



# The Latest Scam Vacant Land Fraud

By Jeremy Yohe

## Protect Your Company by Knowing the Red Flags

**J**AIME KOSOFSKY had just spent a full day attending a cybersecurity conference hosted by Premier One. After eight hours of hearing about all the stuff that could go wrong, a founding partner of the North Carolina-based law firm Brady & Kosofsky, spent the night changing passwords, making adjustments and implementing new ideas to better protect his company.



But when Kosofsky got to the office the next morning, he didn't have to address a potential wire fraud scam. His firm was handling a transaction that had an alarming fact pattern similar to one being dealt with by other title and settlement companies across the country. The transaction involved vacant land, was free and clear of any mortgages or liens, had a cash buyer, used a local listing agent and an out-of-state seller.

"So, before I got in the office, my team had already started the procedure for this type of fact pattern," Kosofsky said. "We have seen it before, and I knew we would see it again."

Real estate transactions have been a prime target of cybercrime over the past decade. There is little sign of change in this focus—even as the housing market slows. Instead, fraudsters continue to improve their scams and money laundering tactics to avoid detection. This latest trend involves vacant lots or unencumbered properties. These scams involve bad actors posing as owners of these vacant lots or properties. This trend began to emerge before the winter holidays.

According to the National Association of Realtors (NAR), home sales continued to fall throughout the last several months of 2022. As a result, cybercrime rings have turned to new tactics to make up for the lower housing market transaction volume.

"This recent trend involving seller impersonation is particularly concerning, as the real property owner is typically not aware nor in a position to prevent the fraud, until it is too late," said Tom Cronkright II, co-founder of CertifID. "Unfortunately, it's just the latest evolution of wire fraud that



Kosofsky

affects title companies, law firms, lenders, Realtors and homebuyers and sellers. Our company has received hundreds of cases and helped recover over \$52 million for victims in the last two years alone, by partnering with the U.S. Secret Service."

In Kosofsky's situation, his office hit the brakes on the transaction. They asked for picture IDs and reviewed old and new documents to compare signatures.

"The signatures weren't even close," he said.

The seller said he was in New York. His driver's license was from Texas. The documents were signed in Florida by a duly licensed notary public from that state.

Then, Kosofsky's team called the seller. What they learned proved something was awry.

"We told the seller that he needed to come to our office to sign and he responded that has been unable to travel for months," Kosofsky said.

At that point, the law firm called and asked the Florida-based notary public if they had performed notarial acts for anyone by the name appearing on the documents.

"Surprise, surprise, the notary had no record of it in the journal," Kosofsky said.

Cronkright said CertifID has worked recently with federal law enforcement on numerous cases like this one. In one such situation, a title agency reported to CertifID a loss of \$33,000 from a vacant lot transaction.

The title agency and the real estate agent were scammed by an imposter seller. Luckily, it was reported quickly. CertifID worked with the U.S. Secret Service to freeze and return the funds.

Here's how these new vacant property scams work:

- Scammers search public records to identify real estate that is free of mortgage or other liens. These often include vacant lots or rental properties. The identity of the landowner is also obtained through these public records searches.
- Posing as the property owner, the scammer contacts a real estate agent to list the property for sale. All communications are through email and digital means and not in person.
- The listing price of the property is typically set below the current market value to generate immediate

interest in the property.

- When an offer comes in, the scammer quickly accepts it, with a preference for cash sales.
- At the time of closing, the scammer refuses to sign documents in person and requests a remote notary signing. The scammer impersonates the notary and returns falsified documents to the title company or closing attorney involved in the transaction.
- The title company or closing attorney transfers the closing proceeds to the scammer. The fraud is typically not discovered until the time of recording of transferring documents with the applicable county.

Another recent case with one of CertifID's title company customers in Ohio followed this playbook almost perfectly. The "seller" of a vacant lot contacted

the real estate agent online, with no previous connection. The "seller" was very pushy about transferring money and the amount they'd make. They claimed to owe more than the \$30,000 sale value and were anxious to receive

the funds. There were many other markers of fraud identified during the CertifID verification process. Luckily, due to all of these red flags, the fraud was detected and stopped in time.

Another title company customer in Florida avoided a sizable \$110,000 fraud loss by paying attention to the clues. A "seller" living in Vermont contacted a real estate agent online to list a vacant lot. The listing came

from a real estate agent that the title company knew and trusted. However, red flags were identified by the CertifID verification process. The "seller" asked to use their own notary due to being out of state. Luckily, this too, was detected and prevented in time.

According to Cronkright, the best way to limit exposure is to supplement your teams' efforts with a solution that can verify wire instructions before any funds are sent. The human eye will not catch every spoofed email address or web domain. Having a solution that reduces your risk by using a combination of software, services, and insurance is a more comprehensive approach.

Federal law enforcement has been fielding a sharp increase in victim reports on this type of vacant land



Cronkright II

fraud. The U.S. Secret Service issued an advisory describing how these scams work and what to look for.

Similar stories have popped up in other states. A scam was attempted to purchase properties near Hilton Head, S.C., just before Thanksgiving. The Beaufort County Sheriff's Office received four reports of real estate scams since October 2022, including properties on Daufuskie Island and Fripp Island, said spokesperson Maj. Angela Viens. She said the number of scams could be higher, as many go unreported and others fall outside the jurisdiction of Beaufort County. At the beginning of January, the South Carolina Department of Labor, Licensing and Regulation sent out a letter warning real estate agents and property owners of the scam.

Hilton Head Island Realtor Mark Devers said he spoke with the fake seller about seven times on the phone, though the scammer tried to communicate primarily through email. Devers said he received multiple offers, but the scammer wanted to go with a lower offer because the deal would close faster. Once Devers and a real estate attorney started reviewing documents, the attempted fraud was identified—notarized forms didn't match the address of the seller and photos on IDs looked strange.

"That was really the straw that broke the camel's back," Devers said. "That sparked us to do some research online and then I found the actual seller after searching for a while. I called him up and it turns out that he was under contract in a private sale." The private sale was for between \$200,000 and \$400,000, according to Devers and the scammers had been prepared to accept much less as part of the fraudulent sale.

In January, Scott Mayausky, the Stafford County Commissioner of Revenue, helped a man who found out his vacant land was posted for sale on Redfin. Mayausky directed him to the Stafford County Sheriff's Office, where detectives are currently investigating cases of land fraud sales.

"Cases like this are under investigation and will be looked at from every possible angle," the Stafford County Sheriff's Office said in a statement. "For those currently looking to purchase or rent, it is important to take preventive measures to ensure cases like these do not continue. Those who are a victim are urged to contact their local law enforcement to report the fraud."

The Virginia Realtors Association said criminals are contacting real estate agents to list properties they don't own. The properties they want to sell typically don't have mortgages and the criminals are often willing to sell the land for below market value and for

## Protect Your Company

All title companies should protect themselves and their clients from vacant land scams. The following are some tips to help identify potential scams:

- Look for misspellings of key information such as names, business and addresses.
- Monitor for sudden changes in voice or tone of the messages, especially invoking a sense of urgency.
- Be suspicious for changes in the next steps or instructions that the customer is supposed to follow.
- Be wary of unusual attachments or links.
- Independently search for the identity and a recent picture of the seller.
- Request an in-person or virtual meeting to see their government issued identification.
- Be on alert for a seller who accepts an offer price below market value in exchange for the buyer paying cash and closing quickly.
- Never allow a seller to arrange their notary closing. Use a trusted title company or closing attorney to coordinate the exchange of closing documents and funds.



cash. The standard tactic is to sell these properties quickly before the true owners catch on.

The Virginia Department of Professional Occupational Regulation (DPOR) also is actively investigating cases of fraudulent sellers posing as property owners and trying to sell land they don't own. The department sent out a warning to real estate licensees after a number of complaints in neighboring states like North and South Carolina.

"This mortgage fraud stuff you hear about is real," Kosofsky said. "Keep your eyes open, live your policies and procedures, forget everything you know about doing real estate closings in the past because the bad guys are serious and they don't care how it used to be done. In fact, it just makes it easier for the bad guys when you do it the same way it's always been done. As the market gets shaky, people get desperate and get in a hurry. Don't lose your focus!" ■



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