

# Title Scams

---

What The Fraudsters  
Don't Want You To  
Know

Presented By: Scott Sumner

Tuesday, August 19, 2025





# VACANT LAND FRAUD





# VACANT LAND FRAUD (*cont.*)

## I. Vacant Land Fraud Scheme: Fraudster impersonates the actual property owner

### A. Characteristics (“Red Flags”) to Look For

- 1) Vacant land or unoccupied premises;
- 2) No outstanding mortgages - free and clear property;
- 3) Seller in a rush to close;
- 4) Real estate agent/attorney never meets with principals and is hired by e-mail;
- 5) Sale documents are e-mailed to seller, no in-person closing or use of RON;
- 6) Notary acknowledgments are suspect and may claim to be from US Embassy or an attorney/notary in foreign country;
- 7) Purported owner (Fraudster) is not currently located at the owner’s address listed in the county’s tax records;
- 8) Wiring instructions utilize banks not located in the owner’s country of residence (as shown in county’s tax records) and/or list third party payee/account owner;
- 9) Documents sent to title company already executed without prior inquiry to title company about how they need to be completed and acknowledged.



# VACANT LAND FRAUD (*cont.*)

## B. How to Protect Against the Fraud

### 1) Confirmatory Letter

- a. Send to the owner's mailing address appearing on the Tax Search
- b. Advises actual property owner of the pending transaction
- c. Request owner acknowledge that they are aware of the pending transaction by signing and returning a copy of the letter
- d. Do not close if you do not receive the returned acknowledgement

### 2) Use an Approved Identity Verification Platform to Confirm Identity

- a) Must have knowledge-based authentication ("KBA")
  - Closing Lock
  - CertifID



# “FLIP” TRANSACTIONS





# “FLIP” TRANSACTIONS *(cont.)*

## I. Flip Transactions: Property Purchased Then Re-sold Quickly At A Higher Price

*Absent outright fraud (typically concerning valuation), there is no such thing as an “Illegal flip”. Most often, it is simply question as to the risk of insuring (i.e. The likelihood that the insured transaction will face scrutiny/litigation from one of the parties involved)*

### A. Characteristics (“Red Flags”) to Look For

1. Property acquired and sold immediately or shortly thereafter at a significantly higher price without justification (e.g. No Renovations)
2. Potential questions of competency concerning the initial Seller (e.g. Elderly Seller)



# “FLIP” TRANSACTIONS *(cont.)*

3. Property is distressed (e.g. In Foreclosure or about to be)
4. Initial Seller not Represented by an Attorney
5. Initial Sale coming out of an estate
6. Initial Seller and “Flipper” are related
7. Initial Seller and “Flipper” have common representation (Real Estate Agent/Attorney)-Potential for collusion
8. Efforts to hide the double transaction (Use of off record assignments, Use of LLC’s, Request to issue separate title commitments)
9. “Flipper” using funds from subsequent Buyer to consummate initial transaction



# “FLIP” TRANSACTIONS *(cont.)*

## B. Legitimate (Insurable) vs. Improper (Uninsurable w/o Disclosure) vs. Vehicle For Fraud (Never Insurable)

- 1) Legitimate: Buyer acquires property in need of rehab for \$200,000.00 and does \$75,0000 worth of renovations. Six months later buyer sells property to Bonafide Purchaser for value for \$325,000.00.
- 2) Improper: Buyer acquires property in need of rehab for \$200,000.00 and does no renovations, but rather, sells property that same day to Bonafide Purchaser for \$325,000.00.
- 3) Vehicle for Fraud: Buyer acquires property in need of rehab for \$200,000.00. Buyer does no renovations, but rather, immediately enters into a contract to sell to New Buyer for \$325,000.00. Buyer (now Seller) and New Buyer collude with appraiser to obtain financing for New Buyer in the amount of \$260,000.00. At closing, Buyer (now Seller) receives the net proceeds and splits the difference between the first contract price and the loan amount (\$60,000.00) with New Buyer. New Buyer has no intention of residing in the property or paying the mortgage. Along with collusion by other professionals, these fraud schemes will typically involve straw buyers and/or identity theft.



# “FLIP” TRANSACTIONS *(cont.)*

## C. Disclosure Requirements for Improper Flips

- 1) Notice and consent must be obtained from both the Initial Seller and the ultimate lender.
- 2) Most Lenders have “seasoning” requirements or may need to comply with “anti-flipping” regulations.
  - a. FHA insured mortgage guidelines:
    - The contract must reflect that the owner (as the owner appears in the local land records) is the contract vendor.
    - A resale may not occur within 90 days of the previous sale.
    - If the resale occurs between 91 and 180 days of the previous sale, and the new sale price substantially exceeds the previous sale price, additional information may be requested.

## D. If Asked to Insure a Flip Transaction Contact The Underwriter

# Foreclosure Rescue Schemes (Distressed Property/Short Sale “Flip”)



# Foreclosure Rescue Schemes (Distressed Property/Short Sale “Flip”) *(cont.)*

I. Scheme: Distressed property being sold undervalue then immediately being financed or resold based on higher value

A. Characteristics (“Red Flags”) to Look For:

- 1) Property is in Foreclosure or about to be in Foreclosure
- 2) Purchase Price is below Fair Market Value
- 3) Seller and Buyer have an agreement that Seller will remain in property as tenant after the closing with an option to repurchase
- 4) Current lender agrees to take a discounted “Short Sale” Payoff

# Foreclosure Rescue Schemes (Distressed Property/Short Sale “Flip”) (*cont.*)

## II. Foreclosure Rescue Fraud Prevention Act [FRFPA]

### A. Definition of distressed Property:

- 1) Property is a one-to-four family, owner-occupied dwelling, which is the subject of a mortgage foreclosure or in which the mortgage is at least 90 days delinquent.

### B. Requires foreclosure consultants to be licensed by the Department of Banking and Insurance.

### C. The FRFPA licensing exemptions:

- 1) Attorneys
- 2) Real estate brokers
- 3) Any person licensed title insurance producer (while acting under the authority of that license or conducting the business of title insurance)

# Foreclosure Rescue Schemes (Distressed Property/Short Sale “Flip”) (*cont.*)

D. FRFPA regulates two types of transactions:

- 1) A full conveyance of distressed property
- 2) A conditional conveyance of distressed property, in which the seller continues to occupy the realty and is given an option to repurchase.

E. FRFPA Requirements:

- 1) Contracts must be recorded
- 2) Contracts subject to a 10-day cancellation and attorney review period
- 3) Closing of conditional conveyance must take place at office of attorney or title company
- 4) Conditional conveyances that violate FRFPA are subject avoidance for a period of 2 years.
  - a. Bonafide purchasers or mortgagees are protected

# Foreclosure Rescue Schemes (Distressed Property/Short Sale “Flip”) (*cont.*)

## II. Distressed Properties Often Used as Vehicle for Fraud

### A. Foreclosure rescue/Short sale flip guidelines

- 1) Adhere to flip guidelines previously discussed
- 2) Review mortgage short sale payoff letter carefully to make sure its unconditional
  - a. No resale restrictions
  - b. If required, Borrower affidavit is accurate and truthful
  - c. If property in foreclosure confirm that the payoff is accurate with both lender and foreclosure attorney and that a discharge will be received and the foreclosure action dismissed
- 3) Confirm that all other liens are being satisfied
- 4) Require written proof that the mortgagee and mortgagor seller are aware of the impending flip sale or mortgage financing by the rescuer.
- 5) Never insure a simultaneous flip buyer if transaction would violate short pay lenders instructions and/or result in profit to the “flipper” at the expense of Short Pay Lender and always contact the underwriter.

# CYBER FRAUD



# CYBER FRAUD

Cyber-Fraud is one of the most costly issues that title company's providing settlement services now face. Particularly, with respect to wire diversion, accomplished through Business Email Compromise (BEC).

## I. How The BEC/Wire Fraud Scheme Works:

- A. Fraudster infiltrates email of one of the parties to the transaction (typically attorney or realtor)
- B. Fraudster searches/monitors the emails looking for wire information on pending transactions
- C. Fraudster sends revised wire instructions to the parties directing that the money be sent to an account controlled by fraudster.

# CYBER FRAUD *(CONT.)*

## II. Characteristics (“Red Flags”) to Look For:

1. Changed email address, often subtle (hover cursor over email address)
2. Multiple parties on prior emails; fraudulent email is only 2-party
3. Changed or multiple sets of wiring instructions – WIRE INSTRUCTIONS SHOULD NEVER CHANGE WITHOUT GOOD REASON!
4. Poor grammar or odd use of terms / phrases
5. Sense of urgency – funds must be wired immediately
6. Recipient bank account doesn’t make sense/Payee not a party to transaction/Payee is law firm not involved in the transaction/Payee in an unrelated location (another state)
7. Email sent outside of normal business hours or using 24 hour clock (22:00 hrs. instead of 10:00pm)
8. Unexpected email with link to a document – likely a link with malware

# CYBER FRAUD *(CONT.)*

## III. Fraud Prevention

### A. Best Practices for Business Email and Wire Payments

- 1) Closely verify email addresses before using them.
- 2) Avoid web-based email.
- 3) Strictly follow specific business procedures for confirming the validity of wire transfer instructions.
- 4) Use a confirmation process, which should include verbal communication via a mutually agreed telephone number between the known parties.

# CYBER FRAUD *(CONT.)*

## IV. What to when BEC Wire Diversion Occurs:

1. Have a Continuation of Business (COB) Plan for IF and WHEN a BEC occurs.
2. Contact your Banking team IMMEDIATELY via Telephone AND email.
3. Ensure ALL Employees have Bank CONTACT INFO.
4. Inform Banking Team of the FRAUDULENT transaction.
5. Provide a screen shot of the outbound wire if possible.
6. Once informed, Bank Team should alert their Corporate Fraud Division of the transaction.
7. Bank should submit a wire recall on Client's behalf to the Beneficiary Bank and report the fraudulent transaction in an attempt to have the funds held.
8. Bank should complete an FBI, Internet Complaint Form (IC3) and contact law Enforcement on Client's behalf for immediate action.
9. Bank should keep the Client(s) fully informed of the status and any additional steps such as completion of an Affidavit of Unauthorized Transaction.
10. Upon receipt of recovery, funds will be returned to the originating account.

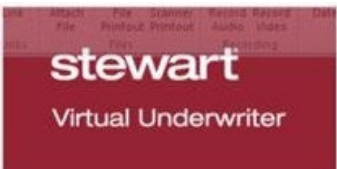
# CYBER FRAUD *(CONT.)*

## V. Insurance Coverage and Cyber Fraud

### A. Cyber-Fraud liability Insurance Policy

- 1) Confirm specifically covers wire fraud and social engineering attacks
- 2) Confirm covers 3<sup>rd</sup> parties damaged by the attack on your system
- 3) Understand per incident coverage limits that may apply
- 4) Companies like Closing Lock and Certified ID now have insurance components when using their platforms

B. Closing Protection Letter (CPL) specifically excludes liability for wire fraud or business email compromise committed by anyone other than the title company or settlement services provider whose conduct is covered by the letter.



[Select Location](#)
[Recently Viewed](#)
[Terms of Use](#)
[State Laws and Customs Toolkit](#)

## Virtual Underwriter



# Everything you need

With VU, you have access to information needed to underwrite a real estate transaction, 24 hours a day, seven days a week. [Click here](#) for a tutorial.



## Keyword Search

Example : Absentee

Find it

- All of these words
- This exact phrase
- Any of these words

## Select a Location

Select a state



