**The Mistakes Renters and Buyers Make That Could Cost Them Big**
*by Cathie Ericson*

Kyle Alfriend, a real estate agent in Dublin, OH, was with his contractor at a vacant home he had for sale, changing the locks after someone had broken in.

Imagine his surprise when a couple walked in, thinking they were meeting someone who was going to rent it to them. Turns out the trespasser had taken photos and posted an ad seeking renters on Craigslist.

The couple had brought along two months' rent, plus their security deposit - a total of $5,700 in cash. Had Alfriend not intercepted them, they would likely have met with the fraudulent advertiser and lost their money.

"Renters and buyers can never be too vigilant in today's marketplace where REO fraud can be prevalent," notes Kimberly Ellison, manager of mortgage fraud investigation for Fannie Mae's Mortgage Fraud Program.

Here are some current scams Fannie Mae has been seeing:

***No Legal Title***

**The Scam** - People trying to rent or sell a home to which they have no legal title. Often it's a foreclosed property where someone gained possession through squatting and then tries to profit by renting out the place, says Shaolaine Loving, an attorney in Las Vegas.

**The Fix** - Avoid REO fraud by searching online for the name of the property owner and other information related to the property's history, and be particularly vigilant if the property has recently gone through foreclosure.

***Short Sale***

**The Scam** - People trying to sell a short sale home they have obtained fraudulently. In this twist, individuals will ask the owner to deed the property over to them, claiming they have a buyer. In this title/deed fraud scheme, the criminals will keep the money the "buyer" gave them. And, if you're the seller who was deceived, they also have the title to your house, and you still have responsibility on the loan, says Cory Turner, manager of Fannie Mae's Single-Family Business Anti-Fraud Team. "The house is in limbo with multiple parties facing financial loss."

**The Fix** - Buyer beware: If someone guarantees you foreclosure assistance, be cautious. "Only a servicer has the discretion to grant a loan modification," Turner says. And as a homeowner, you should never sign over paperwork before reviewing thoroughly. In addition, use your resources (aka, servicer, real estate professional, attorney, lender) to understand any and all questions that you might have.

***Hacking***

**The Scam** - Stealing transaction funds by hacking into emails. A criminal will hack into or spoof the emails of various parties to a real estate transaction, such as the buyer, seller, agent, and/or escrow officer. Then, at some point before the close of escrow, the criminal will send the buyer an email supposedly from one of the other parties and include instructions for wiring funds, such as a deposit or closing costs. "Of course, the wiring instructions lead to the criminal's bank account, rather than to the escrow company," says Sam Kraemer, general counsel at the John Aaroe Group, a Los Angeles real estate brokerage.

**The Fix** - Never send any personal information, including Social Security or bank account numbers, electronically, without encryption and always examine the full email address for evidence of spoofing. Kraemer advises clients to hand deliver or call with the information instead. "Before wiring any money, call to confirm the instructions," he says, adding that most trustworthy escrow companies only send wiring information through encrypted emails.

***6 Red Flags***

Although those are some common REO fraud scams, the list can be endless. That's why savvy renters and buyers should watch out for these six red flags to minimize their chances of being defrauded.

1. **The deal is too good to be true.** You know the rest of this adage: "And it probably is." Turner says to watch out for online postings that have rents that are obviously below market rate.
2. **The seller is not familiar with the neighborhood.** "They should be able to answer questions about shopping or schools," says Becky Walzak, president and CEO of rjbWalzak Consulting, in Deerfield Beach, FL, who holds workshops on REO fraud in the housing and lending market.
3. **Something about the *house* seems off.** Walzak suggests you be wary of new locks or a property that is in obvious need of repair or is missing appliances or features you would expect.
4. **Something about the *seller* seems off.** "Watch out for overly accommodating landlords willing to forego their own due diligence," says Than Merrill, CEO of FortuneBuilders and CT Homes LLC and a real estate investor. Other signs may be owners who want to settle quickly or who can't meet in person because they are out of the country. "If you can't meet face to face, see the apartment in person, or sign a lease before your first payment, continue your search," Merrill advises.
5. **The paperwork is already done.** Watch out if sellers have their own title policy they offer to the buyer or already have an appraisal done, cautions Walzak.
6. **The seller requests an immediate wire transfer of funds.** "There's never a good reason to wire money to pay a security deposit, application fee, first month's rent, or vacation rental fee without knowing who it's going to," Merrill says.

**Due Diligence Pays Off**

"Scam artists are typically after one of two things: your money or your identity, so don't make yourself an easy target," Merrill says.

The best way to avoid these scams? Do your due diligence.

Turner advises knocking on neighbors' doors to ask about the property. They might tell you it's not a rental house or that the bank just foreclosed. They might describe the owner, and you'll realize it's not who you've been dealing with.

Even a simple online search can yield the name of the property owner and other historical property-transfer information.

"You can find a lot of information on a county's assessment and taxation website," says Turner. "The resources are out there, but people aren't utilizing them. They see a good deal and want to jump on it, but it's worth it to perform due diligence for the biggest purchase of your life."

Still don't believe that this could happen to you or one of your buyers? Check out [this story](http://pages.exacttarget.com/Redirect.aspx?EQ=YFiTqGGdc3i3nnepscz8R9FyHp3huioz_d-m6wNSvPQIk5egO-Tn9GTFTVcchNVN29xExQyT1BC1tXkgLLuwWDYpcBE_zSQ7P8pwlvGw0DczihTnbONjDdBh7AuYLDKThBSxLloN42uobQe_b8pS7iuzBIo0Zj-CtCUjH9iD9-fHLUvgSkyNclxHk-B9xonOfxzmxKDAws5cgFTXtjDKbi3k3g-7IWXWUP0z3m-N6OOJlvFgrMtTh5veNbzf2mx8IGis1R1K0pStASEBjOZaSLHVQR4elWRI6ukk8HGFIYwpeTlmNkxX3lQBriWGq8lLN5Vm-D1dXg3P0b4CPxeLPC9a48TizoCcRzsbkRWbnkcl0C67ne1l7L-M11BNYJ25mpie13JEdSGgoWffvPo1OiERg0NUZmKWcNlEGe9Dcfe0kzKpg58H0) where a former Lehman Bros. executive claims to be the victim of a $2 million real estate phishing scam.