



OIG Fraud Bulletin

November 9, 2022

DEED FRAUD

Fraudulent deed activity can impact anyone who might buy, sell, or own property; however, the elderly, distressed homeowners, and unwitting buyers and renters have been particularly impacted by this scheme— resulting in payments made to someone who is not a legitimate owner.

Deed fraud schemes intentionally target delinquent properties facing foreclosure. This practice may also be referred to as a "Phantom Sale"—a term that is defined as falsely transferring the title to a property or properties and fraudulently obtaining funds via mortgage loans or sales to third parties.¹

The fraud scheme exists when an individual files a falsified warranty deed and the true homeowner's signature is forged, transferring the title of a property to the filer or to a business owned or controlled by the filer. This fraudulent act not only includes theft of property but also involves identity theft because some of the true property owners are typically unaware of the transaction. In some instances, the property was transferred from a deceased person to a fraudster.

Elderly Persons

Caregivers, financial advisors, or family members sometimes convince an unwitting senior citizen through coercion or threats to file a deed because it makes good financial sense. A fraudster may forge a senior citizen's name on the deed, have the document notarized, and then file it. In more complex schemes, the fraudster may have knowledge that an elderly person has failed to make tax payments.

The fraudster may pay part of the tax debt to keep the property from foreclosing, then file a lien on the property without the true owner's knowledge or permission. Later, the fraudster may claim ownership of the property because they made partial tax payments.

Distressed Homeowners

Homeowners who are on the verge of foreclosure should be aware of quick fix offers to help. Frequently, these homeowners' property values are lower than the balance owed and are considered "under-water" or "upside down." Fraudsters may contact distressed homeowners under the guise of rescuing the home and the mortgage. These victims are convinced to transfer

¹ Federal Financial Institutions Examination Council https://www.ffiec.gov/exam/Mtg_Fraud_wp_Feb2010.pdf



the title of the home to the fraudster, which does not change the fact that the original homeowner remains responsible for the underlying mortgage. The fraudster will then make no payments on the mortgage and may even rent or "sell" the property prior to the bank foreclosing on the home.

Unwitting Buyers or Renters

Buyers or renters can also become victims by purchasing or renting a home from someone who doesn't own the home. When purchasing a home, buyers should always use a title insurance company to ensure the seller legally owns the property. Renters are advised to take precautions to verify a landlord has the authority to collect rent on the home. One way to verify a landlord's authority is to obtain proof of the landlord's management agreement with the owner and verify ownership by researching public county deed records or the office of the county tax assessor.

Preventive Measures

If you are a property owner, you may verify whether your county has an alert system to sign up to receive notifications anytime there is a deed transaction on your property. Alternatively, you can periodically check the county website to check for recent transactions on your property.

Educate senior citizens in your family and community about fraudsters who may target them and what they can do to protect their property. Remain vigilant and use the tips below to protect yourself from becoming a victim of deed fraud schemes.

- Do not sign any legal documents if you are under duress.
- Consult a real estate attorney before you sign documents. An attorney can perform a title search to make sure you are not purchasing or renting a property encumbered with liens or claims.
- Contact your mortgage lender directly if you are a distressed homeowner. Mortgage lenders will often work with you to modify the mortgage. If you plan to sell the home, contact a licensed real estate broker. Do not pay an unlicensed individual you don't know to sell your property.
- HUD sponsors housing counseling agencies throughout the country who provide free or low-cost advice for buyers, renters, and distressed homeowners. A list of these agencies can be found at https://www.hud.gov/i_want_to/talk_to_a_housing_counselor or by calling (800) 569-4287.

Report fraud schemes involving public housing or other HUD-funded government programs or benefits, by contacting the HUD OIG Hotline at 1-800-347-3735 or visit, <https://www.hudoig.gov/hotline>.

