



The Lone Star State contains more than 171 million acres of land, making it the second-largest in the United States. While a fair amount of it has been developed, Texas also has millions of acres of pristine undeveloped land.

All this space appeals to investors and individual buyers who see a great vacant space to build their dream home. Unfortunately, Texas' abundance of property also makes it a prime location for vacant land fraud.

Whether you're interested in buying land for yourself or are a real estate agent trying to help your clients find the perfect lot, Patten Title knows how important it is to familiarize yourself with the dangers of vacant land fraud.

Vacant Land Fraud

EVERYTHING YOU NEED TO KNOW

WHAT IS REAL ESTATE FRAUD?

Real estate fraud occurs when one party presents false information about a property to take advantage of another party during the purchasing or leasing process. Prospective buyers are typically the victims of real estate fraud, but real estate agents can also fall victim. Even sellers can be targets of real estate fraud, though this is less common.

The fraudster may be the property owner, another agent, or a third party pretending to own the lot. One particular type of real estate fraud, escrow wire fraud, is especially harmful to buyers.

In this scheme, fraudsters target buyers who are in the process of purchasing a home. They steal data from real estate agents or title companies to obtain a buyer's phone number or email address, then pretend to be the mortgage, escrow or title company, contacting the buyer and instructing them to wire funds to an account.

Statistics show that incidents of escrow wire fraud have increased in recent years — in 2022, the average wire fraud loss was \$106,557. Even worse, recovery success rates for wire fraud are well under 50%, meaning most victims never recoup their money.

WHAT IS VACANT LAND FRAUD?

Vacant land fraud is a specific type of real estate fraud. As part of this scheme, the fraudster will pretend to own a piece of vacant property, then list the property themselves or contact a real estate agent and ask them to list it for them.

The fraudster will usually list the lot less than market value so they can sell it fast. After the transaction is complete, the bad actor will make off with the buyer's funds.

Unfortunately, the scheme may not be discovered until the transaction documents are filed with the county.

At this point, it can be next to impossible for the victim to recover their funds, especially if they made a cash purchase. If a major lender is involved, their fraud department may be able to track down the funds. However, this is no easy task, as scammers try to cover their tracks.

HOW DOES IT WORK?

To avoid vacant land fraud schemes, it helps to understand how it works. First, a fraudster will look for vacant property. In most cases, they'll find land that doesn't have a mortgage, which increases the chances of getting their scheme to the closing table. This is because liens will likely show up when an agent or buyer inquires into the land. Land without a mortgage means one less red flag.



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Fraudsters start by researching ownership records and target land owned by someone living outside the state or country. Finding land held by absentee owners allows fraudsters to avoid any unwelcome surprises while plotting and executing their schemes.

If they were to target land owned by a local, there's a chance that the real owner might drop in to check on their property, especially once they hear that buyers and real estate agents have been visiting. On the flip side, the chances of a land owner who lives elsewhere popping in when the unwitting buyer is visiting the property are quite low.

After selecting their target, the fraudster will list their property with an agent or create their own listing on a popular real estate platform. They'll often list it for an attractive price below market value. However, experienced schemers are smart enough not to drop the price too low, as doing so can be a red flag.

Once a buyer bites, the criminal will rush to get the deal to closing, presenting any fictitious documents needed to appease buyers and real estate agents and making off with tens of thousands of dollars in ill-gotten gains.

VACANT LAND FRAUD RED FLAGS

Vacant land fraudsters are clever, which is why so many of these shady deals make it to the closing table undetected. The good news is you can protect yourself by learning to spot the warning signs of a fraudulent transaction.

If you're in the market for a piece of vacant land or helping a client find the perfect lot, be on the lookout for the following red flags.

ALL COMMUNICATIONS ARE DIGITAL

It's not unusual for most communications to take place over text or email if the seller lives out of state. But a quick phone call can enable you to verify their identity and prevent yourself or your client from falling victim to fraud.

While an exceptionally sneaky fraudster could impersonate the owner over the phone, most criminals will avoid phone-based contact at all costs. If the seller seems unreasonably reluctant to chat over the phone, do some extra digging on the property to ensure that the deal is legitimate.

If the seller uses an agent, find out whether the agent has ever met them in person or spoken to them on the phone. If they reveal that they, too, have been stonewalled, beware.

THE SELLER IS IN A HURRY

There are no doubt times when sellers are extra motivated and want to get a deal done fast. But if the seller seems unusually concerned with pushing a sale through quickly, it may be because they're worried about their scheme being uncovered.

Experienced real estate agents can often tell the difference between normal seller behavior and suspicious activity. If you're a buyer, working with a skilled agent is a great way to protect yourself from vacant land fraud and its consequences.

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THE SELLER IS OFFERING A BETTER DEAL FOR CASH BUYERS

Some sellers prefer cash buyers because they can get the deal done faster — it's not unusual for a vacant land listing to include phrasing like "cash buyers preferred." That said, it is unusual for a seller to offer a substantial discount for cash purchases.

For instance, you should be wary if you see vacant land listed at \$200,000, but the description states that the price for cash buyers is \$170,000. Such an offer is meant to discourage financed purchases and make the land more appealing to cash buyers, who have fewer means of uncovering the ruse.

THE LISTING PARTY DEMANDS A NOTARY CLOSING

Notary or remote closings also aren't a cause for concern in and of themselves. Most out-of-state sellers will want to use a notary at closing so they don't have to respond to the local title agency.

However, the sellers should be open to using a trusted notary service instead of their "favorite notary."

If they insist on using their own notary service, their identity should be called into question.

Fortunately, [modern real estate tools](#) can help you increase the security of remote or web-based transactions. Solutions like CertifiD allow you to conduct real-time identity verification, which protects buyers from scams like vacant land fraud.

THE RECIPIENT OF THE PROCEEDS ISN'T ON THE TITLE

One of the biggest red flags relating to real estate fraud is when the proceeds from the sale are directed to go to someone who isn't on the title.

Typically, the title holder will receive all of the funds during a real estate deal. If you notice a discrepancy between the recipient and the names listed on the title, hold off on transmitting any funds. As long as you haven't actually sent any money, there will be time to expose the scheme and back out of the deal.

PREVENTING VACANT LAND FRAUD

Real estate fraudsters are constantly looking for new ways to deprive buyers of their hard-earned cash. Fortunately, it's possible to fight back against real estate and vacant land fraud. To stop fraudsters in their tracks, agents and buyers must do their due diligence before a deal gets to the closing table.

If you're an agent, make it a point to work with a reputable, detail-oriented title company that thoroughly

researches every deal you send their way. Also, take advantage of emerging tech tools that make digital communication more secure and enable users to easily verify sellers' identities.

By following these guidelines and remaining vigilant, you can protect your buyers and preserve your reputation as a client-centric agent.

