

May 2017

ChicagoBlog

where we share our knowledge and experience.

Featured Product

By  CHICAGO TITLE

The spike in mortgage rate in the recent months seems to have had an impact on a number of the survey's indicators and may increase housing activity in the near term by driving urgency to buy again. Chicago Title has the program to help prospective buyers to determine what higher interest rates mean to them if they miss this opportunity in getting off the fence.

With ChicagoAgent® Lite, industry #1 closing cost software program, buyers can be shown with the different interest rate scenarios by simply using the "Quick Estimate" function, the program lets you input different interest rates and see the results of the different monthly payments. The program also easily lets you email the results to yourself, anytime and anywhere. Contact us today to have this program installed onto your Smartphones and Tablets before your next appointment, you will be glad you did!

Quick Estimate

Interest Rate Input



The screenshot shows the 'Buyer's Conv' app interface. On the left, there are input fields for Price (\$500,000), Down (20), Interest (4), Years (30), Misc, Haz. Ins (0.35), Prop. Taxes (1.25), Closing Date (9/10/2013), and City T. Tax (0.0). A green arrow points from the 'Interest' field to the 'Results' screen on the right. The 'Results' screen shows:

Conv Loan		Closing Costs	
Price:	\$500,000	Fixed:	\$8,399.00
20.0%DN:	\$100,000	P. Pay:	\$3,739.00
Loan:	\$400,000	Total:	\$12,138.00
Payment Info		Due At Closing (on + cc)	
P & I:	\$1,909.66	Total:	\$112,138.00
Haz. Ins:	\$145.83		
M. Tax:	\$520.83	PITI:	\$2,462.84
PITI:	\$2,576.32		
		PITI:	\$2,813.95

Arrows indicate that a 3.5% interest rate results in a PITI of \$2,462.84, and a 5% interest rate results in a PITI of \$2,813.95.

May Fun Facts & Events

1. May Birthstone: Emerald, symbolizes success and love
2. Zodiac Signs: Taurus - 05/1 - 05/20, Gemini - 05/21 - 05/31
3. May Flower of the month: Lily of the Valley
4. May is the third and last month of the season of spring
5. The month of May is devoted to the Virgin Mary in the Catholic Church
6. May 1st is May day celebrating the arrival of Spring
7. May 5 - Cinco de Mayo celebrating Mexican heritage, culture and pride
8. May 9 - National Teacher Day
10. **May 14 - Mother's Day**
11. May 22 - Victoria Day celebrating the birthday of Queen Victoria
12. May 29 - Memorial Day - National Holiday
13. May is National Fitness and Sports Month
14. May is Asian American and Jewish American Heritage Month

ESCROW CORNER

EXCAVATOR for sale

A sales executive for an escrow company received a referral for escrow services from an attorney in her networking group. The attorney gave her a name and email address, and simply mentioned this person was looking for someone to provide him with escrow services. The sales executive promptly reached out to the potential customer by sending him an email.

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▶ EXCAVATOR for sale



The next day she received his reply. Here is his email:

"Thank you for your response to my request, I would have called to discuss further but my work here at the construction location will allow me to make phone calls. I will definitely be free to speak on Saturdays, Sundays and early on Monday morning, I will surely call you as soon as it is convenient for me, if this is okay with you let me know and I will scan and email the purchase documents to you for your review.

The location of the parties involve and all details of the purchase are outlined in the purchase documents, if this is okay with you acknowledge this message and let me know to enable me forward the purchase documents to you for your review."

This email is filled with poor grammar, misspellings and was sent at 1:42 a.m. — which should all be cause for concern. The sales executive replied asking him to send her a copy of the purchase and sale agreement. He replied three business days later at 4:28 a.m.:

"As discussed do find attached the purchase agreement, the escrow instruction and the purchase invoice. The purchase price and all details of the purchase are outline in the attached contract documents,

Please review and get back to me and let me know if you can provide escrow for this purchase and if you can let me know what your charges are for providing this service. I also need you to provide information on how the escrow deposit and your fees is to be made out in certified check,

We intend to proceed with the purchase this week or early next week, please get back to me as soon as possible and do not forget to let us know what it will cost us or what are your charges for this service.

Thank you while I await your response, and I will provide further update on the transaction."

If this transaction is so urgent, why did he wait three days to send over a copy of the purchase agreement? The purchase agreement described the terms for the purchase of a used excavator in the amount of \$180,000 — not real property. The sales executive forwarded the agreement to her favorite escrow officer who agreed to handle the escrow for \$820.50. Our Company does not handle escrow transactions for the transfer of heavy equipment. The sales executive replied to the buyer letting him know the charge would be \$820.50, plus approximately \$200 in title transfer fees. She told him to check with the seller and let her know if this would be acceptable to them so they could proceed. Later that night he replied:

"Thank you for your previous message, your fee of \$820.50 is okay with me and it will be paid along with the initial deposit. We are ready to proceed with the purchase and what we need from you is to hold funds in escrow and disburse with instructions from me as stated in the purchase agreement.

The amount for the deposit of the excavator is 25% of the purchase price which is (\$45,000.00) this amount will be deposited in escrow prior to inspection of the excavator by me, the deposit of \$45,000.00 will be released to Seller by my instruction upon completion of a satisfactory inspection of the excavator by me, while 65% of the purchase price which is (\$117,000.00) will be paid to escrow by me upon shipment of the excavator, and balance of 10% of the purchase price (\$18,000.00) will be paid upon delivery of the excavator, which is the closing of the purchase.

The check for your fee of \$820.50 and the initial deposit of \$45,000.00 will be delivered to you by courier before I leave for my inspection of the excavator this week, with this development I will want you to confirm if the address below is okay and correct for the delivery of the check.

Please get back to me ASAP to confirm if the address above is correct for the delivery of the check."

Eighteen days later the office received a cashier's check from the buyer. The check was for \$45,820.50.00. Although the check was not valid on its face, the office promptly deposited the check into the file and scanned it for deposit into its trust account. The escrow officer notified the buyer by email she was in

receipt of his deposit and asked for the seller's contact information. This was on a Friday, the 11th of the month. The next day he sent her the following email:

"Thank you for your update with the deposit and do pardon me for getting official with you on Saturday. The equipment has been inspected and the equipment is in good condition, I am very happy with the working condition of the equipment, I am willing to proceed with the complete purchase of the equipment, the equipment is ready for shipment to me and all that is holding back the commencement of the shipment is the deposit for the equipment which I expect you to release to the seller to enable us move ahead.

I did notify the seller with this development that the deposit has been sent to you and the deposit is already with you, she has assured me that she will commence the shipment the instant she gets the deposit from you, given the time we have all wasted with this purchase I have decided to close this purchase on Friday by releasing the complete installment payment to escrow on the 17th of this month which is Thursday next week.

With this development that the deposit is now with you, I pleaded with the seller to go ahead to commence the shipment of the equipment but the seller refused and assured me that the shipment procedure will only commence only when she gets the deposit, because she will use part of the deposit for the shipment of the equipment.

With this present position of things with the purchase and given my time frame to close this transaction, I will plead with you to act on Monday morning and ensure that the deposit is released to the seller. I will want to use this medium to plead seriously with you on behalf of myself and all involve in this transaction to do all you can to release the deposit to the seller on Monday.

I will make preparations to release the final payments to you as soon as we get confirmation from the seller that the deposit has been received, and as soon as I get confirmation from you that the deposit has been released to the seller.

I have instructed the seller to furnish you with her bank account information to enable you release the deposit, the seller has assured me that she will furnish you with her bank account information, please let me know when you have received the bank account from the seller."

He sounds desperate, correct? That is because the clock is ticking. He probably had eight to 10 days before the bank notified the escrow officer the check was fraudulent. He needed to convince her to send the wire right away so he could succeed in his scheme. On Monday, our Operation Accounting Center (OAC) notified the office the bank would not accept the check using the scanning machine and it had to be brought into the bank in person. The check was delivered to the bank for deposit on the 14th day of the month.

At 5:42 a.m. that same day, the seller emailed her wiring instructions to the escrow officer. The account name was a business — not the seller. The seller signed and dated the instructions. Although the seller had a U.S. address, the date was written with the day/month/year rather than the month/day/year. The escrow officer replied to the seller stating she needed to call her to verbally verify the wire instructions and asked the seller to provide her phone number. Someone other than the seller replied to the escrow officer with a phone number. When the escrow officer called the number it was a recording in another language. It was not a good number. On the 21st day of the month, the bank notified the OAC the check was fraudulent. Thank goodness the wire was never sent. Following are the numerous red flags that popped up in this transaction:

1. The transaction was an escrow only for the transfer of heavy equipment. Our Company is in the business of consummating real estate transactions; not excavators.
2. Principals did not communicate by phone. The sales executive and the escrow officer asked the buyer for his phone number several times, and he always had an excuse as to why he could not talk by phone.
3. The check being deposited into escrow had one glaring mistake on it — too many decimals — \$45,820.50.00. Escrow was even given a second chance when the bank rejected the electronic deposit. Checks should be reviewed carefully prior to depositing.
4. The check was not even on deposit at the bank when the buyer gave authorization to wire the funds to the seller. Do not disburse against uncollected funds.