

KENTUCKY LAW UPDATE



2025

ADVANCING THE PROFESSION THROUGH EDUCATION

Fraud Prevention in Real Estate Transactions in 2025

1 CLE Credit

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FRAUD PREVENTION IN REAL ESTATE TRANSACTIONS IN 2025

Eric Harris and Jennifer Gaytan

I. REAL ESTATE FRAUD AND OVERVIEW

Real estate fraud is a high value enterprise. In 2024, the IC3 reported 9,359 cases of real estate fraud resulting in \$173,586,820 of loss.¹ This resulted in a loss of \$18,547.58 per instance.

9		2024 IC3 ANNUAL REPORT		10	FEDERAL BUREAU OF INVESTIGATION		
2024 CRIME TYPES				2024 CRIME TYPES <i>continued</i>			
BY COMPLAINT COUNT		BY COMPLAINT LOSS		BY COMPLAINT LOSS		BY COMPLAINT LOSS	
Crime Type	Complaints	Crime Type	Complaints	Crime Type	Loss	Crime Type	Loss
Phishing/Spoofing	193,407	Harassment/Stalking	11,672	Investment	\$6,570,639,864	Extortion	\$143,185,736
Extortion	86,415	Real Estate	9,359	Business Email Compromise	\$2,770,151,146	Lottery/Sweepstakes/Inheritance	\$102,212,250
Personal Data Breach	64,882	Advanced Fee	7,097	Tech Support	\$1,464,755,976	Advanced Fee	\$102,074,512
Non-Payment/Non-Delivery	49,572	Crimes Against Children	4,472	Personal Data Breach	\$1,453,296,303	Phishing/Spoofing	\$70,013,036
Investment	47,919	Lottery/Sweepstakes/Inheritance	3,690	Non-Payment/Non-Delivery	\$785,436,888	SIM Swap	\$25,983,946
Tech Support	36,002	Data Breach	3,204	Confidence/Romance	\$672,009,052	Overpayment	\$21,452,521
Business Email Compromise	21,442	Ransomware	3,156	Government Impersonation	\$405,624,064	Ransomware *	\$12,473,156
Identity Theft	21,403	Overpayment	2,705	Data Breach	\$364,855,818	Harassment/Stalking	\$10,611,223
Employment	20,044	IPR*/Copyright and Counterfeit	1,583	Other	\$280,278,325	Botnet	\$8,860,202
Confidence/Romance	17,910	Threats of Violence	1,360	Employment	\$264,223,271	IPR/Copyright and Counterfeit	\$8,715,512
Government Impersonation	17,367	SIM Swap	982	Credit Card/Check Fraud	\$199,889,841	Threats of Violence	\$1,842,186
Credit Card/Check Fraud	12,876	Botnet	587	Identity Theft	\$174,354,745	Malware	\$1,365,945
Other	12,318	Malware	441	Real Estate	\$173,586,820	Crimes Against Children	\$519,424
Descriptor**		Descriptor**		Descriptor**		Descriptor**	
Cryptocurrency	149,686	Cryptocurrency		Cryptocurrency	\$9,322,335,911		
<small>*IPR: Intellectual Property Rights</small>							
<small>** This descriptor relates to the medium or tool used to facilitate the crime and used by IC3 for tracking purposes only. It is available as a descriptor only after a crime type has been selected.</small>							
<small>Please see Appendix C for more information regarding IC3 data.</small>							
<small>* Regarding ransomware adjusted losses, this number does not include estimates of lost business, time, wages, files, or equipment, or any third-party remediation services acquired by an entity. In some cases, entities do not report any loss amount to FBI, thereby creating an artificially low overall ransomware loss rate. Lastly, the number only represents what entities report to FBI via IC3 and does not account for the entity directly reporting to FBI field offices/agents.</small>							
<small>** This descriptor relates to the medium or tool used to facilitate the crime and is used by IC3 for tracking purposes only. It is available as a descriptor only after a crime type has been selected.</small>							
<small>Please see Appendix C for more information regarding IC3 data.</small>							

In real estate transactions we see two main types of fraud: seller impersonation and wire.

II. SELLER IMPERSONATION FRAUD

A. What is Seller Impersonation Fraud?

1. This is a blanket term used to describe various schemes by criminals to fool buyers into thinking they are the seller of real estate.

¹ *Federal Bureau of Investigation Internet Crime Report 2024*, Federal Bureau of Investigation Internet Crime Complaint Center, https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf, (last visited Jun 13, 2025).

2. This generally involves a vulnerable seller.
 - a. Rental property holders.
 - b. Vacant land owners.
 - c. Absentee owners:
 - i. Long vacation.
 - ii. Overseas workers.
 - iii. Military either deployed or on assignment.
 - iv. And more.
3. The criminal pretends to be the property owner and contacts a real estate agent to list the property. They will often ask for the property to be listed below market value to make the sale happen as quickly as possible.

B. Red Flags

1. The seller will communicate via text or email only.
2. The criminal will show preference for a cash buyer and quickly will accept the offer.
3. Seller will refuse an in-person closing in preference of a mail away or remote closing.
4. Seller wants to use their own notary.

C. Prevention Keys

1. Internet search of the property and the record owner.
2. Make an in-person or virtual meeting mandatory in order to personally view government issued ID.
3. When the owner's address is not the property address, send the information to the owner.

Identifying & Combatting Seller Impersonation Fraud in the Title Insurance Industry

SELLER IMPERSONATION FRAUD SHOWS NO SIGNS OF SLOWING DOWN

Seller impersonation fraud (SIF) affects title insurance companies and consumers. This illegal activity can be difficult to detect and, if successful, may take months or even years to discover. In 2023, nearly 3 in 10 companies experienced at least one SIF attempt, whether successful or not. In May 2024, nearly 2 in 10 companies reported at least one attempt in the past month.

Companies with successful or unsuccessful SIF attempts in 2023



Companies with successful or unsuccessful SIF attempts in the past month



COMMON CHARACTERISTICS OF SIF HELP COMPANIES DETECT FRAUD

Fraudsters tend to favor properties that are not owner-occupied, like vacant properties, as well as all cash transactions and mail away-signings with use of their own notary. They also fake notarizations or use real credentials without permission.

Common SIF characteristics and red flags that signal heightened risk of SIF in 2023 (Share of companies indicating the action was at least somewhat common)*



Red Flag:
Request for All Cash
Transaction
88%



Red Flag:
Request for Mail-Away
Signing & Unknown Notary
86%



Property Type
Targeted:
Vacant Land
85%



Notarization Issue:
Use of Fake
Credentials
43%



Notarization Issue:
Illegal Use of Real
Credentials
31%

INDUSTRY EFFORTS PROTECT CONSUMERS AND COMBAT FRAUD

Title insurance companies invest resources to identify SIF during the transaction process. As a result, it is more common to catch it before closing. Enhanced homeowners insurance policies protect buyers post-closing in states where it is an option. Still, companies train staff on identifying and reporting fraud to reduce instances in future transactions.

Companies who considered it at least somewhat common to catch SIF before and after transactions closed in 2023

Pre-Closing



Post Closing



Avg. Share of Customers
with Enhanced
Homeowners Policies**



Companies that currently or plan to use educational
resources to combat SIF

Any Resources



ALTA Resources



The American Land Title Association, Seller Impersonation Fraud Study, <https://www.alta.org/file/Seller-Impersonation-Fraud-Study-Infographic.pdf> (last visited June 13, 2025).

III. WIRE FRAUD

A. What is Wire Fraud?

1. This is a term used to describe the diverting of funds in a real estate transaction.
2. Common targets are large value items such as:
 - a. Seller proceeds.
 - b. Earnest money.
 - c. Buyer closing funds.
 - d. Loan or lien payoffs.
 - e. Real estate commissions.
 - f. Other large invoices such as legal fees.

B. The Common Steps Involved in Wire Fraud

1. Target receives an email purportedly from wire sender or representative asking for a copy of payoff/invoice.
2. The perpetrator claims there is an issue with the invoice and will either send a new invoice or just new wiring instructions.
3. The “updated” payoff/invoice is sent via email, FAX (most common), or courier service.
4. Most of the time the only difference is the banking information and lack of mailing address.

C. Keys to Preventing Wire Fraud

1. Verify with a phone number you know is good.
2. Tell your clients to verify with a phone number you know is good.
3. Check the email for inconsistencies.
4. Use third party software to verify legitimate wiring instructions. Generally, attorney's errors & omissions coverage will not protect against a diverted wire.

IV. CASE STUDIES

A. Examples of Seller Impersonation Fraud

1. Fraud and loss.
 - a. Agent received call from buyer's realtor.
 - b. Seller was remote and closed from another state.
 - c. Cash buyer with a quick closing.
 - d. After the transaction is recorded, the original owner discovers the new deed.
 - e. Money was all disbursed into overseas banks.
2. Fraud and prevention.
 - a. Agent received call from buyer's realtor. While visiting property under contract to purchase, a child of the "former owners" drove by and stopped to inquire.
 - b. Quickly revealed that both record owners passed away some time ago. Child was shocked to learn that the property had purportedly been "sold."
 - c. Land was improved but sat vacant for some time. (Locks had been changed.)
 - d. Closing remained on schedule. Police arrested the fraudster at the closing.
3. Fraud and prevention.
 - a. The absentee letter was sent to the registered property owner at the address retrieved from the tax records.
 - b. The person acting as the seller was being uncooperative, specifically refusing to comply with our notary requirements, which ultimately led to the transaction being pulled by the agent to close at another title company.
 - c. Subsequently, we received communication from the actual property owner that stated he had NO intention of selling the property.

B. Examples of Wire Impersonation Fraud

1. Fraud and loss.
 - a. Communication with the seller was primarily through email.
 - b. A similar email address was used to send a changed bank account for the proceeds.
 - c. Proceeds were sent to the new wiring instructions.
 - d. Within three hours, over half of the funds were diverted and never recovered.
2. Fraud with eventual recovery.
 - a. Large transaction with good customer.
 - b. Buyer email that had been used throughout the transaction was hacked.
 - c. \$1,000,000+ wire sent to a fraudulent account.
 - d. FBI was eventually able to recover.
3. Fraud and prevention.
 - a. Purchase transaction.
 - b. Paralegal is impersonated.
 - c. States the firm is updating banking and will need the funds sent to a new account.
 - d. Language did not sound like the real paralegal. Agent called the firm.

FOR YOUR INFORMATION ...

The Kentucky Law Update: Continuing Legal Education for All Kentucky Lawyers

The Supreme Court of Kentucky established the Kentucky Law Update Program as an element of the minimum continuing legal education system adopted by Kentucky attorneys in 1984. The KLU program is now offered in a hybrid format. The 2025 Kentucky Law Update is presented as a one-day, in-person program at nine different locations across the state. The 2025 On-Demand Kentucky Law Update is available virtually on the Kentucky Bar Association website from September 1st until December 31st. These two programs combined offer every Kentucky attorney the opportunity to meet the 12 credit CLE requirement, including the 2 ethics credit requirement **close to home and at no cost!** Judges can also earn continuing judicial education credits through the Kentucky Law Update.

This program was designed as a service to all Kentucky attorneys regardless of experience level. It is supported by membership dues and is, therefore, every member's program. The program is a survey of current issues, court decisions, ethical opinions, legislative and rule changes, and other legal topics of general interest that Kentucky practitioners encounter daily. As such, the program serves both the general practitioner and those who limit their practice to specific areas of law. The Kentucky Law Update program is not intended to be an in-depth analysis of a particular topic. It is designed to alert the lawyers of Kentucky to changes in the law and rules of practice that impact the day-to-day practice of law.

About the Written Materials and Presentations

The KLU written materials are the result of the combined efforts of numerous dedicated professionals from around Kentucky and elsewhere. The KBA gratefully acknowledges the following individuals who graciously contributed to this publication:

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KBA Law Practice Committee	Legal Aid Society
KBA Office of Bar Counsel	New Americans Initiative
Kentucky Access to Justice Commission	Supreme Court of Kentucky

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A special acknowledgment to the organizations, authors, presenters, moderators, and other 2025 Kentucky Law Update program volunteers will appear in the January 2026 issue of the *Bench & Bar*.

CLE and Ethics Credit

The one-day, in-person 2025 Kentucky Law Update program is accredited for 6 CLE credits, including 2 ethics credits. The 2025 On-Demand Kentucky Law Update is accredited for 9.25 CLE credits, including 3 ethics credits. One credit is awarded for each 60 minutes of actual instruction, as noted on the agendas provided on the KBA website.

The Kentucky Bar Association's 2025 Kentucky Law Update programs are accredited CLE activities in numerous other jurisdictions. Credit categories and credit calculations vary from state to state. CLE reporting information for other states will be provided at the registration desk at the in-person programs. The out-of-state information for the on-demand sessions will be available on the program website.

Kentucky judges: don't forget you can claim CJE credit for attending this program.

REMEMBER: Reporting attendance credits is now done online. Visit the Kentucky Bar Association [website](#) for reporting information. The activity numbers for the in-person and on-demand programs are listed on the corresponding agendas and must be used to report credits through the Member CLE Portal.

Evaluations

The 2025 Kentucky Law Update is *your* program, and your input is valued and needed. Links to the program evaluations for the live, in-person programs will be provided to all registrants via email. A link for the on-demand evaluation will be located on the program webpage. Please take a few minutes to complete the evaluation. We appreciate your assistance in improving this program.

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