

Agency Bulletin: AGNAT-2023-003

Date: July 5, 2023
To: All FNTI Agents
From: Agency Department
RE: **Resources on Seller Fraud/Forgery Claims**

To all FNTI Agents –

As we are all aware by now, the title industry has seen a significant increase in stolen identity/seller fraud/forgery claims over the past 24 months. We previously issued Underwriting Bulletin [UNNAT2023-001](#) outlining the common red flags associated with these fraud schemes. In a continued effort to educate and provide resources to our title agents and realtor partners, and their clients, we have created the attached educational collateral pieces for use in your offices and for distribution to your realtor clients.

[Seller Impersonation Fraud](#)
[Realtor Seller Fraud – Red Flags](#)

As always, we are happy to answer any questions.

Thank you for being part of the FNTI Agency family.

This Agency Bulletin becomes a part of the principles and practices with which you are to comply under the terms of your Underwriting Agreement with First National Title Insurance Company. Should the content of this bulletin address the closing and escrow function, this information should be considered a directive and part of the principles and practices if non-compliance would result in liability to FNTI under either the insured closing service letter or policy of title insurance notwithstanding that the Underwriting Agreement does not include the closing and escrow functions of your agency.



SELLER IMPERSONATION FRAUD

RED FLAGS AND BEST PRACTICES

HOW CAN REALTORS® PROTECT THEMSELVES AND THEIR CLIENTS FROM SELLER IMPERSONATION FRAUD?

With the increasing prevalence of agents working remotely and communicating with clients through email and text, it's crucial to confirm the identity of potential clients. Any verification process your brokerage uses must be applied uniformly to all individuals. Stay up to date with these recommendations to protect you and your clients from seller impersonation fraud.

WATCH FOR RED FLAGS

SELLER BEHAVIOR TO BE SUSPICIOUS OF



ABSENTEE OWNERS

Listing property that is non-owner occupied (aka absentee owner). Examples include vacant land, in-fill vacant lot, unoccupied acreage or ranch land, rental property, short-term rental property such as Airbnb, a second home, and a vacation home.



RUSH TO CLOSE

During negotiations with the buyer, the seller readily accepts almost all terms, prioritizing a quick cash transaction. They show no objections to proposed fees, cost allocations, commissions, or other terms.



LOW-PRICED OR ALL-CASH DEALS

A prospective seller wants to list the property below market value and only wants offers from buyers willing to pay all cash.



REFUSES TO ATTEND CLOSING

The seller might initially express willingness to attend the closing in person, but as the closing date nears, they suddenly become unavailable due to being "out-of-town" or for other reasons. However, they are still available to sign the documents with a notary, often in a different city or state.



FSBO; UNKNOWN SELLER

The property wasn't listed with a regular agent, but instead through a For-Sale-By-Owner website that shares the listing on public platforms like Zillow. No one involved knows the seller or has even talked to the seller until a buyer wants to make an offer.



SUSPICIOUS WIRE INSTRUCTIONS

The seller provides wiring instructions for their proceeds to a bank that is not geographically close to the property or the mailing address for the tax bill.



COMMUNICATES ONLY THROUGH TEXT OR EMAIL


The seller actively avoids any face-to-face or phone conversations, solely relying on text or email for communication. When called, the seller's voicemail picks up and they respond through text or email.





SUSPICIOUS PHONE NUMBER

When the seller's phone number is reverse searched to determine if it belongs to the owner of the property, it shows as a completely unrelated name or as unknown (ie: a burner phone).

PROTECT YOUR BUSINESS AND YOUR CLIENTS WITH THESE BEST PRACTICES

 **CHECK THE TAX OR APPRAISAL RECORDS ONLINE TO FIND THE NAME AND ADDRESS OF THE OWNER IN THE RECORD OF THE PROPERTY.** If the property address and mailing address are different from where the seller appears to be calling from, it raises a question of whether the seller may be someone impersonating the property owner and whether the agent should take steps to verify their identity.


 **SEND A CONFIRMATION LETTER TO THE PROPERTY OWNER** at both the property address (forwarded if it's not their primary residence) and the mailing address for the tax bill. The letter should clarify that the agent is listing the property and sending the letter as a fraud prevention measure. It should provide the agent's contact details and request the property owner to reach out to confirm their intent to sell the property.


 **ACCESS THE SECRETARY OF STATE CORPORATE RECORDS ONLINE FOR PROPERTIES OWNED BY AN LLC OR CORPORATION.** These records include the name and address of the manager, registered agent, and/or officers. The agent can then reach out to them for help in contacting and verifying the true property owner.


ASK THE SELLER TO PROVIDE A GOVERNMENT ISSUED PHOTO ID.

Once received, follow these steps:


- Verify that the address on the ID matches the tax records and if it's presently valid.
- Compare the signature on the ID with recorded documents in the county clerk's real property records, such as a deed of trust or MUD notice. *The agent's preferred title company can help provide the necessary documents for comparison.*

 **SET UP A VIDEO CALL (IE, FACETIME) WITH THE SELLER.** If the seller refuses a video call without a valid reason, it's a red flag indicating potential fraud. If you can have a video call, ask the seller property-specific questions that only the owner would know. Trust your instincts if anything seems suspicious during the conversation.

 **REQUEST COPIES OF DOCUMENTS THAT ONLY THE PROPERTY OWNER WOULD HAVE** such as a copy of a tax bill, utility bill, copy of the settlement statement, title policy or survey from when the property was purchased.

 **PERFORM A REVERSE DIRECTORY SEARCH ON THE PROVIDED PHONE NUMBER USING INVESTIGATORY DATABASES LIKE FOREWARN OR IDI CORE.** This search will reveal the owner of the phone number or indicate if it's unknown, suggesting the use of a "burner" phone to conceal their true identity.

 **USE A TRUSTED TITLE COMPANY** that has implemented its own fraud detection procedures.

 **ENCOURAGE RECIPIENTS OF YOUR MAILINGS TO CREATE A GOOGLE ALERT FOR THE PROPERTY ADDRESS.** This will notify them if the property is marketed or mentioned publicly. Agents should also set up Google alerts for their own listings to prevent scams and fraudulent activities.

IF YOU BELIEVE YOU ARE A VICTIM OF SELLER IMPERSONATION FRAUD

STOP

- **CEASE ALL COMMUNICATION WITH THE FRAUDULENT SELLER**
- **TERMINATE THE LISTING IMMEDIATELY**
- **NOTIFY ALL INVOLVED PARTIES OF THE FRAUD**

SELLER IMPERSONATION FRAUD TITLE INDUSTRY RED FLAGS & BEST PRACTICES

SELLER IMPERSONATION FRAUD

is different from the many frauds the title industry must watch for and avoid. This is basically an identity theft where the fraudster pretends to be the seller and tricks Realtors, buyers and title companies into believing they are the property owner who wants to sell the property.

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.



BEWARE OF RED FLAGS

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
- ▶▶ Wants a cash buyer
- ▶▶ Is refusing to attend the signing and claims to be out of state or country
- ▶▶ Is difficult to reach via phone and only wants to communicate by text or email, or refuses to meet via video call
- ▶▶ Demands proceeds be wired
- ▶▶ Refuses or is unable to complete multifactor authentication or identity verification
- ▶▶ Wants to use their own notary

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 a different address than the owner's address or tax mailing address
- ▶▶ Has no outstanding mortgage or liens
- ▶▶ Is for sale or sold below market value



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.

✓ 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

✓ 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

✓ 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