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The Quill – June 2023



THE QUILL ARTICLE

FRAUD ALERT: Vacant Property Fraud Is On The Rise!

Yes, we know, you have seen and read a gazillion newsletters, articles or emails warning you of the increase in real estate fraud associated with vacant land/non-owner occupied and unencumbered property (“scam” or “scheme”). So have we! You are hearing and reading about this more and more because it is a nationwide threat and it is very real in NC and SC. In fact, at a recent closing, my closing attorney mentioned that she recently received a request to close a fraudulent vacant land transaction. The documents and information she received related to the closing appeared to be legitimate. Without some additional due diligence on her part, the fraudster(s) would have walked away with thousands of dollars. However, she was able to help impede the fraudster’s efforts.

In this article, I will discuss how this scheme works, common red flags and how you can help to prevent this type of scheme. After all, you are our eyes and ears and we

need you to be extra vigilant in your communications with the parties involved in your closing transactions.

HOW THE SCHEME WORKS:

A fraudster/criminal:

- Searches public records to identify real estate that is free of deed of trust/mortgage or other liens and the owner of the property owner. These properties often include vacant lots or rental properties.
- Impersonates the property owner and contacts a real estate agent to list the property for sale, usually below fair market value to generate immediate interest.
- Communicates exclusively through email or digital means, never in person.
- Demonstrates preference for a cash transaction and accepts a cash offer quickly.
- Refuses to sign documents in person and requests a remote notary signing.
- Poses as the notary and provides falsified documents to the title company or closing attorney.
- Receives closing proceeds that the closing attorney has unwittingly transferred to the fraudster.
- Unfortunately, this scheme particularly affects, but it not limited to, elderly and foreign real property owners. Also, the scheme is typically not discovered until the documents transferring title are recorded with the applicable county, or days/months later.

COMMON RED FLAGS:

Red flags may include, but are not exclusive to, the following:

- Rush closing or pushy seller – anxious to receive closing proceeds.
- Seller contacts real estate agent online, with no previous connection.
- Seller only communicates through email.
- Seller claims to be in a state or country different than property or mailing address.
- Mailing address is outside the United States.
- For Sale By Owner.
- Property listed below market value.
- Request for a mail away closing and/or rejection of in-person notarization by a notary arranged by closing attorney.
- ID and Passport pictures are identical.
- Identifying information inconsistent on ID and passport or inconsistent with real owner such as wrong race, age, gender, name or address.
- Email addresses for the seller are a variation of the seller's name followed by number (ex: natashabbranch12500@gmail.com or nbranch34500@hotmail.com)
- These items do not match the independently searched/verified information:
 - Phone number

- Address
- Social security number
- Pictures on ID or passport
- Use of Power of Attorney.
- Seller proceeds wired to out of country (ie Vietnam, Philippines, etc.) bank account.
- Notary acknowledgment not in correct format.

HOW TO PREVENT THE SCHEME:

As mentioned above, extra due diligence is required to prevent this scheme and to confirm you are dealing with the appropriate parties. Below are some techniques you should use to help prevent this scheme and confirm you are dealing with the appropriate parties:

- Independently search for the identity and a recent picture of the property owner/seller.
- First American Title (SC) suggests sending the Property Owner's Notification Letter (template [HERE](#)) to the mailing address on file with the County Property Tax Assessor's Office.
- Request an in-person or virtual meeting. Request to see their government issued ID.
- Be alert:
 - Did the seller accept a below market offer in exchange for receiving the proceeds in cash and/or a quick closing?
- Never allow a seller to arrange their own notary closing.
- Communicate with and educate real estate agents. Inform them of this fraud scheme.
- Encourage your clients to sign up for the FREE "fraud notification alert" services on-line with most NC Register of Deeds, if available in the county of their property.
- See ALTA Seller Impersonation Handout (below) for additional recommendations

Has your office handled (or prevented) a vacant land/non-owner occupied and unencumbered property closing that involved the above addressed fraudulent scheme? If so, please share with us any facts specific to the transaction(s) that were not addressed in this article. Alternatively, please share how you prevented the fraudulent transaction from closing. In the coming months, we will share your responses with our readers to help everyone remain as up to date as possible as fraudsters continue to evolve their scam tactics.

As always, never hesitate to call us to help when you see a potentially questionable transaction. They may be legitimate. But, if they are not legitimate, WORKING TOGETHER we can protect innocent parties and we can work to stop a fraudster!

Natasha Branch, Operations Manager and Underwriting Counsel,
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ALTA SELLER IMPERSONATION HANDOUT

You can also download a copy of the handout for your use [HERE](#).

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.

Where approved by state regulators, consumers can purchase the American Land Title Association (ALTA) Homeowner's Policy of Title Insurance for additional fraud protection.

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 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

CONSIDER HEIGHTENED SCRUTINY OR HALT A TRANSACTION WHEN A SELLER

- Wants a quick sale, generally in less than three weeks, and may not negotiate late 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



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 country 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



ANNOUNCEMENT

Meck County ROD Closing

We want to inform you that the Mecklenburg County Register of Deeds will be closed for a long weekend in June. They will be closed on Friday, June 16th for their Annual Training and Development Day and on Monday, June 19th, for the Juneteenth holiday.

CLE CORNER

2 New & 2 Updated CLE's Available!!!

Welcome to the CLE Corner. This is where you can view our library of on-demand CLE/CPE's for credit.

Currently we are offering 8 total CLE/CPE's for on-demand viewing, including two new courses and two recently updated courses. Click [HERE](#) to access the CLE library. This is where all of the on-demand courses will be stored so bookmark the link and check back periodically. We will also announce any new live or on-demand courses here in the newsletter.

GET TO KNOW

Emily McIntyre, Residential Underwriting
Manager

{A Day in the Life Edition}

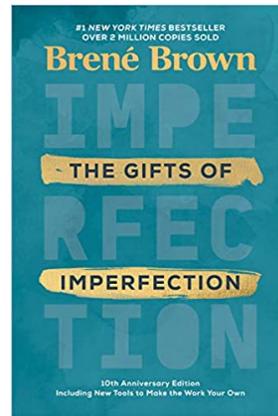
1. Favorite Breakfast? ***Evolve Protein Shake, Chocolate.***
2. Coffee vs Tea? ***Tea, my favorite is Lipton peach tea.***
3. Do you prefer working from home or in an office? ***I prefer working from home, walking around in socks gives me joy. I am pretty sure that is not professionally acceptable in the office.***
4. Dinner at the table or on the couch? ***At the table. We must eat at the table; how else can we have the same fight about "That's my chair"?***
5. What is your favorite dessert? ***Red Velvet Cake.***
6. What are you currently watching? ***American Monster & Evil Lives Here.***
7. If you had one free hour in your day, what would you do? ***Combine Stock trading with ChatGPT.***
8. Are you a morning person or night owl? ***Night owl, I have insomnia, so I am awake when I don't want to be anyways.***
9. What is your bedtime? ***11:00 PM.***
10. Tell us an interesting fact about yourself that we may not know. ***I did a closing for Melvin Gentry with the group Midnight Star. He asked if I knew any of his songs. I proudly said, "Secret Lovers" and he politely said no that's Atlantic Starr. He went on to say, "No Parking on the Dance Floor". I was like, nope, don't know that one. Clearly, I didn't make the list as #1 fan.***



WHAT WE'RE READING

Brene Brown's The Gifts of Imperfection

I'm sure none of you struggle with perfectionism, right? **wink, wink** For those of you who do, Natasha recommends "**The Gifts of Imperfection, 10th Anniversary Edition**" by Brené Brown. But, only if you haven't already read "Daring Greatly" by Brené Brown. Natasha is currently listening to "The Gifts of Imperfection" on Audible, as she continues on her journey towards wholehearted living!



THE QUILL MEME



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