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‘Fraudsters gotta eat too:’ The title industry navigates an uptick in fraud

Nearly three quarters of real estate firms have seen an increase in seller impersonation fraud attempts since the start of 2023.

October 13, 2023, 5:00 pm *By Brooklee Han*

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"No! What it means is there is a higher percentage of potential fraud per file," Elizabeth Berg, the vice president for education and training at **FNF Family of Companies**, told attendees of the **American Land Title Association's** ALTA One conference on Thursday.

Or as Berg also put it: "Fraudsters gotta eat too."

With transaction volume down, ALTA is warning members to be extra vigilant when it comes to all types of fraud.

Berg told ALTA One attendees that they should be particularly wary of escrow account "shenanigans" and that they need to keep tabs on how builders and real estate agents are shifting funds around through escrow accounts. She also noted that with rising economic uncertainty, homebuyers could potentially lose their jobs during the homebuying process.

"If you are helping them and you hear that they lost their job prior to getting to the closing table and they are now lying to their lender at closing because they no longer have that job, then you are liable," she said.

Berg and ALTA One attendees also highlight the recent uptick in seller impersonation fraud, which occurs when a fraudster poses as the owner of a vacant lot or vacation home who is looking to sell the property.

"Our realtor partners are hurting," Berg said. "They need new listings and they are so desperate that they might take a fraudulent listing."

CertifID CEO Tyler Adams shared a similar sentiment: "Today real estate agents are in a situation where they might have some financial desperation. Because they have not done a lot of transactions, there is a lot less deal flow in a high interest rate environment, they are deperate to make some money."

In response to this, Berg said it is more important than ever before that title professionals educate their real estate agent partners on the risks of

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fraud. She also urged attendees to sign up for their town or county's property fraud alert system.

"You put your names in and they will send you a text if anything is recorded against your property," Berg said. "If seller impersonation fraud happened and we recorded the deed, the fraud has already occurred, but when we are talking about damaged and the ability to recover funds it is better to find the fraud early and then two years later when we have no chance of contacting the FBI or Secret Service and getting that money back."

CertifID has made a name for itself helping homebuyers and industry professionals detect and stop fraud, and recover funds lost in scams.

Since the start of 2023, 73% of real estate firms have seen an increase in seller impersonation fraud attempts, according to CertifID.

"This week alone we have had 10 recoveries in process for fraud victims," Adams said. "That is about $2 million in lost funds."

For Adams, the most disturbing part of fraud is that no matter how good of a security system a firm or an individual has, it can all be bypassed if a fraudster is able to gain the trust of someone in the transaction and trick them.

"Trust is the currency of fraud because what fraudsters are going to do is establish trust from a document that looks exactly like it is coming from a financial institution or an email domain that looks legitimate or even an inflection in their voice," Adams said.

As AI technology continues to develop with improvements to things like deep fakes and voice cloning, Adams said it is going to be even easier for fraudsters to seem legitimate and build trust with victims.

With this in mind, Adams told title professionals to increase their vigilance.

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"You as title agents really do sit in the center of this storm," Adams said. "You all in this room are the biggest targets for impersonation in a real estate transaction. The only thing that you can do is to continue to educate, and continue to utilize best practices and technologies to help prevent it. But the ability to stop a scam or a fraudster from reaching out to any of us or any buyer — there is no technology to do that. It is brute force. There are just going to try to keep generating more and more ways to get to each of us and we need to be aware of that and communicate that early and often with those in the transaction."

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