

## Refinances Pose Growing Fraud Threat to Lenders, Study Shows

By David Townsend

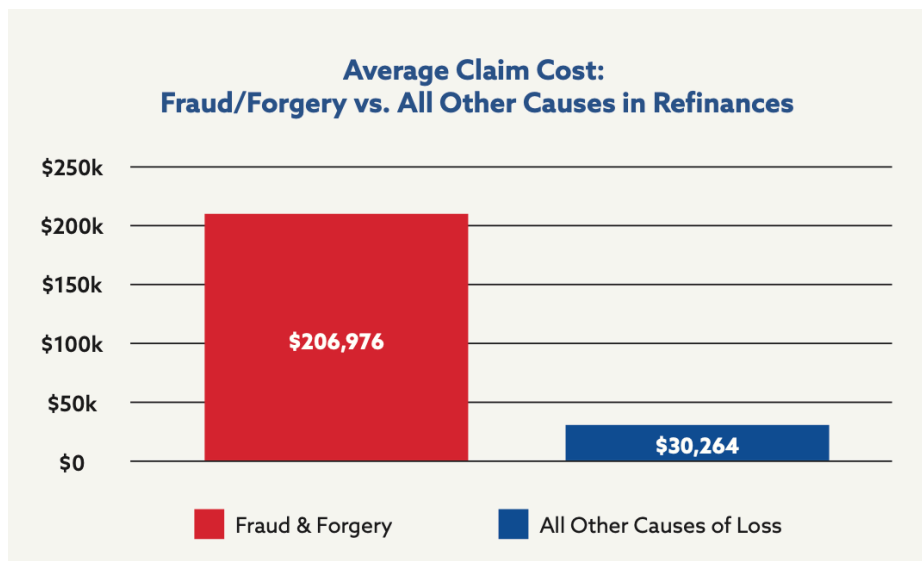
New data dispels the notion that refinance transactions are risk free. A recent [study](#) by Milliman, Inc.—commissioned by the American Land Title Association (ALTA)—analyzed nearly 162,000 claims reported over the past decade and found that refinance transactions increasingly carry substantial risk for lenders, driven by fraud, forgery and title defects that go undetected in the public record.

### Fraud and Forgery Claims Are Far More Costly

Milliman’s analysis revealed that fraud and forgery now make up more than 40% of all losses and expenses related to refinancing, making them the single largest category of risk in these transactions. Even more concerning is the financial impact. The average fraud or forgery claim on a refinance totals more than \$207,000, nearly seven times higher than the average of all other refinance-related claims, which still exceeds \$30,000.

“This study underscores that refinances are by no means risk-free,” said ALTA CEO Chris Morton. “Fraud and forgery, which cannot be detected through a public records search, are actually more common and more costly in refinance transactions compared to purchase transactions.”

The data also aligns with [growing concerns](#) among fraud experts and regulators that criminals are increasingly targeting older homeowners, financially stressed borrowers and high-equity property owners—groups frequently involved in refinancing.



## Hidden Risks Are Driving Losses—and Are Not Visible in Public Records

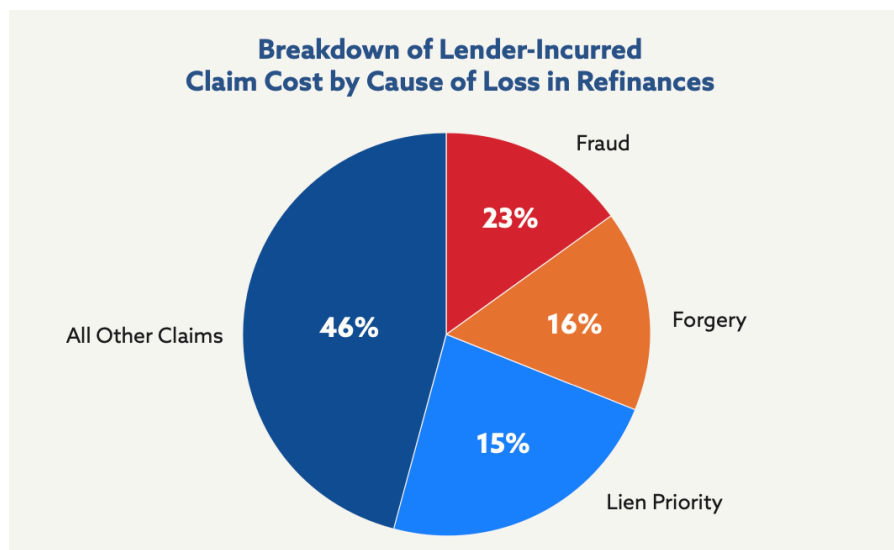
These fraud claims highlight the increased potential of undiscoverable defect risks. Based on the Milliman data, 40% of refinance-related losses stem from issues that cannot be identified through a simple records search, reinforcing the risk of unknown title threats, such as forged deeds, falsified powers of attorney, elder financial exploitation and mis-indexed items.

Title professionals routinely identify and resolve these issues during closing—work that takes an average of 22 hours on a standard transaction and up to 45 hours on complex transactions. This curative effort is largely invisible to consumers and even lenders, but it is essential to protecting property rights, lien enforceability and the stability of the secondary market.

In many cases, the issues uncovered would go undetected until long after closing, leaving the lender exposed without the defense and indemnification provided by title insurance.

## Lender Title Policies Protect Against the Biggest Risks

Milliman also found that nearly half of all lender-incurred losses fall into three categories: fraud (23%), forgery (16%) and lien priority issues (15%). These are precisely the types of losses that title insurance was designed to prevent or absorb—and that alternative products generally exclude. Without a title policy, lenders remain responsible for these risks under life-of-loan representations and warranties.



## The Title Insurance Industry's Role

In a cyclical real estate environment—where refinance volume can swing dramatically from quarter to quarter—title insurance stabilizes the process. Title insurers maintain the financial reserves, claims infrastructure, and regulatory oversight needed to serve as a backstop when problems arise in high-volume markets and downturns.

“Strong underwriting and robust risk protection are foundational to a safe housing finance system,” Morton said. “And title insurance remains one of the country’s most reliable, time-tested consumer and lender protections.”

### Investing in Cybersecurity and Modern Fraud Prevention

ALTA works closely with policymakers, regulators and stakeholders to ensure that efforts to expand access to homeownership do not inadvertently increase risk for lenders or expose consumers to avoidable financial harm, by removing protections afforded by comprehensive state-based regulation of title insurance products. Strong underwriting, meaningful curative work and comprehensive coverage remain essential pillars of a safe and sound housing finance system.

The title industry has also made significant investments to keep pace with rapidly evolving cybersecurity threats because protecting consumer data and funds is central to every transaction. Title and settlement companies have expanded their use of advanced security technologies—multi-factor authentication, encrypted communications, secure wire-verification tools and fraud-detection systems that flag suspicious activity in real time. Employees also receive regular cybersecurity and fraud prevention training.

“Title professionals and title insurance play a critical role in protecting homeowners and lenders from these risks, leveraging technology and expertise to prevent catastrophic financial losses and create certainty in the real estate market,” Morton said.

### Refinances May Look Straightforward, But the Risk Profile is Rising

While refinance transactions may start with fewer moving pieces than a home purchase, the Milliman study makes clear that the risk is real and growing. Forged documents, undisclosed liens, divorce settlements, unpaid tax obligations, estate disputes and elder exploitation can—and do—cloud the title long after a loan closes.

“These are not hypothetical risks,” Morton said. “They are real losses that are being paid today, and the data shows that refinances are driving a large share of them.”

For lenders operating in a tightening margin environment, the cost of a single undiscovered title defect can exceed the benefit of dozens of successfully originated loans. Title insurance continues to offer the most comprehensive and proven protection, both through underwriting and through the legal defense and indemnification that accompany covered claims.

### Ensuring Access Without Increasing Risk

To keep homeownership expansion from creating new consumer or housing finance harms, ALTA is working with industry and government leaders to confront the risks of unregulated title alternatives. As the Milliman study shows, refinances require the same level of attention, due diligence and loss mitigation as any purchase transaction.

For lenders, strong underwriting and comprehensive title coverage remain not just a defensive measure, but an essential operational safeguard in an increasingly complex and fraud-sensitive mortgage market.

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