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Seller Impersonation Fraud

Stop it before it happens to you.

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Agenda

- Introduction
- Claims
- Red Flags + Triage
- Technology to prevent claims
- Live demo of ID verification
- Q&A

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Speaker




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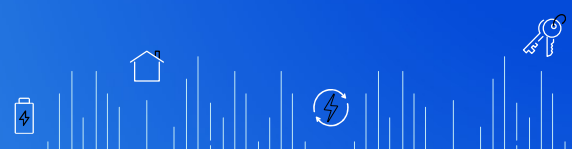
This information should not be construed as legal, financial or business advice, and users should consult legal counsel and subject-matter experts to be sure that the policies adopted and implemented meet the requirements unique to your company.



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Seller Impersonation Fraud Introduction



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Brooklyn Bridge

- Sold thousands of times by con-man George C. Parker to unsuspecting immigrants.
- Sold other landmarks like the Museum of Art and Grant's tomb.
- Had a office and falsified documents that appeared to unsuspecting victims to show Parker as the owner
- Sentenced to life in prison in 1928

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One in Ten Americans targeted for Real Estate Fraud



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TOPSTORIES


Report: One in 10 Americans targeted for real estate fraud

Wire fraud protection firm CermlID released its 2024 State of Wire Fraud report, detailing a comprehensive examination of wire fraud in the real estate sector. The report, which delves into the latest threats to real estate wire transactions, the impact on consumers, and consumer received substantial counseling from their real estate agent, as 75 percent reported minimal to no education on fraud risks. Because this group represents the largest segment of all-risk buyers, real estate fraud represents a significant and costly risk, CermlID added.



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Secret Service Issues Real Estate Fraud Advisory



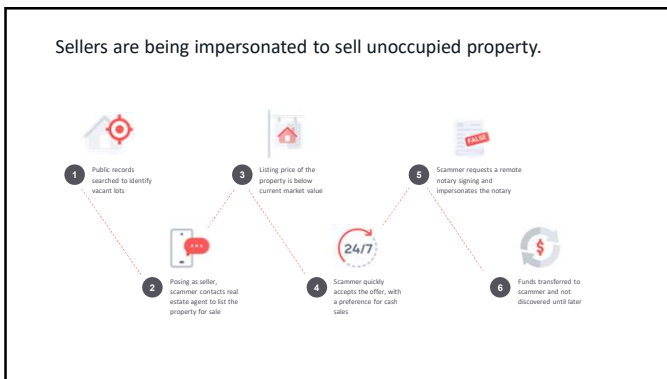
Fraudsters profile vacant or non-owner occupied property and impersonate the owner in order to steal the proceeds.

Download this recently issued US Secret Service advisory and other advisories on BEC and other fraud schemes:

<https://www.secretservice.gov/investigation/Preparing-for-a-Cyber-Incident>



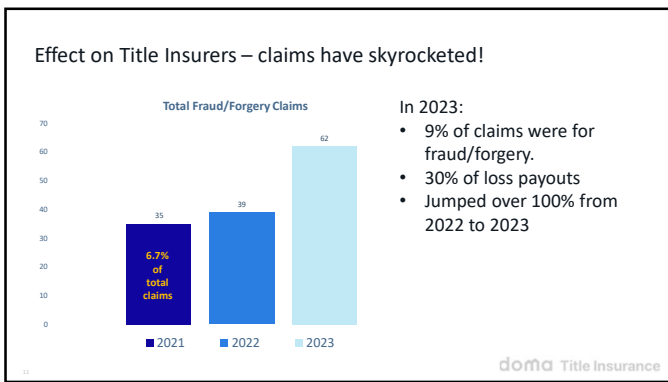
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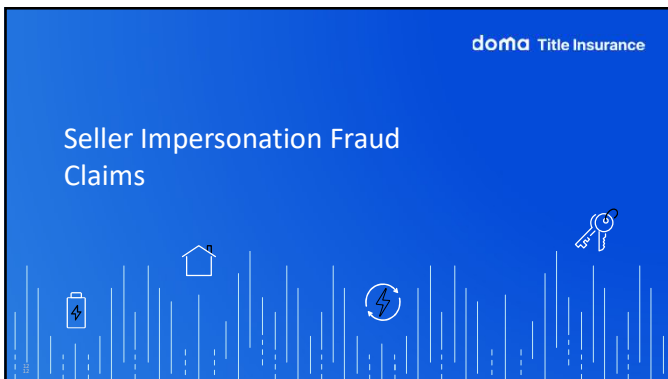
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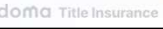
The Equity Scam




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The Equity Scam



- Property owner purchased property in 1967.
- Widow in her 80's
- Mortgage 2007 to Countrywide \$462,000
- Transfers to her trust in 2021
- 2022 Mortgage recorded in favor of "LP Financial" for \$225,000
- Owner of LP Financial claims this was fraud, and done by former employee.
- 3 months later – Refinance of the LP Financial loan. New mortgage for \$260,000

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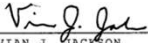
The Equity Scam

- Sub-Escrow – Title agent issuing the policy had no contact with the lender or the borrower.
- Mortgage broker was the same former employee of LC Financial (we believe him to be the fraudster)
- Hard money lenders funded the new mortgage
- No investigation was made as to the identity of the borrower, who at that time was 88 yrs old





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The Equity Scam
 Verifying signatures could have prevented fraud

 (Seal)
 VIVIAN J. JACKSON, -Borrower
 TRUSTEE OF THE VIVIAN J. JACKSON LIVING TRUST DATED JULY 22, 2021

Exemplar of Known Jackson Signature from the 2007 DOT


 (Seal)
 VIVIAN J. JACKSON -Borrower

Exemplar of Known Jackson Signature from the 2021 Deed to the Jackson Trust

 (Signature of document)
 Vivian J. Jackson
 (Print name)

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The Equity Scam - Prevention 

1. The title agent or independent escrow company must have personal contact with the borrower.
2. Notaries must be employees of the title agent or independent escrow company. Alternatively, notaries that are vetted and approved by a Doma title agent or trusted independent escrow company may be used.
3. Notary must obtain two forms of ID from borrowers at the signing.
4. Notary must provide a copy of the notary journal entry for each signature.

From Doma Underwriting Bulletin 2020-08 California Fraud Prevention

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The Equity Scam - Prevention 

5. Notaries must provide copies of their E&O policies and/or bonds.
6. Mobile notaries must state in writing where the signing took place.
7. When available, the title agent must compare signatures in recorded documents with the signature(s) on the deed of trust that is to be insured.
9. Provide a copy of the unrecorded, executed, notarized deed of trust to be insured.

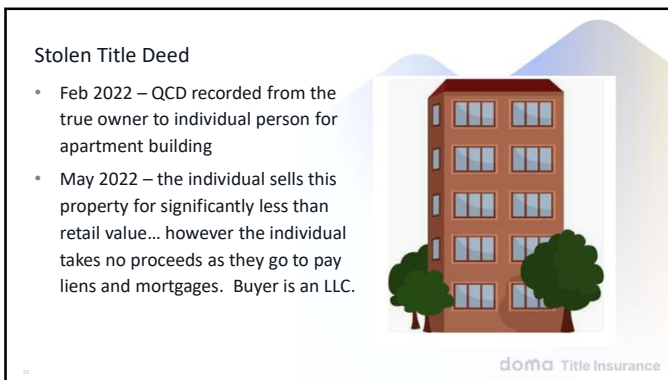
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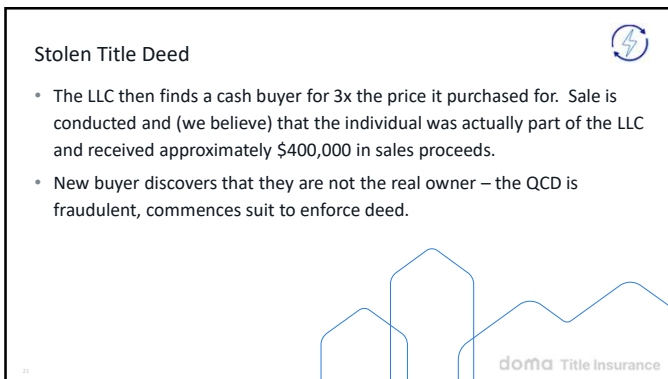
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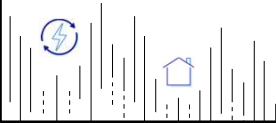
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Stolen Title Deed

What could the agent do?

- When the first order came in, the order looked legit, the seller came to closing and presented real identification. **Remember the fraud had already occurred when they filed the fake QCD.*
- The title agent attempted to contact the original (real) owner to confirm they did sign the QCD and intended to sell this property to the individual.

Signature on QCD:



Dennis Kefallinos
 ELIZABETH STREET LOFTS, INC.
 BY: DENNIS KEFALLINOS
 ITS: PRESIDENT

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Stolen Title Deed

What more could the agent have done?

1. If the seller/borrower in the current transaction holds title pursuant to an insured transactions that is less than 1 year old, assume that such prior transaction may have been fraudulent, and confirm the veracity of that prior transaction before proceeding anew. Obtain and carefully scrutinize, with underwriting assistance if possible, evidence of that prior closing, including the closing statement and title policy. Contact the former owner to confirm that they did, in fact, convey to the current seller/borrower.



From Doma Underwriting Bulletin 2024-01

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Red Flags & how to triage your orders



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Red Flags and Tips to Help Prevent Seller Impersonation in Real Estate

May 9, 2023

Real estate transactions have been a prime target of cybercrime over the past decade. There is little sign of this slowing even as the housing market continues to slow. Instead, fraudsters continue to evolve their scam and money laundering tactics to avoid detection.

This latest trend involves vacant lots or unencumbered properties. Fraudsters impersonate property owners to illegally sell commercial or residential property. Sophisticated fraudsters use the real property owner's Social Security and driver's license numbers in the transaction, as well as legitimate notary credentials, which may be applied without the notary's knowledge. ALTA created a handout that highlights red flags and provides precautions to take to help prevent these scams.

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SELLER IMPERSONATION FRAUD IN REAL ESTATE

FRAUDSTERS are impersonating property owners to illegally sell commercial or residential property. Sophisticated fraudsters are using the real property owner's Social Security and driver's license numbers in the transaction, as well as legitimate notary credentials, which may be applied without the notary's knowledge.

Fraudsters prefer to use email and text messages to communicate, allowing them to mask themselves and commit crime from anywhere.

Due to the types of property being targeted, it can take months or years for the actual property owner to discover the fraud. Property monitoring services offered by county recorder's offices are helpful, especially if the fraud is discovered prior to the transfer of money.




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WATCH FOR RED FLAGS

CONSIDER HEIGHTENED SCRUTINY OR HALT A TRANSACTION WHEN A PROPERTY

- Is vacant or non-owner occupied, such as investment property, vacation property, or rental property
- Has no outstanding mortgage or liens
- Has a different address than the owner's address or tax mailing address
- Is for sale or sold below market value

CONSIDER HEIGHTENED SCRUTINY OR HALT A TRANSACTION WHEN A SELLER

- Wants a quick sale, generally in less than three weeks, and may not negotiate fees
- Demands proceeds be wired
- Wants a cash buyer
- Refuses or is unable to complete multifactor authentication or identity verification
- Is refusing to attend the signing and claims to be out of state or country
- Wants to use their own notary
- Is difficult to reach via phone and only wants to communicate by text or email, or refuses to meet via video call



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TAKE PRECAUTIONS

CONTACT SELLER USING INDEPENDENT SOURCES

- Contact the seller directly at an independently discovered and validated phone number
- Mail the seller at the address on tax records, property address, and grantee address (if different)
- Ask the real estate agent if they have personal or verified knowledge of the seller's identity

MANAGE THE NOTARIZATION

- Require the notarization be performed by a vetted and approved remote online notary, if authorized in your state
- If remote online notarization is not available, the title company should select the notary. Examples include arranging for the seller to go to an attorney's office, title agency, or bank that utilizes a credential scanner or multifactor authentication to execute documents

CONTROL THE DISBURSEMENT

- Use a wire verification service or confirm wire instructions match account details on seller's disbursement authorization form
- Require a copy of a voided check with a disbursement authorization form
- Require that a check be sent for seller proceeds rather than a wire

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VERIFY THE SELLER'S IDENTITY

- Send the seller a link to go through identity verification using a third-party service provider (credential analysis, KBA, etc.)
- Run the seller's email and phone number through a verification program
- Ask conversational questions to ascertain seller's knowledge of property information not readily available in public records
- Conduct additional due diligence as needed

USE THE PUBLIC RECORD

- Compare the seller's signature to previously recorded documents
- Compare the sales price to the appraisal, historical sales price, or tax appraisal value

FILE FRAUD REPORTS

- IC3.gov
- Local law enforcement
- State law enforcement, including the state bureau of investigation and state attorney general
- Secretary of state for notary violations

FIGHT FRAUD WITH INDUSTRY PARTNERS

- Educate real estate professionals in your community, such as county recorders, real estate agents, real estate listing platforms, banks, and lenders
- Host educational events at the local or state level
- Alert your title insurance underwriter of fraud attempts

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Seller Impersonation Fraud Prevention

Low tech is the best tech?

Unless the agent has a pre-existing relationship with the record title holder, a letter should be mailed to the record title holder, as reflected in the current tax rolls, thanking them for the title order and confirming that the order was initiated at their request. You should use the address on record for the property owner to which real property tax bills are mailed. For a business entity, you should use the record title holder's address appearing on the current rolls of the Secretary of State or other state corporate records registry. If such representative was recently changed, less than a year, contact the address of the prior entity representatives as fraudsters are getting more savvy to this process.

This letter to the titleholder should provide a summary of the proposed transaction and include the following statement:

Thank you for your recent order with ABC Title Agency regarding your real property located at (Insert Legal Description/Address). We look forward to handling the sale/refinance of the property on your behalf. If it was not your intention to initiate this order, please contact our office immediately at _____ (Phone) or email _____.

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Triage orders – how?

Triage comes from the French word “trier” meaning to sort. It is a term often used in the Emergency Room where the Intake Nurse will survey all the patients, identify who has the most critical or urgent condition, and then go through a sorting process that will determine who will be seen in what order.



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Triage Orders – first the assessment:

- Is the property vacant, unencumbered or rental?
- Does the Realtor/Title Agent/Mortgage Lender personally know the parties?
- Has their been a recent transfer of title or change of corporation officers?
- Are the parties only communicating via text or email?
- Is there urgency – must close quickly?
- Do the parties want to use their own Notary?



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Team up with your RE Agents

Top questions to ask

- Is the property owned free and clear?
- Have you met the seller in person? If not:
- Did the seller express a sense of urgency in selling the property?
 - Did the seller seem willing to list the property below market value?
 - Did the seller say why they are selling?
 - Did the seller express confusion about the selling process?
 - Does the seller live out of state or claim to be traveling out of state at the moment?
 - Does the seller want to use their own notary?




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Triage Orders – second take steps to prevent fraud:

- Require ID Verification to begin this transaction.
- Use RON to require parties to verify their identity.
- Send letter to owner address shown in tax records – us mail.
- Verify signatures on prior deeds.
- Use technology where available to thwart fraud.

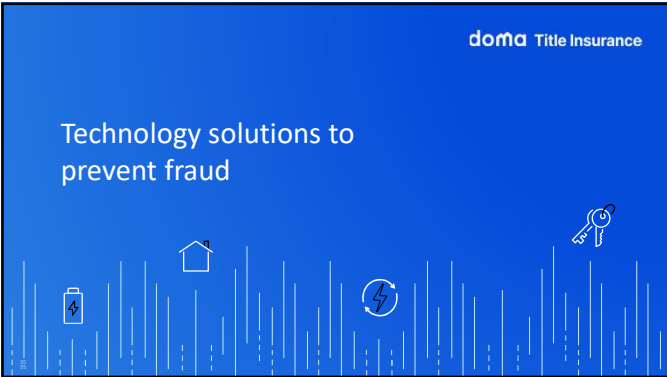


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Technology solutions to prevent fraud



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Identity Verification Systems


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Knowledge Based Authentication





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Payment and Wire verification systems



 

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Remote Online Notary Services

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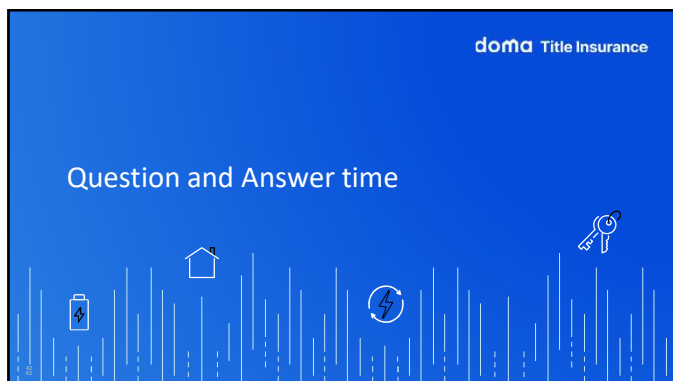
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Speaker



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