

Seller Real Estate Fraud is On the Rise - Don't Get Caught in the Scam!

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As professionals in the real estate and title insurance industries work to identify and combat various forms of fraud, fraudsters are constantly changing their approach and coming up with new ways to defraud our customers. One fraudulent scheme that is gaining popularity is “Seller Fraud” or “Seller Deed Fraud”.

The perpetrators of this type of fraud impersonate an owner of real property and then convince a real estate brokerage to list the property for sale. Once the fraudulent seller has an offer, a contract is executed, and the perpetrator is on their way. A deed is given by the “seller” at closing as well as wire instructions to receive the proceeds of the sale. If nobody picks up on the fact that the “seller” isn’t who they say they are, the fraud could go unnoticed until well after the closing. The result is that the buyer never actually takes title to the property, the lender doesn’t have a mortgage or valid deed of trust and the title insurance company is staring down a claim.

To accomplish this the fraudsters are using the recent technological advancements in the industry to their advantage. Remote closings and electronic signatures make it much easier to impersonate a seller because you never have to be in person at any point during the transaction. As you can imagine, this type of fraud doesn’t work in all situations. If a fraudster tries to sell a house that is owner occupied, the owner might be tipped off and quite surprised when the buyer comes to do their home inspection!

As a result, criminals who engage in this type of fraud select their target properties carefully. They look for properties that are not owner occupied (either vacant or rental properties) and properties where the actual owner resides far away, often in a different state. The target properties typically don’t have a mortgage, as the fraudster would have trouble getting a payoff, and are not located in a high-traffic areas where a “for sale” sign or repeated visits to the property would cause a commotion.

The best way to prevent this type of fraud is to be alert to any possible red flags on a transaction. For example, unencumbered vacant farmland with an out-of-state owner is a situation which warrants further investigation. If the “seller” only corresponds via email, refuses to get on the phone and will not accept a certified check from closing you will need to be sure that the seller is who he claims to be.

When in doubt, it is always best to proceed with caution. It is the best way to protect our clients, our business and our industry from this next wave of fraud.