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REAL ESTATE SCAMS: VACANT PROPERTIES

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<https://fraudinsights.fnf.com/vol18iss03/article1.htm>*

The U.S. Secret Service has recently observed a sharp increase in reports of real estate fraud associated with vacant and unencumbered property. Criminals are impersonating real property owners and negotiating the sale of properties that are vacant or lien free.

Specifically, the criminals are using Business Email Compromise (BEC) schemes. Visit the Secret Service website for guides on BECs and other cyber-enabled financial crimes (<https://www.secretservice.gov/investigation/Preparing-for-a-Cyber-Incident>).

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How the real estate scheme works. A criminal:

- Searches public records to identify real estate that is free of mortgage or other liens and identifies the property owner. These properties often include vacant lots or rental properties.
- Poses as the property owner, then contacts the real estate agent to list the targeted property for sale and requests it to be listed below current market value to generate immediate interest.
- Demonstrates preference for a cash buyer, and quickly accepts an offer.
- Refuses to sign closing documents in person and requests a remote notary signing.
- Impersonates the notary and provides falsified documents to the title company or closing attorney.
- Receives closing proceeds that the title company or closing attorney has unwittingly transferred to the criminal.
- Communicates electronically, not in person.

The fraud is often discovered when recording the transfer of documents with the relevant county. This scheme has particularly affected elderly and foreign real property owners, but it is not limited to these groups, because there are no means to automatically notify the legitimate owners. Therefore, the burden of verification is on the real estate and title companies.

How to prevent a vacant land/non-owner-occupied scheme:

- Independently search for the identity and a recent picture of the property seller.
- Request an in-person or virtual meeting. Request to see their government issued identification.
- Be alert when a seller accepts an offer below market value in exchange for receiving the payment in cash and/or closing quickly.
- Never allow a seller to arrange their own notary closing.
- Use a trusted title company and/or attorney for the exchange of closing documents and funds.



MONTHLY INDUSTRY TERMS

Trust Account

An account separate and apart and physically segregated from the broker's own, in which the broker is required by law to deposit all funds collected for clients.

Loan-To-Value Ratio

The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage.

Amortization

Reduction of the principal of a debt in regular, periodic installments.

