

You Got Trouble, Right Here in River City Big City Fraud Comes to Rural America

To paraphrase Meredith Wilson's classic character Harold Hill, "You got Fraud, right here in River City. Fraud with a capital "F" that rhymes with "Theft" In ***The Music Man***, the Broadway hit and movie, Professor Harold Hill got off of the train in River City, Iowa, in the early 1900s. He did not target citizens of a big city like New York City or Chicago. No. This consummate con artist and grifter set his sights on rural America and ran his boys' band con on the "neck-bowed Iowa Hawkeyes." His targets were described as stingy, untrusting, and stubborn – largely suspicious of everything. They did not, however, see his kind of fraud coming and were exploited. Likewise, rural America had better watch out for seller imposter fraud.

In the early 1900s, the citizens of River City did not have to worry about the internet, but the Hawkeyes would in the 2020s. Research has shown that individuals in rural areas:

- May be at an increased risk for some scams because of lack of awareness.
- May be more reliant on online services and more vulnerable to online scams.
- May have less access to and fewer resources, including both law enforcement and social support.

Seller imposter fraud, initially called the "vacant land scam," is spreading across the country and hitting big and small towns alike. While the word of this type of fraud is spreading, it is reaching these rural areas, in many cases, after actual cases of fraud have taken place.

The target of this fraud is broader than merely vacant land, as it targets "non-owner-occupied property," including vacation, beach, and resort homes, Airbnb and VRBO rentals, etc. Fraudsters look for areas with an abundance of vacant land – rural areas are becoming lucrative targets. Many farms are, in fact, assemblages of a number of smaller tracts making up the entire farm – which renders some of these tracts more attractive targets and more vulnerable to this fraud. Statistically, there is more farmland in this country than there are dense urban settings and certainly more than vacation properties. Seller imposter fraud has landed everywhere from River City to Mayberry to the Ponderosa by targeting our rural areas, where the land is plentiful and cash may be scarce.

Likewise, warnings of seller imposter fraud need to make its way to every corner of every state before the lesson is learned the hardest of ways. So, consider me to be Charlie Cowell (the anvil salesman that tried to warn everyone in River City), screaming in the town square that everyone better watch out for this particular type of fraud – which comes for vacant land first.

Seller Imposter Fraud

By now most everyone in a big city (or even small city) knows a colleague that has been fooled by a fraudster at least once. If you have not heard about it, "either you are closing your eyes to a situation you do not wish to acknowledge or you are not aware of the caliber of disaster indicated by the presence of . . . [seller imposter fraud]. . . in your community." There are fraudsters pretending to be sellers and selling property they do not own – victimizing real estate professionals and property owners alike. (Please refer to our **S.I.M.P.L.E.** – **S**eller **I**dentify **M**ust **P**recede **L**iterally **E**verything and prior alerts for more information.) In this fraud, we have several elements and red flags:

- 1) **Remote Seller:** A seller not personally known to the real estate agent and/or the party closing the transaction and who wants the proceeds wired to them. They are often “unavailable” or “traveling,” not reachable via phone or video.
- 2) **External Execution:** Conveyance documents are:
 - a. prepared outside of your office by someone who is not known to the realtor or party closing the transaction ; or
 - b. prepared in your office but executed and notarized outside of your office.
- 3) **Unknown Notary:** Notary is not personally known to the real estate agent and/or closing party.
- 4) **Vacant or Non-owner Occupied: FARMLAND,** investment property, vacation property, or other vacant (including improved and unimproved) property, where a potential fraudulent sale would not draw the attention of the true property owner.
- 5) **Entity Ownership:** In many of these situations, the property is owned by a non-personal entity, such as a corporation, limited liability company, or trust. In some cases, the entity was recently formed with the same name as a dissolved entity and purports to transfer the property of the dissolved entity.

With every day comes a new twist or new fact scenario that helps disguise the fraudster’s ill intentions. Observing the following new red flags might very well save your day:

- 1) **Non-warranty deed(s) recorded recently in the chain of title.**
 - A fraudster can forge a deed to themselves or an entity, forge the notary acknowledgement, and record the transaction. Under current law, there is no requirement for further investigation into validity of signature of the grantor than the minimum legal requirements of the notary acknowledgement.
- 2) **Hand-written or “home-made” deeds recorded in the chain of title.**
 - It is very simple to create a deed. It merely has to exceed the minimum standards of the Statute of Frauds, which is that it is “in writing” and “signed by the party to be charged.” This rule has been around in our country since before we were a country with little or no change in its requirements. In fact, the initial author of this piece of history was King Charles II. One evolution of this standard is the need for a notary acknowledgment for it to be recorded (see point 1 above).
- 3) **Seller requesting multiple wires to different banks**
 - Many banks have implemented algorithms to analyze transactions for potentially fraudulent activity. Their computers could flag transactions over a certain amount (together with other factors) to slow down the withdrawal of funds from a deposit account. While there are other factors, the amount is always one of them. For example, their algorithm may flag rapid withdrawal of funds from an account and limit amounts transferred in a 24-hour period (think about similar restrictions on ATM withdrawals). If the limit \$250,000, I guarantee that the fraudster knows that important tidbit of information about their bank. On a \$600,000 sale, they might ask you to send three wires of \$200,000 each to three banks to duck the computer detecting their fraudulent sale. This allows them to move the entire \$600,000 offshore or into a crypto wallet on the same day, rather than take three days to accomplish their getaway.

Know Your Customer/Client/Seller/Buyer/Borrower

Did you know that Professor Harold Hill’s real name in *The Music Man* was “Gregory,” or at least Marcellus (played by Buddy Hackett) thought so. Or was it his real name? We don’t really know, because Mayor Shinn never got Hill’s credentials. Even back in River City, they wanted credentials to know who

people really were. Today, we are still asking for credentials. Anyone that is elusive in this simple request should be held to a higher degree of suspicion.

There are a growing number of digital solutions that allow you to verify the identity of an individual, if you *simply require identity verification*. Notice that I did not say require a copy of their identification. The two are not mutually exclusive, but getting a copy of an ID is merely a ministerial act. Verifying identity requires the comparison of the individual bearing the credential to the valid credential itself. These solutions can do things that the human eye could never do – like read the bar code on the back and connect to the DMV, analyze facial features and immediately compare it to an ID photo, or examine the security features on IDs from all over the country (or the world). Anyone can buy a fake ID online for a few dollars. Some of these identity-verification solutions are available on our VIP page (<http://www.invtile.com/vip>). Remember **S.I.M.P.L.E.** from above. Identity verification was a simple thing in River City too; Hill's identity was just never verified.

At the end of the day, all real estate is local. The dirt is never going to move to another community. The dirt in River City today is the same dirt that was there in Harold Hill's day. It is important to know who is in the transaction and that they own the property they are selling. In other words, you have "Got to Know the Territory!"

People may come and go, may pass through, or stay for a lifetime. In any of these situations, it is important to say hello, extend a hand in friendship, and, to quote Mayor Shinn, "get that man's credentials."

Note: Some reading this article are thinking to themselves, "OK Boomer. I never saw The Music Man." Well, it came out before I was born too. My apologies to those who missed this American classic. For those of you who missed it, however, go stream it on Netflix, Amazon Prime, or some other on-demand service next time you are scrolling through all of the things that you do not want to watch, and share a moment with your parents.

"Remember, my friends, listen to me because I pass this way but once."