Extended Coverage ALTA Owner's Policy	ALTA Homeowner's Policy
Defects, liens, or encumbrances on title existing as of policy date	✓	✓	✓
Lack of right of access to and from land	✓	✓	✓
Unmarketable title	✓	✓	✓
Forgery, fraud, incapacity affecting title	✓	✓	✓
Recorded easements affecting title	✓ (unless excepted)	✓ (unless excepted)	✓ (unless excepted)
Matters disclosed by public records	✓	✓	✓
Mechanic's liens not recorded as of policy date	✕	✓ (subject to underwriting requirements)	✓
Encroachments revealed by survey	✕	✓	✓
Boundary line disputes	✕	✓	✓
Violations of setback requirements shown by survey	✕	✓	✓
Party wall disputes	✕	Typically ✓	✓
Claims of prescriptive easements	✕	Often ✓	✓

Section IX: Using the Right Title Product

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Avoiding Title Perils Through Proper Coverage

ALTA 3.2 Zoning Endorsement

Purpose

- Provides specific zoning-related coverage.

Example

- Commercial property where current use and zoning compliance are critical to value.

ENDORSEMENT

Attached to Policy No. __________

Issued by

STEWART TITLE GUARANTY COMPANY

1. For purposes of this endorsement:

   a. "Improvement" means a building, structure, road, walkway, driveway, curb, subsurface utility or water well existing at Date of Policy or to be built or constructed according to the Plans that is or will be located on the Land, but excluding crops, landscaping, lawns, shrubbery, or trees.

   b. "Plans" means those site and elevation plans made by [*name of architect or engineer*] dated ____, last revised ________, designated as [*name of project*] consisting of ___sheets.

2. The Company insures against loss or damage sustained by the Insured in the event that, at Date of Policy

   a. according to applicable zoning ordinances and amendments, the Land is not classified Zone ______________________;

Avoiding Title Perils Through Proper Coverage

ALTA 17 Access Endorsement

Purpose

- Provides access coverage

Example

- Property appears accessible but legal access rights are questionable.

Attached to Policy No.

Issued by

STEWART TITLE GUARANTY COMPANY

The Company insures against loss or damage sustained by the Insured if, at Date of Policy (i) the Land does not abut and have both actual vehicular and pedestrian access to and from [insert name of street, road, or highway] (the "Street"), (ii) the Street is not physically open and publicly maintained, or (iii) the Insured has no right to use existing curb cuts or entries along that portion of the Street abutting the Land.

STEWART TITLE GUARANTY COMPANY
By: ______________________________
Authorized Signatory

Avoiding Title Perils Through Proper Coverage

ALTA 26 Subdivision Endorsement

Purpose

- Addresses subdivision compliance issues.

Example

- Property created through a partition or subdivision process that may not fully comply with local requirements.

This Endorsement is Issued as Part of Policy Number ____________________

Issued By
Stewart Title Guaranty Company

File No.: ____________________ **Charge:** ____________________

The Company insures against loss or damage sustained by the Insured by reason of the failure of the Land to constitute a lawfully created parcel according to the State subdivision statutes and the subdivision ordinances of the county or municipality of the State applicable to the Land.

Date: __________________

STEWART TITLE GUARANTY COMPANY
By: ____________________________________
Authorized Signatory

Conclusion

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Your Title Partner’s Action Steps

- Standardize review procedures.
- Strengthen verification processes.
- Escalate unusual transactions earlier.
- Utilize underwriting resources.
- Conduct regular fraud training.
- Stay current on emerging risks and claim trends.
- Assist with matching policy coverage and endorsements to the transaction risks.

Key Takeaways

- Most claims begin as ignored red flags.
- Urgency often warrants additional scrutiny.
- Careful chain-of-title analysis remains essential.
- Escalation is a strength, not a weakness.
- Proper policy and endorsement selection can prevent future losses.

Thank you.
Questions?

Stewart Title Guaranty Company
National Commercial Services
stewart.com/commercial

Dannielle Booth
Senior Commercial Escrow Officer,
National Commercial Services
503.290.5189
dannielle.booth@stewart.com

Rob Hainey
Commercial Underwriter,
National Commercial Services
253.278.6634
rob.hainey@stewart.com

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