

The Key to Real Estate Fraud Prevention:

Knowing the Signs



Real estate fraud has been around for as long as human beings have been selling property.

Although the methods for perpetrating fraud have gotten more sophisticated – aided and abetted by technology – there are often clues strewn along the way that a savvy real estate agent, loan officer or title agent can pick up on to prevent fraud.

Identifying fraud in a real estate transaction comes down to a few basic practices: Keeping up on the latest fraud tactics, educating your staff and clients on the red flags, and following your instincts when something doesn't seem to add up.

There are six primary targets for real estate fraud: Homeowners, homebuyers, lenders, real estate agents, title agents and the transaction itself.

In every case, it is all about the money. This is especially true of the most dangerous and expensive of all fraud attempts – wire fraud.

Targeting the Transaction

Wire fraud, a financially devastating crime, happens when a cybercriminal attempts to divert the proceeds of a real estate transaction by inserting new wiring instructions into a transaction. This is usually accomplished by posing as one of the participants – the homebuyer, seller, real estate agent or escrow officer – and sending new instructions via email or text.

Red Flag: Beware of late-breaking emails in a transaction, especially those that are suggesting the deal may fall through if you don't act quickly. Always pick up the phone and call a known number for the parties to the transaction to verify any requests for wire changes or for information that has already been provided.

Prevention tactics

To ward off cybercriminals' intent on inserting themselves into the transaction, real estate agents can follow these important protocols:

- Work closely with your title agent to establish rules and procedures for everyone to follow
- Educate your homebuyers and sellers about this threat
- Provide clients with written instructions on how to identify, handle and report fraudulent emails
- Warn your clients to avoid passing personal data – Social Security Numbers, wiring instructions, etc. – via email
- Avoid posting home sale details on social media until after the transaction has been completed

Property Fraud

Some real estate fraud scams are focused on the property. This can include vacant lot scams, in which fraudsters pose as the owner with the intent to sell the property to an unsuspecting buyer.

Sometimes homes are sold without the approval of the true owner, where a son or daughter sells a home out from under an elderly parent, or a husband or wife sells a home without the other's approval while going through a divorce.



Title or deed fraud is when a fraudster files a new title or deed with the county, assigning the property to themselves for the purpose of selling the property quickly and escaping with the proceeds. Red Flag: Rental properties and abandoned properties are at most risk for this type of fraud, since the real owner is not on site and may be unaware of the fraud as it progresses.

A fourth type of property fraud is when a seller acquires an inflated appraisal, convincing the buyer to pay far more than the property is worth.

Prevention tactics

The best way to prevent property fraud is through diligence and caution, including:

- Knowing your homebuyers and sellers and insist on meeting all parties face to face
- Verify credentials of all parties to the transaction
- Research and verify the property's title history
- Red Flag: Be suspicious of sellers who are willing to take below-value price
- Red Flag: Investigate unusual demands: Cash only deals or sellers pushing for a fast closing
- Perform your due diligence on property values if the asking price appears inflated
- Arm's-length transactions and "too-good-to-be-true" deals require increased scrutiny

Follow Your Instincts

While we all appreciate adding a new transaction to our list regardless of how it came to us, we must also remain dedicated to protecting the integrity of our real estate market. Fraud diminishes that integrity.

Most fraud is discovered by the professionals who process the many aspects of the transaction, including:

- Appraisers who raise suspicions of recent sales data;
- Savvy real estate agents who investigate pushy sellers;
- Mortgage lenders who recognize bogus financial data; and
- Title agents who diligently investigate every aspect of buyers' and sellers' identities, the property's chain of title, and documents such as powers of attorney, contracts, deeds and divorce decrees.

Always follow your instincts if something seems off or odd in a transaction. You can conduct your investigations discretely, so as not to offend your clients, should you discover everything is on the up and up. But more often, you will discover your intuition was correct.



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