

Guarding Against Escrow Fraud

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Nancy Jackson Spinks, better known as Nancy Carroll, an attorney and former owner of Millennium Closing Services, LLC (“Millennium Title”) in the Dallas area, was sentenced on Wednesday, January 3rd, to 10 years in prison and ordered to pay restitution after investigators found that she had stolen millions of dollars from her clients and investors. Millennium Title was placed in receivership by the Texas Department of Insurance in January of 2016.

Carroll joins a short but significant list of individuals who have been convicted of financial crimes involving escrow funds for commercial or residential real estate transactions. Also recently convicted was Sandra Flores of Houston, who in December was sentenced to six years in prison as punishment for stealing approximately \$1 million in escrow funds. Flores’s actions were a substantial cause of the insolvency of Southern Star Title Company in 2009.

The Texas Title Insurance Guaranty Association (“TTIGA”) was created by the Texas Legislature to pay certain types of claims for the loss of funds deposited in the escrow account of a licensed title company, as set out in Chapter 2602 of the Texas Insurance Code. Since 2008, TTIGA has paid out millions of dollars in such claims. These payments are funded by Texans through the mechanism of a small fee that is collected in connection with residential and commercial real estate closings in the state. The fee was suspended as of January 1, 2018, but will return if and when significant escrow misappropriations are discovered in the future.

Because we all pay for escrow theft, we all need to be vigilant. If you’re buying or selling real estate, choose a reputable title company to handle your funds. Be sure all funds are deposited in the company’s escrow account, and that you receive documentation indicating as much. And don’t be shy about asking how you or your client’s funds are being handled and when they will be released or applied. Unexplained or doubtful delays in payment or processing can be a red flag, indicating that your money is not being handled correctly. If you have any doubts or questions in this regard, contact the Texas Department of Insurance Fraud Hotline at 1-800-252-3439 or visit the Department’s website at www.tdi.texas.gov/fraud/report.