

# How To Avoid These 7 Real Estate Scams

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Originally posted at: <https://www.rocketmortgage.com/learn/real-estate-scams>

November 23, 2022

There's a lot of pressure that comes with buying a home. And in a competitive real estate market, there's always the temptation to act quickly when you find that perfect home. Unfortunately, scam artists will often take advantage of this and either trick potential home buyers into paying for properties that don't exist or misrepresent the terms of the deal.

Fortunately, there are ways you can avoid falling victim to a real estate scam. By learning the warning signs and some of the most common real estate scams, you'll be better prepared to protect yourself.

## What Is A Real Estate Scam?

Real estate fraud happens when scammers use real estate as a cover to steal your money. According to the FBI, more than 13,600 people were victims of real estate or rental fraud last year alone.

Real estate scams play out in various ways, and some of the most common are mortgage scams. Sometimes shady lenders or loan brokers will promote misinformation to obtain money from unsuspecting borrowers.

But anytime information is misrepresented on a home loan application, this is considered an instance of mortgage fraud. For example, borrowers will sometimes engage in mortgage fraud by changing the appraised value of a home.

## How Do I Spot Real Estate Scams?

The best way to protect yourself from real estate scams is to learn some common warning signs. This is especially important for first-time home buyers who are not as experienced with the home buying process. The following warning signs may indicate a real estate scam:

### Lack Of Proper Documentation

If you're looking to buy a home and the seller lacks the necessary paperwork, this is a huge red flag. Some scammers will promise to send over proper documentation, like a deed, only after the buyer sends money or financial information.

### Pressure To Act Immediately

Real estate scammers often pressure home buyers to send over money or personal information right away. They may use a sense of scarcity to make you believe that you could lose out on the house if you don't act immediately.

Anytime you're being pressured to take action, this should serve as a warning sign. In a typical home buying process, your real estate agent will make an offer. Once the seller accepts your offer, you'll make a small deposit which goes toward the down payment and closing costs.

## Unrealistic Guarantees

Anytime a seller or lender promises you something that seems too good to be true, it probably is. This is a common tactic used in mortgage relief scams. When a homeowner is on the brink of default, scammers will often promise to make changes to your loan in exchange for an upfront payment.

## Demands To Wire Money

Some scammers will demand that home buyers wire them money directly, claiming the funds are a down payment or a deposit. This is not how the home buying process takes place and should serve as a warning sign.

## Beware Of These 7 Real Estate Scams

One of the reasons many home buyers fall victim to scam artists is that there are so many different types of real estate scams. It's impossible to be aware of every possible scam, but here are seven common ones you should familiarize yourself with.

### Wire Fraud Scam

There are many different types of wire fraud that can occur in real estate scams, from escrow wire fraud to mortgage wire fraud. This typically happens when a scammer poses as your real estate agent and tricks you into wiring the funds for your closing costs to a fraudulent account.

REALTOR® scams can be hard to spot because scammers often use special software that mimics your agent's email address or phone number. And unfortunately, once you wire money to someone, it's nearly impossible to ever get those funds back.

As a home buyer, you can protect yourself by understanding what your closing process will look like from the start. And always call to confirm wire transfer requests before sending money.

### Foreclosure Relief Scam

In a foreclosure relief scam, scammers will target individuals on the brink of having their homes foreclosed on. A company may reach out and promise to either stop the foreclosure or modify the loan in exchange for an upfront payment.

This type of scam is especially devastating because not only will the victim be unable to get their money back, but they're still at risk of losing their home. To protect yourself from this type of scam, never agree to pay a company upfront for a service that hasn't been completed.

And make sure you do your due diligence about the individual or company promising to help you. For instance, if you're contacted by someone claiming to be an attorney, check your state's bar website to determine whether that person is legitimate.

### Loan-Flipping Scam

In a loan-flipping scam, scammers will convince victims to refinance their homes repeatedly, charging high fees and points on every transaction. As a result, the borrower will end up with high loan payments that they can't afford and limited equity in their home.

Seniors often fall victim to these types of scams because they often have significant equity built up in their homes. Not realizing they are being taken advantage of, they can easily fall victim to scam artists.

To protect themselves, senior homeowners should only work with lenders they know and trust. And if possible, they should have a friend or family member that they consult with before making these types of financial decisions.

### Commercial Real Estate Scam

Commercial real estate fraud is often complex and can take various forms, from forged documents to misrepresentations. However, one of the most common types of commercial real estate fraud is the misappropriation of funds.

This happens when a borrower diverts the funds they received from a loan or payment to an expense it wasn't approved for. For instance, if a property management company collects rent payments and uses those funds to pay for another property, this would be a misappropriation of funds.

Commercial real estate fraud also often involves misrepresentation; for instance, submitting falsified documents or providing false financial statements.

### Home Inspection Scam

Home inspections are vital to the home buying and selling process because this is how the lender ensures you're paying the fair market value for the home. In a home inspection scam, an unqualified provider performs the inspection and hides potential problems with the home.

To prevent this type of fraud, make sure to ask lots of questions and look for signs of irregularities. Make sure the inspector can access all areas of the property and ask to look at the report yourself.

### Rental Scam

Most renters will look online to find a new apartment or rental home. Scammers often take advantage of this by listing properties that don't actually exist to trick borrowers into sending them money. Other times, scammers will pull a bait-and-switch by posting low-quality rentals at a high price point.

To prevent rental scams, it's a good idea to check listing photos for the MLS watermark. It's also a good idea to visit the property in person before agreeing to rent it. And you should never sign anything or wire money until you've seen the property.

### Title Or Deed Scam

Title or deed fraud involves the involuntary transfer of ownership without the owner's knowledge. Another individual may try to transfer property ownership to another person or borrow money using that property as collateral.

This type of fraud is serious because the victim could lose their home as a result. Even if the homeowner doesn't lose their home, a title scam can be an expensive problem to fix. Anyone who owns rental properties or vacation properties they don't personally oversee is at risk.

To protect yourself, make sure to watch out for signs that anything is amiss at your property. If you notice that bills are missing or your credit score has taken a hit, you may have been a victim of title fraud.

## How Do I Avoid Real Estate Scams?

Because scammers often use advanced technology and interact digitally with their victims, it can be challenging to avoid real estate scams. However, it's important to stay vigilant about protecting your personal information and bank accounts.

Here are some tactics you can take to avoid real estate scams:

- Consult a licensed professional: Only work with licensed real estate agents and lenders that you trust. If someone contacts you out of the blue, verify that they are who they say they are.
- Keep your personal information secure: Never give your personal or financial information to someone you don't trust. Don't provide financial information through emails or website links.
- Avoid upfront fees: Never pay money upfront for a service to your home, especially if that person seems to be pressuring you.
- Be wary of last-minute changes: If you're in the process of buying a home and you receive news of a last-minute change, take the time to verify that it's real. Don't act hastily or out of emotion.
- Avoid off-market transactions: And finally, it's never a good idea to engage in off-market transactions, no matter how good the deal is.

## The Bottom Line: Stay Vigilant Against Real Estate Scams

Real estate scams are an unfortunate reality, but you don't have to fall victim to one. Only work with qualified professionals you trust and familiarize yourself with some of the common warning signs of mortgage fraud. And if you believe you've been involved in a real estate scam, make sure to contact the authorities immediately.