



**James J. Wrynn Superintendent of Insurance 25 Beaver Street New York,
N.Y. 10004**

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TITLE INSURANCE CRIMES TARGET OF NEW FRAUDS UNIT

Insurance Department to Combat Upsurge in Premium Theft, Other Related Crimes

Superintendent James J. Wrynn today announced the formation of a special Mortgage and Title Unit to fight title insurance crimes committed by criminals attempting to enrich themselves at the expense of consumers, financial institutions and municipalities.

“Complaints alleging title insurance premium theft have increased with the downturn in the economy. The Insurance Department going to be very vigilant and is channeling its resources to enhance its ability to identify and root out this type of criminal activity,” Wrynn said.

Wrynn cited the recent arrests of two men accused of stealing nearly \$6 million in title insurance premiums, as well as other cases involving complex criminal schemes targeting indebted consumers.

Title insurance policies are designed to protect buyers and lenders in real estate transactions by ensuring that sellers have legal title to properties being sold. Title insurance is required in virtually all real estate transactions.

While the title insurance business is regulated by the Insurance Department, there are currently no licensing requirements for individuals selling the insurance. Unlike life or property/casualty insurance agents who are required to have specific professional qualifications and whose licenses may be revoked for criminal activities, there are no such requirements for individuals selling title insurance. The Department has urged the Legislature to approve legislation that would require licensing of title insurance agents.

“Title insurance agents, in addition to providing title insurance, hold large sums of money including mortgage recording fees, real estate taxes and other fees related to commercial and residential real estate transactions. The lure of these funds, combined with the downturn in the economy, appears to be fueling an increase in title insurance related crimes,” Wrynn said.

Organized within the New York State Insurance Department’s Frauds Bureau and headed by Deputy Chief Investigator Harry Jackson, the Mortgage and Title Unit will focus on investigating complaints of alleged fraud involving title insurance transactions.

Insurance Department investigators have joined other law enforcement agencies, including the FBI and U.S. Attorneys, in investigations that have led to the recent arrests of the presidents of two title insurance companies.

In May, Brian H. Madden, the president of one of the largest independently-owned title insurance agents in New York State was arrested for allegedly misappropriating more than \$5 million in real estate transaction fees collected from property sellers and buyers and supposed to be paid to municipalities. In July, Jonathan Boxman was arrested for allegedly defrauding title insurance clients of more than \$1.7 million.

Another case involved Aaron Dare, who pleaded guilty in April to grand larceny after being charged in a 59-count indictment. Dare was accused of defrauding Albany area home sellers, buyers and banks by carrying out schemes that included obtaining multiple mortgages on single properties.

Wrynn warned consumers to be wary of schemes involving title fraud used by so-called mortgage rescue companies. Spurred by the downturn in the economy, companies have sprung up offering a variety of schemes promising to help consumers who fall behind in mortgage payments. These groups have targeted financially-troubled homeowners, low income people and others, including legitimate title insurance companies.

The schemes have included such tactics as the use of “straw buyers” to purchase properties using false loan applications; the use of significantly inflated property values to obtain mortgages; and the enticement of financially-troubled homeowners to sell their homes in exchange for fraudulent lease-back arrangements.

Consumers suspecting fraud in connection with real estate transactions are urged to contact their local law enforcement authorities or the Insurance Department by calling 1-888-FRAUDNY.

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