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COMMONWEALTH LAND TITLE INSURANCE COMPANY  
LAWYERS TITLE INSURANCE CORPORATION  
TRANSNATION TITLE INSURANCE COMPANY

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TO:

All Ohio Agents and Branch Offices

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FROM:

Debbie McDonald, Vice President & State Underwriting Counsel

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SUBJECT: Fraudulent Real Estate Transactions – “FLIPS”

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**03-08**

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DATE: OCTOBER 30, 2003

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The real estate industry has recently experienced a number of well publicized “scams” involving the illegal flipping of property. In most instances, a property will be bought and resold either on the same day or within a matter of days. The initial sale will be for legitimate consideration representing the fair market value of the property. The second sale will be at a substantially inflated price with mortgage financing representing substantially all or all of the purported consideration. The inflated price and corresponding inflated mortgage amount will be supported by questionable appraisals. The first buyer will frequently be a real estate company purportedly investing in vacant and/or substandard residential properties. The second buyer will frequently be a “straw buyer”, never intended to be the real owner. The mortgage made to the second buyer will often be to a mortgage broker or banker, who will in turn have presold the loan to the funding investor lender. The process may repeat itself several times.

Ultimately, the scheme collapses when the purchase money mortgage goes into default. In some instances, the schemes involve substantial number of properties within an area of declining values.

Please be advised that given the various issues and negative features of these transactions, the Company does not desire to provide either title or closing services relative to these transactions. Accordingly, please assure that your personnel are advised of these issues, and are instructed to contact this office in the event they become aware of any suspicious circumstances.

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