

ALTA Critical Issues Study

Seller Impersonation Fraud

KEY FINDINGS

In May 2024, the American Land Title Association (ALTA) and ndp | analytics conducted an online survey to better understand seller impersonation fraud (SIF) and the industry's experience with successful and unsuccessful attempted SIF. The survey received 783 responses from the broader title insurance community across 49 states and the District of Columbia.

The key findings are below.

- 1. SIF is a growing problem. 28% of title insurance companies experienced at least one SIF attempt last year; 19% faced attempts in April 2024 alone.** Title companies work with law enforcement offices on investigations, which, in 2023, typically included the local police department (53%) or the FBI (41%). Of the companies that experienced attempted fraud in 2023 (successful or unsuccessful), 16% paid claims on transactions involving SIF.
- 2. Common characteristics of SIF included notarization issues and use of the property owner's legitimate non-public personal information.** The most common notarization issues were fake notary credentials (43%) and use of real notary credentials without permission (31%). Use of non-public personal information, such as birth dates, driver's license numbers, and Social Security numbers were common in fraudulent transactions.
- 3. While not always considered unusual, some factors that can be SIF red flags include vacant land transactions, requests for use of an unknown notary, and all cash transactions.** 85% of companies reported that SIF was at least somewhat common on vacant land transactions in 2023. Requests for all cash transactions and mail-away signings using an unknown notary call for heightened scrutiny because they carry a higher risk of fraud: 88% and 86% of companies identified these actions as at least somewhat common red flags, respectively.
- 4. In 2023, SIF was most often caught before the closing was completed. For SIF identified post-closing, buyers can be protected by title insurance; enhanced policies also cover forgery in the future.** 46% of companies said it was at least somewhat common to identify and prevent fraudulent transactions before a real estate closing, compared to only 26% after closing. Title insurance offers SIF protections. Both the ALTA Owner's Policy and ATLA Homeowner's Policy

cover buyers who fall victim to pre-purchase forgery. The ALTA Homeowner's Policy also protects against a third party who fraudulently transfers the owner's property in the future. For companies in the 46 states where regulators have approved these enhanced policies, 42% of customers, on average, chose policies that protect their property from forgery, including SIF, in the future.

5. The vast majority of title insurance companies have adopted tools and resources to fight SIF.

Nearly all companies currently provide or plan to provide education and resources to train employees on fraud (91%); most utilize ALTA's resources (69%). These actions are critical to combatting all types of fraud. In addition to SIF, title insurance companies also must address wire fraud, issues with heirs' property, and elder real estate fraud and financial exploitation.

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July 2024

BACKGROUND

Seller Impersonation Fraud (SIF) occurs when fraudsters impersonate property owners to sell commercial or residential property they do not own. Because fraudsters often target non-owner-occupied properties, it can take months or years for the actual property owner to discover the fraud. SIF shows little sign of slowing down any time soon.

In May 2024, the American Land Title Association (ALTA) and ndp | analytics conducted an online survey to better understand SIF. The survey received 783 responses from ALTA members and businesses in the broader title insurance community across 49 states and the District of Columbia.¹

This report summarizes the title insurance industry's experience with SIF including 1) the overall landscape, 2) characteristics of successful and unsuccessful SIF attempts, and 3) combatting fraud.

SELLER IMPERSONATION FRAUD LANDSCAPE

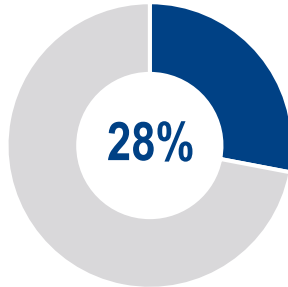
SIF affects both title insurance companies and their customers. This type of illegal activity can take months or even years to discover. In 2023, 28% of title companies experienced at least one SIF attempt, whether successful or not. In May 2024, 19% of companies reported at least one SIF attempt in the past month, and 9% indicated they had at least two attempts over those four weeks (5% with two attempts and 4% with three attempts or more). So, nearly half of companies that experienced an SIF attempt during April 2024 had multiple attempts. (Figure 1)

¹ See appendix for respondent demographics.

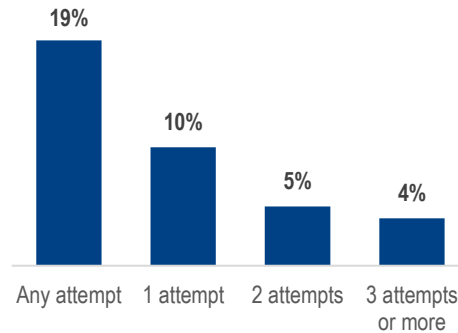
Figure 1.

28% of companies experienced SIF attempts in 2023; 19% faced attempts in the April of 2024²

Companies with successful or unsuccessful SIF attempts in 2023



Companies with successful or unsuccessful SIF attempts in the past month (April 2024)

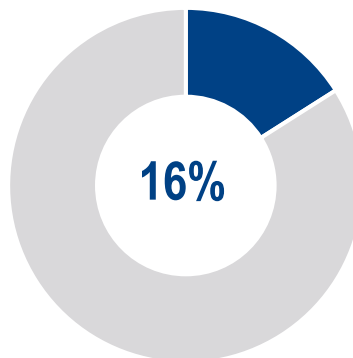


Of the companies that experienced successful or unsuccessful SIF attempts in 2023, 16% paid out claims related to SIF transactions. This finding also provides insight into the success of catching and stopping SIF attempts. (Figure 2)

Figure 2.

16% of companies that had SIF attempts paid related claims³

Did your company have any SIF attempts (successful or unsuccessful) in 2023? If yes, were claims paid related to SIF transactions?



² Excludes respondents who were unsure.

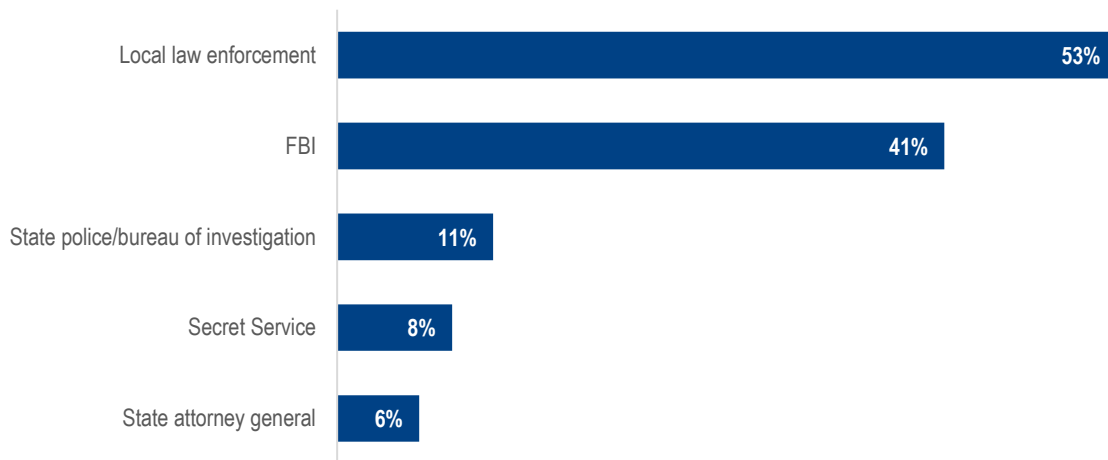
³ Excludes respondents who were unsure.

Title insurance companies that experienced SIF attempts worked with law enforcement during investigations. In 2023, it was most common for these companies to contact local law enforcement (53%), followed by the Federal Bureau of Investigation (41%), state police or state bureau of investigation (11%), Secret Service (8%), and the office of the state attorney general (6%). (Figure 3)

Figure 3.

Companies experiencing SIF worked with local, state, or federal law enforcement in 2023

Which of the following organizations have you interacted with for investigations related to SIF? (Check all that apply)



CHARACTERISTICS OF SELLER IMPERSONATION FRAUD

The study examined common characteristics of SIF encountered by the title insurance industry, including notarization issues, types of non-public personal identification used in fraud attempts, and types of properties targeted by criminals. In addition to these characteristics, the study assessed common red flags for SIF as well as the stage in the transaction where SIF is most commonly caught. While the red flags outlined are not necessarily unusual in transactions and are not always an indication of fraud, they are helpful to be aware of given the prevalence of SIF.

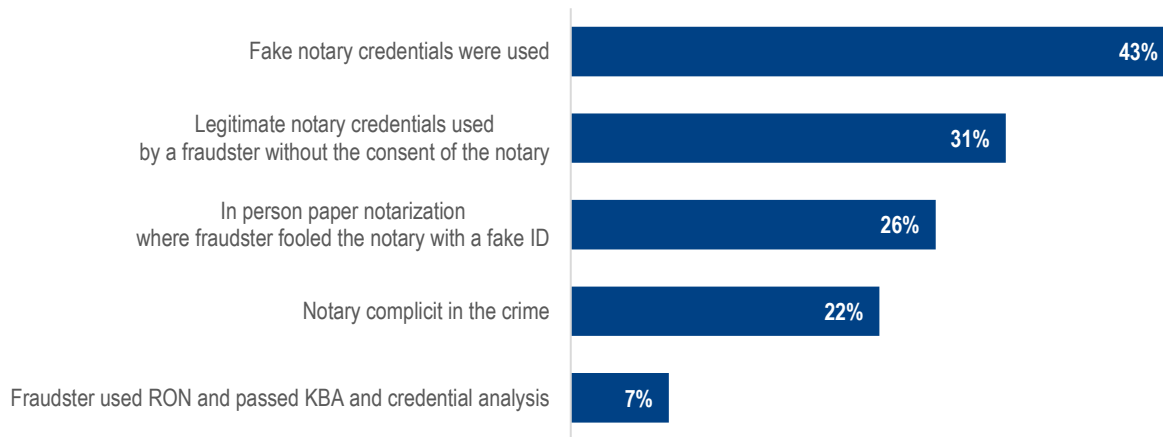
Notarization Issues

In cases of successful and unsuccessful SIF, the types of notarization issues considered most common included the use of fake notary credentials (43%), followed by the use of legitimate credentials without consent of the notary (31%), and in-person notarization with a fake identification document (26%). It was rare for the criminals to use Remote Online Notary (RON) and pass the Knowledge-based Authentication (KBA), and credential analysis. (Figure 4)

Figure 4.

43% of companies with SIF attempts said fake notary credentials were used

Based on your experience with attempted SIF transactions, how common are the following notarization issues? Share of respondents that selected somewhat common, common, or very common.



Use of a Property Owner's Legitimate Non-Public Personal Information

Fraudsters may use a property owner's legitimate non-public personal information during an attempted SIF transaction. The personal data most commonly used in successful and unsuccessful SIF attempts includes the owner's birth date (53%), driver's license number (46%), and Social Security number (43%). (Figure 5)

Figure 5.

A property owner's legitimate birthdate, driver's license number and social security number were commonly used in fraud attempts

Based on your experience, how common is it for fraudsters to use the real owner's legitimate non-public personal information? Share of respondents that selected somewhat common, common, or very common.



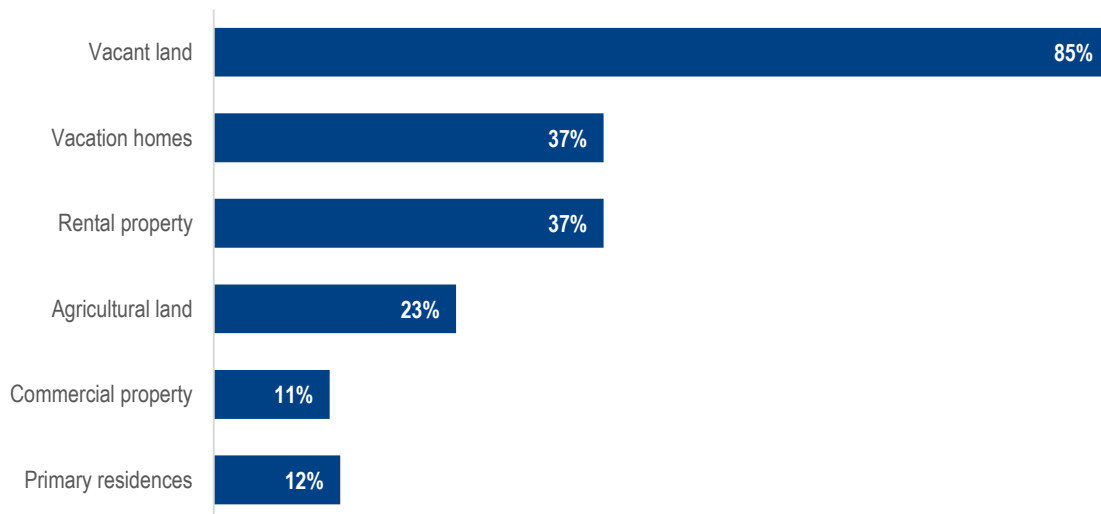
Types of Property Targeted

Fraudsters more often target properties that are not owner-occupied. Among the companies experiencing attempted SIF, vacant land was, by far, considered to be the most common type of property targeted (85%), followed by vacation homes and rental properties (both 37%). SIF attempts were least common on primary residences and commercial property. In general, title insurance companies find attempted fraud is more common in counties where land and assessor records are free and available online to everyone versus available only through an account. (Figure 6)

Figure 6.

Vacant land was the most targeted type of property for SIF attempts

*Based on your experience, how common is attempted SIF on the following property types?
Share of respondents that selected somewhat common, common, or very common.*



Red Flags

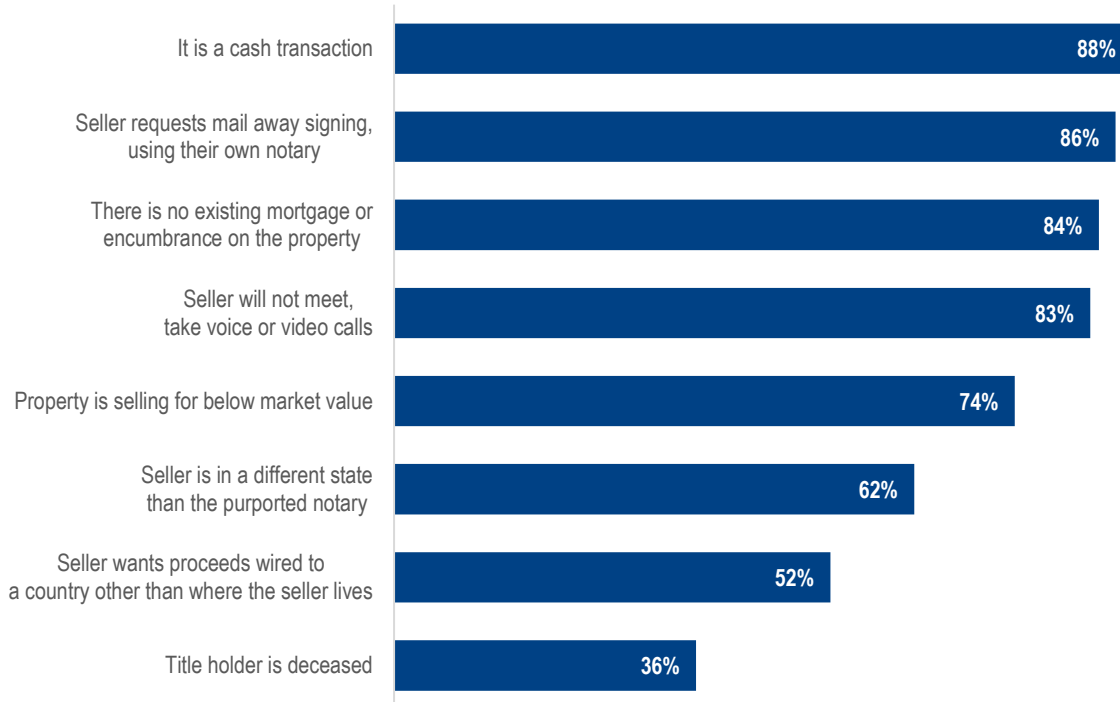
There are certain actions observed during transactions that help title insurance companies identify potential SIF threats. In 2023, most companies that experienced attempted fraud reported cash transactions held a higher risk of SIF (88%), followed by requests for mail-away signing and use of an unknown notary (86%), instances where there was no existing mortgage or encumbrance on the property (84%), and refusing to take voice or video calls (83%). (Figure 7)

Figure 7.

In 2023, cash transactions and mail-away signings that use an unknown notary were most commonly considered to have higher risks of SIF*

Based on your experience, how common are the following red flags for SIF?

Share of respondents that selected somewhat common, common, or very common.



*These actions can be part of a legitimate transaction, but may indicate a higher risk of fraud, especially if combined with other red flags.

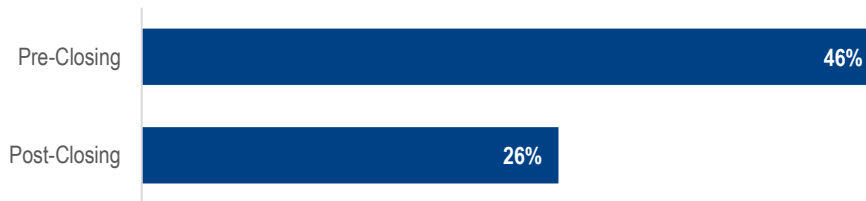
Identifying Fraud

Heightened scrutiny of transactions with red flags helps the title insurance industry combat SIF. Companies with SIF attempts reported that fraud was most commonly caught before the transaction closed (46%), which includes catching fraudsters at any step between pre-listing to the closing. In contrast, only 26% of companies reported that it was at least somewhat common to catch SIF after completing the closing. (Figure 8)

Figure 8.

Fraud attempts were more commonly caught before the transaction closed

*Based on your experience, how common is SIF caught at the following stages of the purchasing process?**
Share of respondents that selected somewhat common, common, or very common.



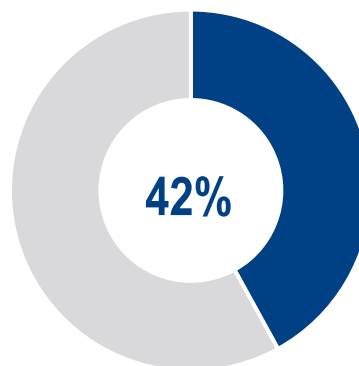
*Pre-closing includes pre-listing, order entry, search and examine, during closing, and at signing; Post-closing includes the recording onward.

If you are a property buyer, both the ALTA Owner’s Policy and the ALTA Homeowner’s Policy of Title Insurance provide coverage for pre-purchase forgery. However, only the ALTA Homeowner’s Policy of Title Insurance provides protection for forgery occurring after closing by providing protection for the owner against a third party who fraudulently transfers the property. For title insurance companies in the 46 states where regulators have approved enhanced policies, 42% of customers, on average, purchased policies in 2023 that protect their property from forgery, including SIF in the future.⁴ (Figure 9)

Figure 9.

On average, 42% of customers bought title insurance policies that cover SIF occurrences or attempts in the future if someone impersonates them to fraudulently sell their property.

In 2023, what percentage of your customers bought a Homeowner’s Policy (Enhanced Policy) that covers SIF into the future?



⁴ Analysis excludes companies whose primary location is in Florida, New Mexico, Oregon, and Texas, because these states do not currently offer enhanced coverage.

COMBATING SELLER IMPERSONATION FRAUD

Title insurance companies diligently combat SIF to protect their customers and their businesses. The study examined resources companies use to protect against SIF. Additionally, it assessed other types of fraud impacting the title insurance industry.

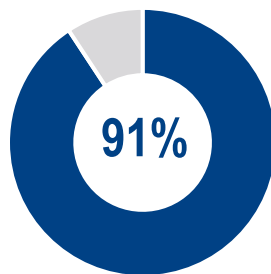
Educational Resources

Title insurance companies fight against SIF by training employees on red flags, mitigation techniques, and steps to take in the event of successful fraud. Nearly all companies currently provide or plan to provide their employees with education and resources on SIF (91%). ALTA materials are commonly leveraged: 69% of companies use or plan to use them as a resource. (Figure 10)

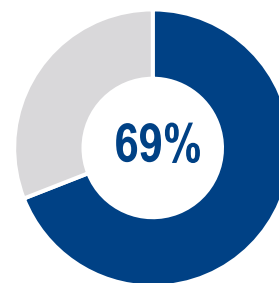
Figure 10.

91% of companies currently or plan to provide education and resources on SIF; 69% use or plan to use ALTA materials

Companies Providing or Planning to Provide SIF Education and Resources



Companies Providing or Planning to Provide ALTA SIF Resources



Other Types of Fraud & Forgery

As discussed, 28% of title insurance companies experienced successful or unsuccessful SIF attempts in 2023 (see Figure 1). However, it is not the only type of fraud and forgery affecting the industry. 50% of companies reported that wire fraud was at least somewhat common, followed by issues with heirs' property (47%), and elder real estate fraud and financial exploitation (34%). (Figure 11)

Figure 11.

Half of companies said wire fraud is at least somewhat common

In addition to SIF, what other types of fraud or forgery do you most commonly see? Share of respondents that selected somewhat common, common, or very common.



CLOSING

SIF is impacting title insurance companies and their customers. In May 2024, 19% of companies had experienced at least one SIF attempt in the past month, indicating that the fraud rates in 2024 may be higher than 2023 when 28% of all companies experienced at least one SIF attempt during the year. The industry’s experience has helped identify certain characteristics common in SIF transactions. For example, criminals favor properties that are not owner-occupied, as well as all cash transactions and unencumbered property. They also fake notarizations or use a real notary’s credentials without permission. Non-public personal information, such as birthdates, driver’s license numbers, and Social Security numbers are commonly used in SIF transactions.

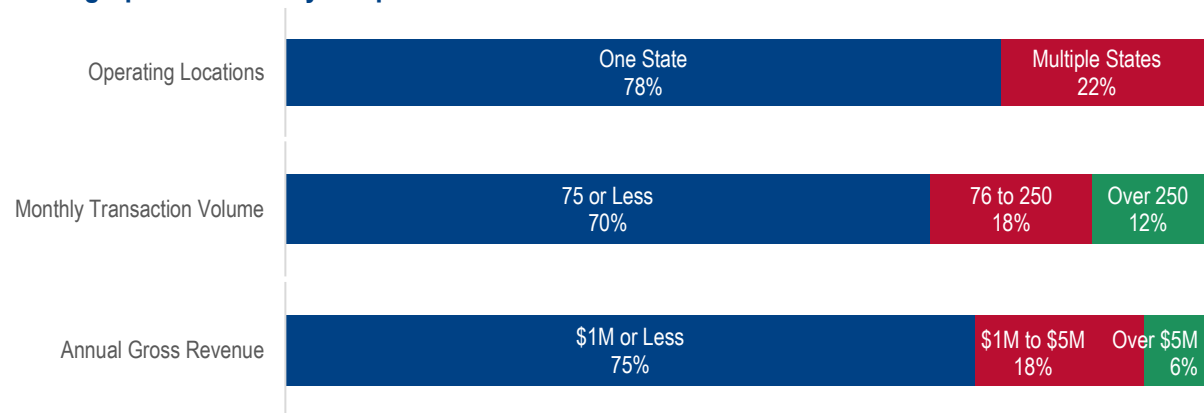
To combat SIF, companies supply their employees with educational resources and training. This helps employees identify, examine, and report fraud. SIF is one of the many types of fraud and forgery the industry experiences. Companies reported attempted wire fraud, issues with heirs’ property as well as elder real estate fraud and financial exploitation were at least somewhat common. Proactive steps by the industry, cooperation with law enforcement agencies, and increased awareness can help to combat fraud and protect consumers.

APPENDIX 1: SURVEY DEMOGRAPHICS

The May 2024 online survey on SIF received 783 responses from ALTA members and businesses in the broader title insurance community across 49 states and the District of Columbia.⁵

Most survey respondents operate in only one state (78%), and the remainder conduct business across multiple states. Approximately 70% of respondents averaged 75 closings or less each month, with the remainder conducting between 76 to 250 closings (18%) and over 250 closings (12%). Annual revenues were typically under \$1 million (75%), while 28% of respondents earned between \$1 million and \$5 million, and 7% had revenues above \$5 million. (Figure A1).

Figure A1.
Demographics of Survey Respondents



⁵ Hawaii is the only state that was not represented in the data.