Real Estate Scams & Scoundrels[1]

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INTRODUCTION TO REAL ESTATE SCAMS

Early history

The early history of real estate scams dates back to ancient civilizations, with documented cases of fraudulent land deals and property misrepresentations appearing in ancient Greece, Rome, and even earlier societies, where sellers would often exaggerate the quality or value of land to deceive buyers, particularly during periods of rapid urbanization or land expansion.

One of the earliest recorded instances of real estate fraud is from ancient Greece, where a merchant named Hegestratos took out an insurance policy on his ship, then deliberately sank it to claim the insurance money, essentially "scamming" the insurance company by misrepresenting his ship's status.

Throughout history, a common tactic was to manipulate land boundaries by altering property markers or using deceptive surveying techniques to claim more land than legally belonged to them, often taking advantage of buyers unfamiliar with the area.

Sellers would often exaggerate the quality of land, claiming fertile soil or access to water sources that were not actually present, especially in areas undergoing development.

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[1] With thanks to my student Patti Wilcox for producing the idea for this course.

Early forms of the "confidence game" were used in real estate scams, where sellers would build trust with potential buyers by presenting themselves as reliable and knowledgeable, then exploiting that trust to sell inferior property.

In medieval Europe, land ownership disputes and forgery of land deeds were common, with powerful individuals sometimes manipulating land records to claim property that did not belong to them.

In the American colonies, scams involving the sale of "wild" land were prevalent, where sellers would sell large tracts of undeveloped land, often with exaggerated descriptions of its potential value, to settlers eager to claim land in new territories.

“Swampland in Florida” has also become a figure of speech, invoked when a deal isn’t above board. For decades conman after conman has sold freshwater swamps to unwitting investors as a slice of Florida paradise, sight unseen. Charles Ponzi, whose infamy is the namesake of the Ponzi scheme, was one of the first to sell Florida swamplands. After being convicted of mail fraud for other scams, Ponzi jumped bond and headed south, setting up the Charpon Land Syndicate in 1925. Ponzi bought one hundred acres of swampland 65 miles west of Jacksonville for $16 an acre. Subdividing each acre into twenty-three plots, Ponzi launched national advertising campaigns selling plots of Florida’s prosperous land for $10 each. Ponzi’s real estate fraud wasn’t nearly as successful as his other scams, less than six months after founding his fraudulent property company, Ponzi was indicted for violating Florda’s trust and securities law. Ponzi might have gotten away with it, but his ego couldn’t take anonymity. Already a well-known criminal by the time he started the scam in the Sunshine State, CHAR-les PON-zi’s shell company Charpon wasn’t a very clever cover, tipping off law enforcement. Florida’s legal system is still dealing with land sale scams nearly a century after Ponzi’s arrest.

Real estate has always had its share of notorious figures and scandals, especially in its early days when regulations were lax, and oversight was minimal.

Victor Lustig – The Man Who 'Sold' the Eiffel Tower (1925): While not strictly a real estate broker, Lustig famously posed as a government official and convinced scrap metal dealers in Paris that he had the authority to sell the Eiffel Tower for demolition. After successfully scamming one buyer, he fled to avoid arrest and later attempted the scam again!

Lustig’s con is a classic example of exploiting people’s trust in perceived authority—an approach mirrored by unscrupulous real estate agents who fabricate credentials or false ownership claims.

George C. Parker – The Man Who 'Sold' the Brooklyn Bridge: Parker repeatedly sold the Brooklyn Bridge to unsuspecting buyers, convincing them they could charge tolls to pedestrians and cars. He also "sold" other landmarks like Madison Square Garden and the Statue of Liberty. His cons are an extreme case of title fraud—something that still occurs in real estate when fraudsters forge ownership documents or sell properties they don’t own.

California Land Fraud (Early 1900s): Various scams in early 20th-century California involved selling desert land as prime farmland or beachfront property. Developers created fake maps and used deceptive marketing to lure buyers from other states. These scams led to public outcry and were part of the movement toward stricter real estate licensing laws in California and beyond.

Ironically, the first president of the National Association of Real Estate Boards (later renamed the National Association of Realtors) was August H. Frederick from St. Louis, Missouri Interestingly, he was later convicted of swindling a poor widow, highlighting the problematic and sometimes fraudulent practices prevalent in the early days of real estate sales when regulations were less stringent.[2]

Before the establishment of the National Association of Realtors, the real estate industry was largely unregulated, leading to widespread fraudulent practices like misrepresenting property conditions, inflated pricing, and outright deception, often targeting vulnerable buyers.

Types of Fraud

Real estate fraud in the U.S. is difficult to quantify precisely due to the many types of fraud that exist (such as wire fraud, title fraud, foreclosure scams, etc.), as well as the fact that many cases go unreported or are settled privately. However, there are some statistics and estimates available:

Wire Fraud: The FBI's Internet Crime Complaint Center (IC3) reports thousands of complaints related to real estate wire fraud each year. In 2020 alone, IC3 received 11,578 complaints related to real estate fraud, resulting in reported losses of over $213 million.

Title Fraud: A 2020 survey by the American Land Title Association (ALTA) found that title fraud accounted for nearly $1 billion in losses annually. While precise case counts aren't always provided, this figure shows the significant impact of fraudulent title transfers.

General Fraud Cases: According to the National Association of Realtors (NAR), real estate fraud is among the top five financial crimes in the U.S. But only a small percentage of cases are formally reported or investigated by law enforcement.

Increase in Cases: There has been an uptick in reported real estate fraud cases, especially in the wake of the COVID-19 pandemic, where criminals took advantage of remote work, online transactions, and the booming housing market. Real estate professionals often report a rise in wire fraud, phishing emails, and scams related to online home buying or renting.

Estimates of Total Fraud

Estimates suggest that the overall financial losses from real estate fraud in the U.S. may range between $9 billion to $15 billion annually. While these numbers provide a rough idea, they reflect the widespread and growing problem.

Real estate fraud remains a significant concern in the United States, with various types of scams affecting both individuals and professionals. Here's an overview of recent statistics and trends:

Mortgage Fraud Risk

In the second quarter of 2023, approximately 0.75% of all mortgage applications were estimated to contain fraud, equating to about 1 in 134 applications. The highest risk was observed in 2- to 4-unit properties, where 1 in 28 transactions showed indications of fraud. Notably, occupancy

[2] https://www.youtube.com/watch?v=9ZjpSgGq-fU&t=747s

misrepresentation, where investors falsely claim a property as a primary residence to secure better rates, has nearly tripled since 2020.[3]

Seller Impersonation Fraud

A survey conducted in October 2023 revealed that 54% of real estate professionals have experienced at least one seller impersonation fraud attempt within the past six months. This type of fraud involves scammers using publicly available records to impersonate property owners, often targeting vacant or unoccupied properties.[4]

Overall Fraud Losses

In 2023, consumers reported losing more than $10 billion to fraud, marking the first time that fraud losses have reached this benchmark. Investment scams led the reported losses at over $4.6 billion, followed by imposter scams with nearly $2.7 billion in reported losses.[5]

Real Estate Fraud Complaints

The FBI's Internet Crime Complaint Center (IC3) reported 9,521 complaints related to real estate fraud in 2023, a decrease from 11,727 reports in 2022. Despite the decline in the number of incidents, the average financial loss per victim increased, partly due to higher property values.

Mortgage Fraud Trends

Transaction fraud risks have increased in consecutive years, with a 4.9% rise in 2024 and a 1.9% increase in 2023. These increases are linked to upticks in various types of mortgage fraud, including occupancy misrepresentation and income falsification. [6]

AI-Driven Deed Fraud

Scammers are increasingly utilizing AI technology to commit deed or title theft, enabling them to transfer home ownership without the owner's knowledge. High-profile cases, such as the fraudulent transfer of Spelling Manor and Graceland, illustrate that even large properties are not immune to such schemes.[7]

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[3] corelogic.com
[4] alta.org
[5] ftc.gov
[6] housingwire.com
[7] businessinsider.com

Real Estate Scams on the Rise

Real estate scams are becoming more prevalent, with scammers employing sophisticated methods to deceive victims. It's crucial for both professionals and consumers to stay informed about these evolving tactics to protect themselves effectively. [8]

These statistics highlight the ongoing challenges in combating real estate fraud. Staying informed and vigilant is essential for all parties involved in real estate transactions.

Recent Developments in Real Estate Fraud

Real estate fraud can have a significant and far-reaching impact on the U.S. economy, individuals, and communities. Here are some key effects:

Financial Losses: Real estate fraud can lead to severe financial losses for individuals and businesses. Fraud schemes, such as mortgage fraud or fraudulent property sales, can result in people losing their savings, homes, or investments. This can especially harm first-time homebuyers, retirees, or those who are not financially equipped to recover from such a loss.

Market Instability: Large-scale fraud can contribute to instability in real estate markets. For example, if there are widespread fraudulent property sales, it can undermine confidence in the market, leading to lower property values, reduced sales, and more stringent lending requirements. The aftermath of such instability can ripple through the broader economy, affecting jobs, investments, and local governments' revenues.

Decreased Trust in the System: Real estate fraud erodes trust in the housing market and related institutions, such as lenders, brokers, and title companies. People may become less willing to participate in the market, either as buyers or sellers, out of fear of being deceived.

Legal and Administrative Costs: Fraudulent activities result in increased costs for the legal system, government agencies, and private companies that must investigate, prosecute, and resolve cases of fraud. This can divert resources from other important areas and add burdens to the judicial system.

Foreclosures and Financial Crisis: Some forms of fraud, particularly mortgage fraud, can lead to higher rates of foreclosure. When people are tricked into buying properties they cannot afford or when loans are issued based on false information, it can lead to an increase in defaulted loans and foreclosures, further damaging local communities and contributing to broader financial crises.

Impact on Vulnerable Communities: Fraud disproportionately affects low-income, minority, and elderly individuals who may be more susceptible to unscrupulous practices. This can exacerbate existing inequities and increase financial hardship for these communities, making it harder for them to achieve homeownership or recover from financial setbacks.

[8] forbes.com

Overall, real estate fraud undermines the integrity of the housing market and has long-term effects on both individual financial well-being and broader economic health.

DEFINITION AND TYPES OF REAL ESTATE FRAUD

Real estate fraud refers to any intentional deception or misrepresentation related to real estate transactions that results in financial gain for the fraudster at the expense of others. It typically involves dishonest practices in the buying, selling, financing, or leasing of properties. The goal of real estate fraud is to mislead or manipulate parties involved in a real estate transaction to illicitly benefit from the situation.

Some common types of real estate fraud include:

Mortgage Fraud: This occurs when false information is provided during the mortgage application process to secure a loan or to obtain better loan terms. Examples include inflating income, falsifying employment status, or misrepresenting the value of a property.

Title Fraud: This involves the illegal transfer or sale of a property using forged documents, often without the actual owner's knowledge. Criminals might forge signatures or documents to claim ownership or sell property fraudulently.

Foreclosure Rescue Scams: Scammers prey on homeowners facing foreclosure by offering to help save their homes for an upfront fee, only to take the money without providing any real assistance or to trick homeowners into signing away ownership of their property.

Appraisal Fraud: This occurs when an appraiser provides an inflated property value to secure a loan or sell a property at a higher price than it is worth, often in collusion with other parties in the transaction.

Rental Scams: Fraudsters may misrepresent properties for rent, either by advertising properties they don’t own or creating fake listings to trick people into paying deposits for properties that don’t exist or are already rented.

Builder or Contractor Fraud: This type of fraud involves dishonest contractors or builders who either take advance payment for construction or renovation work they never complete or use substandard materials while overcharging for their services.

In all cases, real estate fraud typically results in financial harm for the victims, undermines trust in the housing market, and can have serious legal and economic consequences.

TYPES OF REAL ESTATE SCAMS

Mortgage fraud is the misrepresentation of income, assets, and other details in mortgage applications. Some common red flags in mortgage fraud are:

- Inflated property appraisals
- Falsified income statements or employment records
- “Straw buyers” used to obtain loans fraudulently
- Properties purchased with no intention of being occupied
- Missing or forged signatures on loan documents

- Fraudulent down payments or misrepresented sources of down payment funds

Appraisal fraud can be described as a type of mortgage or loan fraud. Appraisal fraud is usually outright fraud or negligence on the part of the appraiser, often in collusion with other parties. Some institutions have internal appraisers, but most use outside companies. Manipulating or inflating the comparable locations, market values, and property characteristics are all tactics of appraisal fraud.

Questionable practices include “windshield appraisals,” where appraisers merely drive by a property and use inappropriate comparables that will get the value where they want it to be. In some cases, appraisers may fraudulently overstate the benefits of a particular property to obtain the value needed for the loan.

Appraisal fraud can be used to qualify an undervalued home for a higher mortgage amount (usually fraud for property) or to inflate the value of real estate so that the property can be resold or flipped quickly to a straw or duped buyer and the profit retained by perpetrators (fraud for profit). Under the first scenario, appraisers may be pressured by mortgage brokers or loan officers to falsify an appraisal so that a loan transaction can be approved. Under the second scenario, the appraiser actually works in collusion with other conspirators to perpetrate fraud.

Here’s an example: A small community bank (total assets less than $250 million) became involved in an inflated appraisal fraud scheme. The bank discovered inflated appraisals on residential properties securing loans to two borrowers when those borrowers defaulted on the debts. The bank later determined that one of the borrowers owned the appraisal firm that prepared the original appraisals for these properties. The borrowers allegedly worked in collusion with bank loan officers to finance these properties at inflated values. In total, the bank financed dozens of residential properties, with a combined original (fraudulent) appraised value totaling approximately $2 million. After the defaults, these properties were reappraised at less than one-third of their original appraised value. The bank suffered a significant loss, which has been difficult for it to absorb.

Once these activities were uncovered, the bank worked aggressively to identify all relevant exposure by getting new appraisals and providing adequate loan loss reserves. However, some improvements to the bank’s loan review and monitoring procedures could have helped the bank identify negative trends prior to the borrowers defaulting on the debts. First, the bank’s monitoring procedures were not sophisticated enough to establish a connection between either the borrowers or the appraisals supporting these loans. As a result, this increasing level of exposure remained largely undetected. Second, while each loan was relatively small, the combined total of these loans was significant.

However, because of the small size of each loan, the bank’s internal loan review did not pick up any of the loans. The bank would have benefited by changing the scope of its loan review to include a sampling of loans from all loan officers, regardless of the loan size. Finally, the bank was not completely familiar with the appraisal firm used to value the collateral supporting these loans. If the ownership structure of the appraisal firm had been investigated initially, the bank would have discovered this apparent conflict of interest, which would have triggered additional investigation.

Here are a few examples of recent mortgage fraud cases in the U.S., including some in North Carolina, which illustrate the various ways fraud can occur in the mortgage industry:

Mortgage Fraud Scheme in North Carolina (2023)

In 2023, a mortgage fraud scheme was uncovered in North Carolina where several individuals were involved in falsifying loan documents to secure loans for unqualified buyers. The scheme involved inflating income, misrepresenting property values, and submitting fake documentation to financial institutions. The perpetrators involved in this case were charged with wire fraud, conspiracy, and money laundering. This scheme targeted both lenders and buyers, and those involved reaped significant financial rewards by selling properties to unqualified buyers, leaving the lenders with large amounts of unpaid debt when the loans defaulted.[9]

"Straw Buyer" Scheme in Charlotte, NC (2022)

In Charlotte, North Carolina, a "straw buyer" mortgage fraud case involved multiple defendants who used individuals with good credit but no intention of owning the property to apply for loans on properties they had no intention of occupying. The buyers were paid a fee to use their identities to secure mortgages for fraudulent purchases. The loans were often defaulted upon, leaving lenders with significant financial losses. Several real estate agents and loan officers were charged with conspiracy to commit fraud as part of this scheme.[10]

South Florida Scheme with Ties to NC (2014)

A nationwide mortgage fraud operation led by a group based in South Florida also involved individuals in North Carolina. The group used false documents to secure loans for properties they had no intention of purchasing or occupying. They fabricated income and employment histories, leading banks to approve large mortgages that ultimately went into default. Several people in North Carolina were implicated in the scheme as buyers or as part of a network that helped falsify documents. This operation resulted in tens of millions of dollars in financial losses.[11]

Falsifying Loan Applications in Wilmington, NC (2020)

In Wilmington, North Carolina, a loan officer was found guilty of helping multiple borrowers falsify information on mortgage applications, including inflating income, hiding debt, and submitting false documents to lenders. The fraudulent loans resulted in significant losses for the lending institutions when the borrowers defaulted. The loan officer was charged with bank fraud and sentenced to time

[9] https://www.justice.gov/usao-ednc/pr/durham-man-sentenced-seven-years-role-mortgage-and-covid-19-pandemic-fund-frauds#:~:text=RALEIGH%20%2C%20N.C.%20%E2%80%93%20A%20Durham%20man,pled%20guilty%20to%20the%20charges.

[10] https://www.fdicoig.gov/news/investigations-press-releases/numerous-attorneys-mortgage-brokers-real-estate-professionals

[11] https://www.justice.gov/usao-sdfl/pr/seven-defendants-indicted-496-million-mortgage-fraud-scheme-involving-north-carolina

in prison, while the borrowers who were complicit in the scheme faced legal consequences as well.[12,13]

TITLE FRAUD

Title fraud occurs when someone illegally transfers ownership of a property without the rightful owner's knowledge or consent. Fake ownership claims or stolen identities are used to transfer property titles. Here are a few examples, including cases relevant to North Carolina:

Forged Deed Transfer

A fraudster forges the homeowner's signature on a deed, files it with the county recorder, and then either sells or mortgages the property. This can go unnoticed until the rightful owner tries to sell or refinance the property.

Example: In North Carolina, there have been cases where scammers used stolen identities to create fake deeds and transfer ownership of vacant properties to themselves before attempting to sell them.

Elderly or Absentee Owner Fraud

Scammers target properties owned by elderly individuals, absentee landlords, or vacation homeowners. They forge documents to transfer ownership and take out loans against the property.

Example: A North Carolina man discovered that his elderly mother's home had been sold without her knowledge after a fraudster used forged documents and an accomplice posing as a notary.

Mortgage Fraud through Title Theft

A fraudster assumes a homeowner's identity, applies for a mortgage or home equity loan using the property as collateral, and then disappears with the money. The homeowner may not find out until foreclosure proceedings begin.

Example: A Charlotte homeowner was shocked to receive foreclosure notices after a scammer fraudulently refinanced her property without her knowledge, pocketing the loan funds.[14]

Fake Real Estate Transactions

A scammer pretends to be the rightful owner, sells the property to an unsuspecting buyer, and then vanishes with the proceeds before the fraud is discovered.

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[12] https://archives.fbi.gov/archives/charlotte/press-releases/2010/ce081310a.htm#:~:text=CAUSEY%2C%20who%20worked%20for%20Wachovia,he%20underwrote%20approximately%2010%20loans.

[13] https://archives.fbi.gov/archives/charlotte/press-releases/2010/ce081310a.htm

[14] https://www.wsoctv.com/news/local/scammer-tries-refinance-house-behind-owners-back-lawyer-saves-day/LACIDUU6HVAHZAQRX44WT6Y5SY/

Example: In Wake County, authorities uncovered a scheme where fraudsters used fake IDs to impersonate property owners, selling vacant land without the real owners' knowledge.[15]

Deed Fraud via Power of Attorney Abuse

A fraudster obtains the power of attorney under false pretenses (e.g., tricking an elderly person into signing one) and then uses it to transfer property ownership.

Example: In a North Carolina case, a caregiver manipulated an elderly homeowner into signing over the power of attorney and then transferred the home's title to herself, selling it without the owner's true consent.

CYBER/WIRE FRAUD

In 2023, Americans reported losing $10 billion to scams—an all-time high. As AI, deepfakes, crypto, and other tech breakthroughs enable new means of deception.[16]

Digital or cybercrime is another way of referring to wire fraud which involves the intentional use of electronic communications to defraud individuals or organizations of money or property. Wire fraud is characterized by fraudulent communication and manipulation of wire transfer instructions, especially in closing transactions.

Digital or cyber fraud in real estate transactions has become increasingly sophisticated, posing significant risks to buyers, sellers, and professionals in the industry. Below are some common types of cyber fraud, along with specific examples from North Carolina:

Here are some recent examples, including cases from North Carolina:

Wedding Venue Fraud in Monroe, North Carolina

In January 2025, Jason Lottmann, owner of Champagne Manor wedding venue in Monroe, was arrested on multiple felony charges. He allegedly accepted payments ranging from $40,000 to $50,000 from engaged couples for comprehensive wedding packages but failed to provide the promised services. Additionally, Lottmann deceived investors through a "Partner Program," soliciting funds for venue upgrades without disclosing the property's foreclosure status. He was apprehended while attempting to sell items purchased with the fraudulent funds. [17]

Settlement Funds Scams[18]

When it comes to real estate-related wire fraud, thieves typically target home buyers in the final stages of their transactions. Hackers gain access to the email accounts of key personnel – whether

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[15] https://www.fbi.gov/contact-us/field-offices/newark/news/fraudsters-are-stealing-land-out-from-under-owners
[16] https://time.com/7213150/apple-cider-vinegar-scammer-shows/?utm_source=beehiiv&utm_medium=email&utm_campaign=newsletter-the-brief&_bhlid=5dab5ec8f9e94f9c201c2e71c79d754db102d47a

[17] https://debbietheteacher.talentlms.com/unit/view/id:6364
[18] https://www.ncrec.gov/Pdfs/genupdate/2019-2020%20Section%204%20Wire%20Fraud.pdf

it be attorneys, mortgage lenders, title companies, buyers, sellers, or real estate agents – and monitor their messages for details of the deal as it unfolds. The criminals then create a fake email address that mimics the seller, seller's agent, a title company, an attorney, or other stakeholder in the transaction and sends a request to wire the closing money to a specific account. By copying logos, email signatures and using language that sounds legitimate to the buyers, they are able to fool their victims. The victim, assuming that the email is a legitimate request and a logical next step in their deal, complies and wires the payment. Once the transfer is completed the money is in the hands of the thief and has likely been lost forever.[19]

According to the FBI, there was a 136 percent increase between December 2016 and May 2018 in financial losses globally due to business email accounts being compromised, including sophisticated scams targeting both businesses and individuals performing wire transfer payments. Scams specifically directed at the real estate sector rose 1,100 percent from 2015 to 2017. From June 2016 to May 2018, FBI data shows there was a loss of more than $1.6 billion in the U.S. alone.

What's more, cybersecurity company eSentire reported in October that real estate was the second highest industry hit with malware events in the second quarter of 2018.[20]

Common Types of Digital Real Estate Fraud

Wire Transfer Fraud

Description: Cybercriminals intercept email communications between parties involved in a real estate transaction. They then send fraudulent emails, often appearing to come from a legitimate source, instructing the buyer to wire funds to a fraudulent account.

Example: A Durham man lost over $30,000 after receiving an email, purportedly from his real estate agent, directing him to wire funds to a bank account in Vietnam. The email was later found to be fraudulent.

Title and Deed Fraud

Description: Fraudsters file fake deeds or transfer documents with county records offices, effectively stealing ownership of a property without the owner's knowledge.

Example: In Raleigh, a dentist discovered that the deed to his multimillion-dollar mansion had been fraudulently transferred to a stranger, who then listed the property for sale without his consent.[21]

Fake Seller Scams

Description: Scammers pose as property owners and list properties for sale, often at below-market prices to attract quick buyers. They may use stolen identities and forged documents to appear legitimate.

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[19] https://investors-title.com/stay-protected-from-wire-fraud-in-2019/

[20] Excerpt from REALTOR® Magazine. To read the full article, go to: https://magazine.realtor/for-brokers/network/article/2018/11/real-estate-s-wire-fraud vulnerability

[21] https://www.youtube.com/watch?v=3-bH9gN3Ic8

Example: The North Carolina Real Estate Commission reported an increase in cases where scammers, pretending to be property owners, contact listing brokers through lead-generating websites. They often claim to be out of state and request quick sales, sometimes providing fake identification to support their claims.[22]

Rental Scams

Description: Fraudsters advertise properties for rent that they do not own, collecting deposits and rent payments from unsuspecting tenants.

Example: The North Carolina Real Estate Commission issued alerts about rental scams where listings contain typos, unusually low prices, and landlords who refuse to meet in person, all of which are red flags for fraudulent activity.[23]

Vacant Land Fraud

Description: Scammers identify vacant or undeveloped properties and impersonate the owners to sell the land without the real owner's knowledge.

Example: A family in Apex, North Carolina, discovered that their 20-acre property, owned since the 1800s, was listed for sale without their permission. The fraudulent listing was identified before any sale occurred.[24]

Preventive Measures

- Verify Identities: Always confirm the identities of all parties involved in a transaction through multiple channels.
- Secure Communications: Use encrypted email services and verify any changes in payment instructions through direct, known contact methods.
- Monitor Property Records: Utilize services offered by county Register of Deeds offices to receive alerts when documents are filed concerning your property.
- Be Cautious with Payments: Never wire funds without confirming the legitimacy of the recipient through trusted communication channels.

Dealing with Victims of Scams

People get scammed for a variety of reasons:

- Emotional manipulation: Scammers use emotional triggers to make victims feel sympathy or urgency, which can cloud judgment

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[22] www.ncrec.gov
[23] https://ncrecblog.com/rental-fraud-scam-alert/
[24] https://abc11.com/post/vacant-land-scam-couples-property-apex-listed-sale-despite-not-wanting-tell/15623745/#:~:text=APEX%2C%20N.C.%20(WTVD)%20%2D%2D,Kelly's%20family%20since%20the%201800s.

- Financial desperation: People who are struggling financially or want quick money are more likely to fall for scams
- Lack of awareness: People who aren't aware of the latest scam techniques are more vulnerable
- Social engineering: Scammers use personal connections and information from social media to create personalized scams that seem legitimate
- Trust and authority: Scammers may pretend to be trusted individuals or authoritative figures
- Lack of vigilance: Busy lifestyles and distractions can make people overlook warning signs
- Quick decision-making: Scammers often try to get victims to make snap decisions without thinking about the consequences

How can brokers assist clients who have been victims of fraud? They can offer resources and support in recovering losses or seeking legal recourse. Real estate brokers play a crucial role in assisting clients who have been victims of fraud by providing guidance, resources, and professional support. Here's how brokers can help:

Verify the Fraud

- Gather documentation: Collect all emails, contracts, financial records, and communication related to the transaction.
- Confirm authenticity: Cross-check the legitimacy of documents, wire transfer instructions, or property records with official sources.

Report the Fraud

- Local authorities: Report fraud to local police and obtain a case number.
- NC Real Estate Commission (NCREC): If the scam involves a licensed agent, file a complaint (ncrec.gov).
- NC Attorney General's Office: File a complaint through the Consumer Protection Division (ncdoj.gov).
- FBI's Internet Crime Complaint Center (IC3): Report cyber fraud or wire fraud (ic3.gov).
- Bank & Financial Institutions: If money was fraudulently wired, notify the bank immediately to attempt a reversal.

Can a broker be held liable for wire fraud?

According to the NCREC, if a broker's email is hacked and a client's or customer's funds are compromised or stolen, could the broker be held responsible for the theft? The answer is yes. These types of cases are beginning to pop up across the country.

The first significant case, *Bain v. Platinum Realty, LLC*, happened in July 2018z;

Licensee Liable for Wire Fraud Losses[25]

> The Kansas federal court upholds jury verdict that determined that a real estate licensee was 85% responsible for the buyer's losses, which occurred when the buyer

[25] https://www.nar.realtor/legal-case-summaries/licensee-liable-for-wire-fraud-losses

transferred purchase money to a fake account after licensee allegedly forwarded email containing fake wiring instructions to the buyer.

A real estate buyer ("Buyer") purportedly received an email from the listing broker ("Broker") that provided new wiring instructions for the upcoming closing on a property. The Buyer used false instructions to wire the purchase money to the fraudulent account and lost $196,622. The criminal had infiltrated the email exchanges between the parties to the transaction and created fake email accounts that were similar to the email accounts used by the parties. The criminal had used these accounts to transmit the false wire instructions that were eventually sent to the Buyer.

The Buyer brought a lawsuit against a number of parties, including the Broker. The Broker claimed that she had never sent the email with false wiring instructions. She had initially forwarded an email with the false wire instructions, but she had sent it to one of the fake accounts set up by the criminal. She claimed that she had not sent the later email that the Buyer did receive and used to send the purchase money to the fraudulent account.

The case went to trial, and the jury found that the Broker was 85% responsible for the loss and the court entered judgment against the Broker for $167,129. The Broker filed a post-trial motion seeking a determination in her favor.

The United States District Court for the District of Kansas affirmed the jury verdict. The court rejected the broker's argument that she did not send the email to the Buyer that was used to send the wire, finding this was an issue of fact for the jury to resolve as there was some evidence that the broker had sent the later email. The jury determined that the broker had sent the email, and so the court affirmed the jury verdict in favor of the Buyer. [26]

Best Practices

1. Educate [clients] about schemes.
2. Never send wire instructions via email.
3. Monitor email for unrecognized activity.
4. Never click attachments.
5. Use strong passwords.

[26] Bain v. Platinum Realty, LLC, No. 16-2326-JWL, 2018 WL 3105376 (D. Kan. June 25, 2018

RENTAL SCAMS

Rental scams are deceptive practices where individuals are defrauded during the process of renting property. Scammers may pose as landlords to collect deposits without owning the property.

Here are some notable examples, particularly from North Carolina:

Duplicate Listings in Durham

Scammers replicated legitimate rental listings, offering properties at significantly reduced rates. In one instance, a home listed for $1,825 per month was fraudulently advertised for $950. Victims, lured by the attractive price, paid deposits only to discover the deceit later.[27]

Fake Landlord in Fayetteville

Individuals in Fayetteville lost thousands of dollars to a man posing as a landlord. He collected deposits and rent for a property he didn't own, leaving renters without a place to stay and out of pocket.[28]

Unauthorized Rentals in Charlotte

In Charlotte, scammers impersonated property owners, providing victims with access codes to homes and collecting rent payments. One victim moved in, paid over $1,300, only to be informed later by the legitimate property management company that she had to vacate. [29]

Foreclosed Property Scam in Cumberland County

A woman using the alias "[30]Tiffany Lewis" rented out a home on Chasewater Road that was under foreclosure. The unsuspecting tenant paid rent and moved in, only to face eviction due to the property's legal status.

Vacation Rental Frauds

The North Carolina Real Estate Commission has alerted consumers about vacation rental scams. Scammers often post fake listings on reputable websites, requesting advance payments. In some cases, they hack into legitimate property owner accounts to deceive travelers into sending money.[31]

Protective Measures

- Verify ownership: Always confirm the property's ownership through county records or official channels.
- Meet in person: Arrange to meet the landlord or property manager at the property before making any payments.

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[27] https://www.youtube.com/watch?v=04QvqglYQvs
[28] https://www.youtube.com/watch?v=ExHIJppnlLA
[29] https://spectrumlocalnews.com/nc/charlotte/news/2019/12/11/cmpd-warns-about-illegal-activity-on-rental-properties
[30] https://www.youtube.com/watch?v=SfwB4AtfeQY
[31] https://bulletins.ncrec.gov/vacation-rental-fraud-scam-alert/

- Avoid upfront payments: Be cautious of requests for deposits or rent payments before signing a lease or viewing the property.
- Use reputable platforms: Utilize trusted rental websites and be wary of deals that seem too good to be true.
- Consult professionals: Engage with licensed real estate agents or property management companies to ensure legitimacy.

PROPERTY FLIPPING SCAMS

Property flipping scams involve purchasing properties and quickly reselling them at inflated prices through fraudulent means, often leading to significant financial losses for lenders and investors.: Typically, these scams involve Inflating the price of a property through misrepresentation to make a quick profit.

Here are some notable examples from North Carolina:

David Lewis Johnson, Jr. Case (2014)

David Lewis Johnson, Jr., a developer from Cary, North Carolina, was sentenced to 96 months in prison for his role in a mortgage fraud scheme. Operating through E-Z N Homes, Johnson engaged in a real estate "flipping" scheme, utilizing straw buyers to purchase over one hundred properties with mortgage loans exceeding $20 million. He fabricated investment statements to falsely represent the financial status of these buyers, leading to approximately $3.4 million in losses to banks and lenders.[32]

Arthur Barnes and David Johnson Scheme (2010)

Arthur Barnes and David Johnson were involved in a fraudulent property flipping scheme in Raleigh, North Carolina. They recruited individuals to purchase properties at inflated prices, often using falsified documents to secure loans. One notable transaction involved a $2 million property on Clear Creek Farm Drive, purchased without the knowledge or consent of the individual in whose name the loan was obtained. The property eventually went into foreclosure, resulting in significant losses to the lender.[33]

William Roosevelt Cloud Case (2009)

In Charlotte, North Carolina, William Roosevelt Cloud was sentenced to 27 years in prison for his role in a large mortgage fraud scheme. Cloud and his accomplices purchased and immediately flipped homes after artificially inflating their values. They recruited buyers by promising no-money-down investments and assured them of quick resales for profit. Instead, the houses did not sell and went into foreclosure, leaving buyers with ruined credit and lenders with overvalued properties.[34]

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[32] https://archives.fbi.gov/archives/charlotte/press-releases/2014/developer-sentenced-to-96-months-in-prison-for-his-role-in-mortgage-fraud-scheme#:~:text=Dever%2C%20III%2C%20David%20Lewis%20Johnson,United%20States%20Code%2C%20Section%201349.
[33] https://www.wral.com/story/feds-pursue-mortgage-fraud-in-nc/12646693/
[34] https://journalnow.com/mortgage-conspirator-sentenced-to-27-years/article_b96f29d7-5bee-56e3-9f64-2babac971310.html

Mark Thomas Bowe, Jr. Case (2014)

Mark Thomas Bowe, Jr., a former mortgage broker from Raleigh, was sentenced to 42 months in prison for his involvement in a mortgage fraud scheme. Bowe participated in a real estate flipping operation by falsifying various aspects of loan applications to qualify buyers for mortgages on properties sold by a developer's real estate company. He misrepresented borrowers' income, assets, debts, and occupancy intentions, contributing to significant financial losses for banks and lenders.[35]

Derrick Suggs Case (2017)

Derrick Suggs, an aspiring house flipper, became entangled in an elaborate mortgage fraud scam in North Carolina. He was lured into purchasing properties at inflated prices based on fraudulent appraisals and assurances of quick profits. Suggs ended up with significant financial losses and properties that were worth far less than the mortgages secured to purchase them.[36]

These cases highlight the importance of due diligence and skepticism when engaging in property transactions, especially those promising quick profits. It's crucial to verify the legitimacy of all parties involved and to be cautious of deals that seem too good to be true.

FORECLOSURE RESCUE SCAMS

Foreclosure rescue scammers target homeowners in financial distress with false promises of saving their property. Here are some common types of foreclosure rescue scams, including examples relevant to North Carolina:

Sale-Leaseback or Rent-to-Buy Scheme

In this scam, a fraudulent company convinces the homeowner to transfer the deed to their property under the guise of helping them avoid foreclosure. The homeowner is promised they can remain in the home as a renter with the option to repurchase it later. However, the terms are often so unfavorable that reclaiming ownership becomes impossible, leading to eventual eviction.

Example: A North Carolina homeowner was approached by a company offering to prevent foreclosure by purchasing the home and leasing it back to them. After transferring the deed, the homeowner found the buyback terms unattainable and was ultimately evicted when they couldn't meet the lease terms.[37]

Phantom Help Scam

Scammers offer to negotiate with the lender or provide other foreclosure prevention services for an upfront fee. After collecting the fee, they perform little or no work, and the homeowner often ends up in a worse financial position.

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[35] https://archives.fbi.gov/archives/charlotte/press-releases/2014/former-raleigh-mortgage-broker-sentenced-to-42-months-in-prison-for-his-role-in-mortgage-fraud-scheme
[36] https://news3lv.com/features/alertid/rip-off-alert/rip-off-alert-scammers-target-real-estate-flipping-opportunities
[37] https://ncdoj.gov/protecting-consumers/mortgages-home-loans/we-buy-homes-scams/

Example: A Charlotte resident paid a company $3,000 to negotiate a loan modification. The company took the money but failed to contact the lender or provide any assistance, leading to the homeowner losing their home.[38]

Bait-and-Switch Scam

Homeowners are tricked into signing documents they believe are for a loan modification or new payment plan but are actually transferring ownership of their property to the scammer.

Example: In Raleigh, homeowners signed what they thought were loan modification documents, only to later discover they had transferred the deed of their home to a third party without their knowledge.[39]

Mass Joinder Lawsuit Scam

Scammers promise homeowners that joining a lawsuit against their lender will force the lender to modify their loan terms. They charge significant upfront fees to participate in these lawsuits, which often have little chance of success.

Example: A group of North Carolina homeowners paid thousands of dollars to join a mass joinder lawsuit, believing it would lead to loan modifications. The lawsuit was dismissed, and the homeowners received no relief, losing both their money and homes.[40]

Protective Measures

- Verify Credentials: Ensure that any individual or company offering foreclosure assistance is legitimate and properly licensed.
- Avoid Upfront Fees: Be cautious of any service that demands payment before providing assistance; this is often a red flag.
- Consult Professionals: Seek advice from HUD-approved housing counselors or legal professionals before agreeing to any foreclosure prevention services.
- Read Documents Carefully: Never sign documents without fully understanding their content and implications.

By staying vigilant and informed, homeowners can protect themselves from falling victim to foreclosure rescue scams.

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[38] https://nationalmortgageprofessional.com/news/court-orders-ban-and-19-million-penalty-home-matters-usa-mortgage-scam-case

[39] Homeowners are tricked into signing documents they believe are for a loan modification

[40] https://chicagomoneylawyer.com/portfolio/mass-joinder-lawsuits-a-new-twist-on-foreclosure-rescue-scams/

LISTING SCAMS

Sadly, some real estate professionals also participate in real estate fraud. More than 30,000 complaints are filed with U.S. real estate regulatory bodies every year. While the most common complaint deals with misrepresentation, here are other common scams:

Artificial inflation of property value: Scammers manipulate property values by using fraudulent appraisals, fake renovations, or sham transactions to make a property appear worth more than it actually is.

Collusion among multiple parties: These scams often involve a network of co-conspirators, including appraisers, mortgage brokers, real estate agents, and even closing attorneys, working together to create the illusion of legitimate transactions.

Straw buyers: Fraudsters may recruit individuals with good credit (sometimes unwitting participants) to act as “straw buyers” to secure loans for overpriced properties, with no intention of the buyer ever living in or maintaining the property.

Quick turnaround sales: Unlike legitimate flips that involve meaningful renovations, scam flips often involve little to no real improvement. The goal is to resell the property quickly at an inflated price, relying on fraudulent appraisals to justify the increase.

Misrepresentation of property condition: Scammers may use cosmetic fixes to cover up serious structural issues, misleading buyers and lenders about the true condition of the property.

Mortgage fraud for profit: The ultimate goal is often to defraud lenders by securing loans based on inflated property values, leaving the lender with a worthless asset when the borrower defaults.

Exploitation of market conditions: These scams frequently occur in rapidly appreciating markets where rising prices can mask fraudulent activities. Scammers exploit the high demand to push through quick, suspicious transactions without thorough due diligence.

Fake or nonexistent buyers and sellers: In some cases, the entire transaction is fabricated, with fake identities used for both the buyer and seller to create the appearance of a legitimate sale.

Beneficial listing: A beneficial listing scam occurred in North Carolina in 2022. According to the North Carolina Department of Justice, some real estate companies adopted a predatory business model which specifically targeted seniors and financially vulnerable homeowners. These companies engaged in cold calling, even reaching out to individuals listed on the Do Not Call Registry. Also, they offered modest cash payments, usually under $1,000, to homeowners in exchange for an exclusive commitment to utilize the company’s services for listing their property over the next four decades. Subsequently, property owners signed a contract that included a memorandum that was filed with the county, which established a lien on the property's title.

The contract not only claimed to be binding on current homeowners but also extended its reach to property heirs. Therefore, the attached lien complicated the homeowner's ability to refinance, access home equity, or transfer the property. While property owners did have the option to terminate these agreements prematurely, they were met with a penalty equivalent to 3% of the property's market value, which was the commission the company would have earned for listing the home. Most importantly, the company retained the authority to determine the property's value according to the terms outlined in the contract.

These types of arrangements are referred to as beneficial listing agreements. An individual can be considered a beneficial owner if that individual directly owns, directly controls, indirectly owns, or indirectly controls more than 25% of 'ownership interests.

In March of 2023, the North Carolina Department of Justice sued real estate company MV Realty and alleged violations of North Carolina laws prohibiting unfair and deceptive trade practices, usurious lending, abusive telephone solicitation, and unfair debt collection practices by tricking homeowners into signing oppressive 40-year real estate agreements.

The Department of Justice began to investigate MV Realty in the Fall of 2022 after receiving over 60 complaints beginning March 2022. The investigation determined that more than 2,100 homeowners in North Carolina were enrolled in their predatory scheme.

As a result of the unfair and deceptive trade practices that misled several North Carolina homeowners, the Unfair Real Estate Services Agreements Act became law in North Carolina on August 24, 2023.

The Act became law in North Carolina on August 24, 2023.

The ***Unfair Real Estate Services Agreements Act*** states:

> (a) This Article is intended to prohibit the use of real estate service agreements that are unfair to an owner of residential real estate or to other persons who may become owners of that real estate in the future. This Article also prohibits the recording of such residential real estate service agreements so that the public records will not be clouded by them and provides remedies for owners who are inconvenienced or damaged by the recording of such agreements.
>
> (b)For the purposes of this Article, the following definitions apply:
>
> (1)Person. – A person as defined in G.S. 105-228.90(b)(23).
>
> (2)Real estate service agreement. – A written contract between a service provider and the owner or potential buyer of residential real estate to provide services, current or future, in connection with the maintenance, purchase, or sale of residential real estate.
>
> (3)Residential real estate. – Real property located in this State which is used primarily for personal, family, or household purposes.

(4)Service provider. – A person who provides a service related to residential real estate, including a real estate broker.

(5)Unfair real estate service agreement. – A real estate service agreement that violates G.S. 93A-88.2.

§93A-88.2. Unfair real estate service agreements.

a)Unfair Real Estate Service Agreements. – A real estate service agreement is unfair, void, and in violation of this Article if the agreement is to be in effect for more than one year and either expressly or implicitly aims to do any of the following:

(1)Run with the land or bind future owners of residential real estate identified in the real estate service agreement.

(2)Allow for assignment of the right to provide services without notice or consent of the owner or buyer.

(3)Create a lien, encumbrance, or other real property security interest.

(b)No Right to Refund. – A service provider has no right to a refund of the consideration paid to the owner or buyer in connection with an unfair real estate service agreement.

(c)Exemptions. – This Article does not apply to the following types of agreements:

(1)A home warranty or other type of similar product that covers the cost of maintenance of a major housing system, such as plumbing or electrical wiring, for a set period of time from the date a house is sold.

(2)An insurance contract.

(3)Any transactions governed by Chapter 47G (Option to Purchase Contracts Executed with Lease Agreements) or Chapter 47H(Contracts for Deed) of the General Statutes.

(4)A declaration created pursuant to Chapter 47A (Unit Ownership), Chapter 47C (North Carolina Condominium Act), Chapter 47F (North Carolina Planned Community Act) of the General Statutes.

(5)A maintenance or repair agreement entered into by a homeowners' association in a common interest community.

(6)A security agreement under the Uniform Commercial Code relating to the sale or rental of personal property or fixtures.

(7)Provision of water, sewer, electrical, telephone, cable, natural gas, propane, fuel oil, or other regulated utility service.

(8)A property management contract as defined in G.S. 105-164.3(189).

(9)Any actions arising from Part 2 of Article 2 of Chapter 44A of the General Statutes regarding mechanics', laborers', and materialmen’s liens, or Part 4 of Article 2 of Chapter 44A of the General Statutes regarding commercial real estate broker liens.

§93A-88.3. Recording prohibited.

(a)Recording an unfair real estate service agreement is prohibited. If an unfair real estate service agreement, or notice or memorandum thereof, has been recorded, it is void.

(b)All of the following shall apply to a recording that is void under subsection (a) of this section:

(1)The recording shall not operate as a lien, encumbrance, or security interest.

(2)No owner or buyer shall be required to record any document voiding the recording.

(3)The recording shall not provide actual or constructive notice to any person interested in the residential real estate that is identified in the unfair real estate service agreement.

(4) The recording violates G.S. 14-118.6(a).

(c)In addition to any other rights provided by law, any person with an interest in residential real estate identified by a recording that is void under subsection (a) of

this section may recover damages, costs, and attorney's fees that may be proved against the service provider named in the unfair real estate service agreement. Any actual damages, costs, and attorney's fees that are proved against the service provider will not be offset by the consideration paid by the service provider to the owner or buyer of the residential real estate.

§93A-88.4. Deceptive act.

A violation of any provision of this Article constitutes an unfair or deceptive trade practice under G.S. 75-1.1. Any party aggrieved by a violation of this Article may bring a cause of action against the service provider and is entitled to the relief available in Chapter 75 of the General Statutes. Any recoveries available under Chapter 75 of the General Statutes against the service provider will not be offset by the consideration paid by the service provider to the owner or buyer in connection with the unfair real estate service agreement. The Attorney General is hereby empowered to enforce this Article as allowed by Chapter 75 of the General Statutes.

The *Unfair Real Estate Agreements Act* aims to prevent the use of real estate service agreements that unfairly disadvantage owners of residential real estate, as well as potential future property owners, including heirs. The Act achieves its objectives by:

•restricting unfair "right to list" service agreements that exceed a one-year duration year duration, especially those incorporating terms that: claim to run with the land or bind successors-in-interest,

- allow assignment of the agreement without homeowner notice or consent, and
- seek to establish a lien, encumbrance, or other security interest

•declaring such Unfair Real Estate Service Agreements as unenforceable and ineligible for recording. A breach of the Act constitutes a violation of North Carolina's consumer protection laws,

•granting the Attorney General or affected homeowners the authority to initiate legal proceedings against individuals or companies violating the Act, and

•safeguarding the Act's scope to prevent adverse effects on legitimate real estate agreements and liens, such as those related to home warranties, insurance contracts, HOA agreements, utilities agreements, or Mechanic's and Commercial Broker's liens.

WARNING SIGNS OF FRAUD

Red flags such as unusual property transactions, changes in title ownership, or discrepancies in financial documentation. Real estate scams come in many forms, but they often share common warning signs. Being aware of these red flags can help protect buyers, sellers, renters, and investors from fraud. Here are key indicators to watch out for:

General Red Flags for Real Estate Scams

- Too-Good-To-Be-True Deals – If a property is priced significantly below market value or offers unusually favorable terms, it may be a scam.
- Pressure to Act Fast – Scammers create urgency, claiming that multiple buyers are interested or that the deal will expire soon.
- Unverified Ownership – Fraudsters may claim to own a property without providing legitimate proof, such as a deed or title record.
- Requests for Upfront Payments – Be wary of requests for deposits, fees, or rent payments before signing a contract or seeing the property.
- Unusual Payment Methods – Scammers often demand wire transfers, gift cards, cryptocurrency, or cash, which are hard to trace and recover.
- Refusal to Meet in Person – If a seller, landlord, or agent avoids phone calls, video chats, or in-person meetings, they may not be legitimate.
- Fake or Forged Documents – Look for inconsistencies in contracts, loan agreements, or property records, including typos, incorrect addresses, or missing details.
- Vague or Evasive Answers – Scammers often avoid direct questions about a property's history, ownership, or legal status.
- Lack of Proper Licensing – Real estate agents, brokers, and property managers should be licensed. Verify credentials through state real estate commission websites.
- Inconsistent Contact Information – Fraudsters may use disposable email addresses, untraceable phone numbers, or different names across documents.

Warning Signs for Specific Real Estate Scams

Rental Scams

- The landlord claims to be out of town and can't show the property.
- The listing is copied from another legitimate listing but with lower rent.
- The ad uses generic descriptions and stock photos instead of real images.
- The scammer asks for rent or a deposit before you see the property or sign a lease.
- The property is listed on multiple platforms with different prices or details.

Wire Fraud & Mortgage Scams

- Sudden or unexpected changes in payment instructions, especially before closing.
- Emails instructing you to send money to a different account without prior notice.
- Poorly written emails with spelling errors, urging urgent wire transfers.

- Communication comes from an email that looks slightly different from your agent’s or lender’s official email.
- The lender or escrow company doesn’t appear in official state registries.

Foreclosure Rescue Scams

- Companies promise to "save your home" but demand upfront fees.
- You're asked to transfer your property deed to someone else to "temporarily" avoid foreclosure.
- You're told to stop making mortgage payments and instead pay a third party.
- The company guarantees foreclosure prevention or mortgage modification.

Title Fraud

- Unexpected liens, unpaid taxes, or mortgage balances appear on your property.
- You stop receiving mortgage statements or property tax bills.
- A scammer forges documents to transfer ownership without your knowledge.
- Notices arrive about a home sale or new mortgage you never initiated.
- 5. House Flipping or Investment Scams
- A company promises "risk-free" real estate investments or "guaranteed returns."
- You're pressured to buy distressed properties sight unseen.
- The deal involves non-standard contracts with unclear terms.
- The seller claims a home’s value will skyrocket without market data to support it.

How to Protect Yourself

- verify property ownership – check public records or county property records to confirm ownership.
- meet in person – always visit a property and meet the seller or landlord before sending money.
- use licensed professionals – work with licensed real estate agents, attorneys, and mortgage lenders.
- confirm bank details directly – call your escrow officer or lender before wiring money.
- research online – search the person’s name, email, or phone number along with keywords like "scam" or "fraud."
- avoid paying upfront fees – don't pay deposits, fees, or closing costs before verifying all details.
- trust your instincts – if something feels off, take the time to investigate further.

If you suspect fraud, report it to authorities like the North Carolina Real Estate Commission (NCREC), Consumer Financial Protection Bureau (CFPB),[41] or the Federal Trade Commission (FTC).

[41] As of February 2025, the CFPB has been effectively shut down by a presidential executive order. However, RESPA and other federal laws regarding fraud remain effective.

RESOURCES TO VERIFY PROPERTY TRANSFERS

To ensure the legitimacy of real estate transactions in North Carolina and protect consumers from potential scams or fraud, they should consider utilizing the following resources:

1. North Carolina Real Estate Commission (NCREC)

The NCREC licenses and regulates real estate agents and firms in the state. You can verify the credentials of real estate professionals through their official website.

County Register of Deeds Offices

Each county in North Carolina maintains a Register of Deeds office where property records, including deeds, mortgages, and liens, are recorded. Accessing these records can help confirm property ownership and identify any encumbrances. Many counties offer online databases for public searches.

North Carolina State Property Office

This office manages state property transactions and maintains an inventory of state-owned lands and buildings. Their resources can assist in verifying state property details.

Local Government Resources:

Municipal websites, such as Raleigh's, provide property research tools and links to county GIS data, which can be valuable for verifying property information.

Due Diligence

Engaging in thorough due diligence is crucial. This process allows buyers to investigate various aspects of a property, including inspections, title searches, and appraisals, to ensure there are no hidden issues.

Professional Assistance

Consider hiring licensed professionals such as real estate attorneys, appraisers, and inspectors to assist in the transaction process. They can provide expert evaluations and ensure all legal requirements are met.

By leveraging these resources and conducting comprehensive research, you can enhance the security and legitimacy of your real estate transactions in North Carolina.

Regulations and Laws

Federal Laws: Understanding relevant federal regulations, including the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA). See the following discussion.

FEDERAL LAWS ON REAL ESTATE SCAMS & FRAUD

Several federal laws protect consumers and regulate real estate transactions to prevent fraud.

Real Estate Settlement Procedures Act (RESPA) (1974)

- Prohibits kickbacks, referral fees, and unearned fees in real estate transactions.
- Requires lenders to provide borrowers with detailed information about closing costs.
- Protects consumers from hidden fees and predatory lending practices.

Truth in Lending Act (TILA) (1968)

- Requires lenders to disclose loan terms, interest rates, and fees before a borrower signs a mortgage.
- Helps consumers understand the actual cost of borrowing and avoid deceptive loan practices.

Fair Housing Act (1968)

- Makes it illegal to discriminate in housing transactions based on race, color, religion, sex, disability, familial status, or national origin.
- Protects renters, buyers, and homeowners from discriminatory housing scams.

Wire Fraud Prevention Laws (18 U.S.C. § 1343)

- Criminalizes wire fraud, which includes real estate scams that involve fraudulent wire transfers.
- Federal law enforcement agencies investigate and prosecute offenders.

Mortgage Fraud Laws (18 U.S.C. § 1014 & 18 U.S.C. § 1344)

- Makes it illegal to submit false loan applications, appraisals, or financial documents to obtain a mortgage fraudulently.

Punishments can include fines, imprisonment (up to 30 years), or both.

Federal Trade Commission (FTC) & Consumer Financial Protection Bureau (CFPB)

These agencies regulate deceptive real estate practices, enforce consumer protection laws, and investigate fraud complaints.

NORTH CAROLINA LAWS ON REAL ESTATE FRAUD

North Carolina has additional state-specific laws and regulations designed to protect consumers from real estate fraud.

North Carolina Real Estate License Law (N.C.G.S. § 93A)

- Requires real estate brokers and agents to be licensed and regulated by the North Carolina Real Estate Commission (NCREC).
- Violations include:
  - Misrepresentation or omission of material facts.

    - Unfair or dishonest dealings in real estate transactions.
    - Operating without a license, which is a misdemeanor.

North Carolina Unfair and Deceptive Trade Practices Act (N.C.G.S. § 75-1.1)

- Prohibits fraudulent, deceptive, or misleading business practices, including real estate transactions.
- Allows victims of fraud to sue for triple damages and attorney's fees.

North Carolina Residential Property Disclosure Act (N.C.G.S. § 47E)

- Warns residential sellers of potential civil liability in the event of non-disclosure of latent defects.
- Gives residential sellers the opportunity to disclose defects in residential real estate by indicating "yes, there are issues," but also allows sellers to indicate "No, there are no issues" or "No representation."

North Carolina Mortgage Fraud Act (N.C.G.S. § 14-118.12)

- Criminalizes false statements, misrepresentations, or fraud in obtaining a mortgage.
- Punishments can include felony charges, fines, and imprisonment.

Foreclosure Protection and Fraud Prevention Laws

NC Home Foreclosure Rescue Scams Act[42]

- Prevents scammers from charging upfront fees for foreclosure assistance.
- Requires written contracts and disclosures for foreclosure assistance services.

(Other U.S. states have similar laws.)

Homeowner and Homebuyer Protection Laws:

- Prohibits predatory lending and fraudulent "lease-to-own."[43]

Who Enforces These Laws?

- North Carolina Real Estate Commission (NCREC) – Regulates real estate agents and investigates complaints.
- North Carolina Attorney General's Office – Handles consumer protection violations and fraud cases.
- Consumer Financial Protection Bureau (CFPB) – Investigates mortgage fraud and predatory lending.
- Federal Bureau of Investigation (FBI) – Investigates wire fraud and major mortgage fraud cases.

[42] https://www.ncleg.gov/EnactedLegislation/Statutes/PDF/ByArticle/Chapter_75/Article_5A.pdf
[43] https://www.ncleg.net/Sessions/1999/Bills/Senate/HTML/S1149v7.html

How to Report Real Estate Scams in North Carolina

- NCREC Complaint Form (ncrec.gov)
- NC Attorney General's Consumer Protection Division (ncdoj.gov)
- FBI Internet Crime Complaint Center (IC3) (ic3.gov)

Supporting Clients Legally & Financially

- Encourage legal action.
- Suggest consulting a real estate attorney to explore legal remedies, such as fraud claims, title corrections, or contract disputes.
- Assist in filing civil lawsuits for damages if applicable.

Guide Through Title or Deed Issues

If a fraudulent deed transfer has occurred, help the client work with the county Register of Deeds to contest the recording.

- Recommend title insurance claims if applicable.
- Assist in credit & identity protection
- Guide clients to credit bureaus (Experian, Equifax, TransUnion) to place a fraud alert or freeze on their credit reports.
- Suggest identity theft recovery services if personal data has been compromised.

Preventing Future Fraud

Education & Risk Awareness

- Teach clients about common scams, like wire fraud, fake sellers, and foreclosure scams.
- Advise clients never to wire funds based on email instructions alone—always verify by phone or in person.

Title & Ownership Protection

Recommend title monitoring services to receive alerts for any unauthorized changes to their property records.

- Encourage using trusted real estate professionals and verifying licenses via NCREC.
- Secure Transactions
- Promote secure email practices and two-factor authentication for sensitive communications.
- Suggest third-party escrow services for handling large financial transactions safely.

SUMMARY

Real estate brokers have a responsibility to educate, support, and advocate for their clients. By acting swiftly, leveraging professional resources, and ensuring secure practices, brokers can help victims recover while minimizing future risks.

Resources for More Information

Books:

The Land Boomers by Michael Cannon – A deep dive into real estate fraud during speculative booms.

Con Artists in Real Estate: The History of Property Scams by various authors covers many notorious scams throughout history.

Websites & Archives:

National Association of REALTORS® Archives: Explore historical documentation of early real estate practices and the evolution of ethical standards.

Library of Congress: Search for historical articles and legal cases involving early real estate fraud.

Documentaries:

The Men Who Sold the World (and the Brooklyn Bridge) – A documentary that touches on early 20th-century fraudsters like George C. Parker.

GUIDE FOR CONSUMERS

Here's a guide for clients on preventing real estate fraud that real estate brokers can provide to help clients stay safe during transactions. Feel free to adapt and customize it.

Client Guide: How to Prevent Real Estate Fraud

Real estate fraud is on the rise, but there are steps you can take to protect yourself from scams. As your real estate broker, I'm committed to guiding you through the process and ensuring you have the information you need to avoid fraud. Here are some tips to help you stay safe:

1. Verify the Legitimacy of Parties Involved

Confirm Identity: Always verify the identities of all parties you are dealing with in the transaction. If the seller or agent is out of town or unavailable for in-person meetings, take extra caution.

Check Credentials: Ensure that the real estate agent or broker you're working with is licensed. You can verify licenses through the North Carolina Real Estate Commission (NCREC) (ncrec.gov).

Research the Property: Double-check the ownership and history of the property through county records. Many counties offer online access to property records.

2. Be Cautious with Financial Transactions

Never Wire Funds Without Verification: Fraudsters often impersonate agents or sellers and provide fake wire instructions. Always confirm bank details with a trusted person via phone before transferring any funds.

Use Secure Payment Methods: Only send money using secure, traceable methods like escrow accounts. Avoid making payments via gift cards, cryptocurrency, or untraceable wire transfers.

Escrow Services: For large transactions, always use a trusted escrow service to ensure funds are safely held until the deal is finalized.

Don't Pay Upfront Fees: Be wary of anyone requesting upfront payments for services, especially if they pressure you to act quickly.

3. Be Aware of Common Scams

Wire Fraud: Scammers may send emails pretending to be your agent or lender with instructions to wire funds. Always confirm wire instructions in person or via phone before transferring money.

Fake Property Listings: Scammers might create fake property listings with pictures they've stolen from real listings. If something seems too good to be true, investigate further and don't send money until you've verified the details.

Rental Scams: Be cautious of rental properties that seem unusually cheap, especially if the landlord is unwilling to meet you in person or provide proper documentation.

Title Fraud: Ensure you have title insurance and keep an eye on your property's title records to detect any fraudulent transfers.

4. Protect Your Personal Information

Avoid Sharing Sensitive Info: Never share your personal or financial information, like your Social Security number or banking details, via email or unsecured websites.

Use Secure Communication: Make sure any email communications are from verified sources and be cautious of emails from unfamiliar addresses or those with misspellings or strange attachments.

Monitor Your Credit: Place a fraud alert on your credit report and monitor it regularly for any unusual activity. This can help prevent identity theft.

5. If You Suspect Fraud, Act Quickly

Report It Immediately: If you suspect you've been a victim of fraud, report it to the local authorities, the North Carolina Real Estate Commission (NCREC), and the FBI's Internet Crime Complaint Center (IC3) (ic3.gov).

Consult a Real Estate Attorney: For legal guidance, especially if your property ownership or transaction is compromised, consider speaking with a real estate attorney who can assist with legal action.

6. Stay Informed and Educated

Stay Updated: Keep informed about the latest types of fraud in the real estate market, including cybercrime and title fraud. We'll provide you with up-to-date information throughout the process.

Trust Your Instincts: If anything feels off, whether it's an unusually low price, a seller's reluctance to provide necessary documents, or a sense of urgency to act quickly, pause and verify the information before proceeding.

7. Ask Questions

Don't Be Afraid to Ask: If you don't understand something or feel uncomfortable, always ask for clarification. No question is too small, and it's better to ask upfront than to regret it later.

Request Documentation: Ask for proof of ownership, inspection reports, or any legal documents relevant to the transaction. Legitimate sellers and agents should be able to provide them.

Remember, Your Safety Comes First!

Fraudulent activities can happen in any part of the real estate process but staying vigilant and informed is your best defense. As your real estate broker, I'm here to guide you through every step of the transaction and ensure you're protected. If you ever have any concerns, feel free to reach out—I'm always here to help!

This guide can be printed or sent as an email to clients. It's designed to ensure that they know what to look out for and how to stay safe in the ever-evolving world of real estate transactions. [44]

AUTHOR

Deborah H. Long is a licensed real estate instructor in North Carolina. She completed her doctorate in educational leadership in 1994. Her research on the effect of ethics instruction on the ethical reasoning of real estate brokers received national media and industry attention. She has three other college degrees. She has been a teacher for more than 53 years.

In addition to holding a GRI (Graduate Realtor Institute) and CRS (Certified Residential Specialist) designations, Deborah earned the DREI (Distinguished Real Estate Instructor), the most prestigious designation for excellence in teaching offered by the Real Estate Educators Association.

She is the award-winning author of many articles and education programs as well as eighteen real estate textbooks. Her real estate ethics program for educators received the "Best Single Education Program" award from the Real Estate Educators Association in 1996 and from the NC Real Estate Educators in 2014. In 2001, the North Carolina Real Estate Educators Association recently recognized Deborah as "Educator of the Year." She was also the editor of the prestigious REEA Journal for 10 years.

Deborah's real estate ethics research has been featured in the Wall Street Journal and on numerous radio talk shows. Her research has led her to write Doing the Right Thing: A Real Estate Practitioner's Guide to Ethical Decision Making, now available in its fourth edition.

She has been a proponent of online education since it became available and has taught numerous educators about technology. She earned the prestigious Certified Distance Education Instructor designation from ARELLO (Association of Real Estate License Law Officials).

In addition to offering online real estate classes online and continuing education for NC professionals, she also teaches licensing courses as well as continuing education programs on ethics, investment fundamentals, international real estate and cultural diversity, brokerage management, creative selling strategies, and Internet research skills for real estate agents, appraisers, surveyors, interior designers and architects, state regulators, engineers, and other licensed professionals.

Deborah provides real estate continuing education in Chapel Hill, North Carolina, her home, as well as around the state and country. Deborah was named Tar Heel of the Week in 2017 for her contributions to the community.

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[44] The author acknowledges the use of NCREC course material and text from its eBulletins for several passages in this text.