Mortgage Fraud News:
Unauthorized Rental Fraud Trends

“For rent a beautiful 3 bedroom, 3 bath house in a great neighborhood. Fenced-in large backyard with covered patio and pool, all appliances provided. Home is move-in ready with new hardwood floors on main level, new carpeting in all bedrooms, and fireplace in den and master bedroom. Water, trash, gardener and HOA paid for by owner, pets ok, no smoking in house. $1500 per month, available immediately, for additional information please email: jjohnson@runvs.inc - this home will not be available long, so act quickly.”

Does this sound too good to be true? Chances are it is!

This is an example of a fraudulent rental scheme purporting to rent a property that is not owned or managed by the advertiser. These scams often target vacant properties - foreclosures are a favorite tactic for these fraud perpetrators due to vacancies, delegated access to the property and the non-emotional nature of corporate control and ownership (as compared to private party ownership). The typical objective of this scam is to collect rental deposits and advance rent payments even though in most cases the potential renter has not been inside the property. In some cases, the perpetrator also steals the applicant’s identity.

This fraud scheme has historically been associated with solicitations by parties who claimed to be relocating overseas due to missionary work; however, in recent years it has evolved and taken on many new forms and attracted a variety of perpetrators, including industry “insiders” and sovereign citizen groups.

These rental scams are typically posted online. Some ads do not include the property address or pictures, but others provide professional-looking postings complete with photos or video tours. Frequently all contact is done via email, and Fannie Mae has found that many of the perpetrators use auto-generated e-mail addresses which make it difficult to trace. Another tactic to avoid detection is to use an LLC with no personal contact.

Fannie Mae recently investigated a case tipped by a Texas District Attorney’s office involving dozens of properties being illegally rented by perpetrators who worked for a legitimately-contracted property inspection company. The perpetrators listed the properties online with photos and contact information; and, because of their employment the perpetrators were able to access to the homes to show the properties to potential renters. This scheme involved several family members who have been charged of suspected crimes.

The lengths to which some perpetrators will go to avoid detection are illustrated by a case involving properties in New Jersey. In this case, an individual recorded unauthorized deeds transferring properties into his name, a business, or an alias in an effort to create the appearance of legitimacy. He then placed online advertisements for the rental properties under the identities of shell companies (including LLCs). When apprehended, the perpetrator was earning a lucrative income from his illegal rental business.

Although primarily a crime against the consumer, these schemes can also be costly to the lender or servicer who could be faced with the eviction of renters and with correcting title issues if fraudulent deeds have been filed. Some red flags that servicers can use to avoid and/or detect these rental schemes:

- Require background checks for third party vendors and their employees; and
- Periodic checks for unauthorized title transfers or web postings for vacant properties.

Fannie Mae partners with a wide variety of industry groups, with law enforcement, and with our customers in mortgage fraud education and prevention efforts. If you have any questions or suggestions about this information, please contact Fannie Mae’s Mortgage Fraud Program or your Customer Account Manager.