

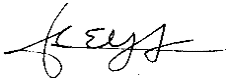


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FRAUD ADVISORY
23-0201-A-FA

TO: Executive Directors and Board Chairs

FROM: Thomas E. Yatsco 
Inspector General

DATE: October 12, 2023

SUBJECT: How to Combat Common Fraud Schemes Against Renters

This Legal Services Corporation (LSC) Office of Inspector General (OIG) advisory highlights (1) common fraud schemes and abusive practices committed by landlords, or individuals posing as landlords (impostor landlords), who are seeking to target current or prospective renters, (2) tips to prevent renter-related fraud, and (3) information on how victims should report fraud. We also cite useful guidance issued by our colleagues in the OIG community with significant expertise in housing and rental fraud.

By highlighting common fraud schemes or abusive practices by landlords toward renters, legal aid professionals may be able to better serve their clients when a common scheme or practice is identified and advise them on how to avoid being repeat victims in the future. We hope this advisory will serve as a resource for grantees and tenants. We also encourage you to share it broadly within your organization and professional network.

LSC Grantees Work Closely with Renters to Address Their Legal Needs

Renters represent a significant portion of the LSC's grantee client base, and the COVID-19 pandemic brought increased attention to the spike in evictions across the country. Housing cases have typically been the second-most common problem category among cases closed by LSC grantees. Yet, by 2021, housing cases became the most common category among cases closed by LSC grantees. The main driver in the increase of housing cases is evictions in private landlord/tenant cases. Eviction cases represented 70 percent of all housing cases in 2021, up from 58.5 percent in 2019.

LSC has reported that tenants in eviction cases rarely have representation. There is a wide disparity between representation of tenants versus landlords. In most jurisdictions tracked by LSC, landlords are represented in more than 60 percent of cases, while tenants are represented in less than 10 percent of cases.

How to Detect Common Fraud Schemes and Abusive Practices Targeting Renters

Based on our research and OIG community engagement, we are making you aware of several common fraud schemes and abusive practices that renters could fall prey to if they lack awareness. The following represent the most common renter-related schemes. We also cite sources of useful guidance about each scheme.

Upfront payment. A landlord could misrepresent federal requirements and demand an upfront payment from a prospective tenant participating in a U.S. Department of Housing and Urban Development (HUD) rental assistance program. However, HUD assistance programs do not require upfront payments. Offers for obtaining rental assistance or help with an eviction that require upfront payments are typically not legitimate. ([U.S. Department of Housing and Urban Development \(HUD\) OIG March 2022 Fraud Bulletin](#))

Additional Fees or Charges. Threatening to evict tenants or in fact evicting Section 8 tenants for failure to pay additional charges is illegal. Deducting any unpaid additional charges from tenants' security deposits is also prohibited.

Section 8 landlords may require additional side payments from tenants above the rents stated in the lease or reported to the housing authority as a condition of leasing. However, nonpayment of any such additional charges is not grounds for termination of tenancy. These additional payment demands may include rental charges for: washers and dryers, renter's insurance, parking (covered and uncovered), garage rental, storage space rental, month-to-month lease fees, pest and bedbug control, internet and cable service, any meals or supportive services or furniture which may be provided by the owner, and any items customarily included in rent to the owner in the locality or provided at no additional cost to unsubsidized tenants in the premises. ([HUD OIG October 2022 Fraud Bulletin](#))

Harassment. It is illegal for landlords to attempt to exploit a tenant's financial situation with unwanted touching or comments, harassment, or requests for dates or sexual favors. It is also illegal for landlords to try to coerce tenants into a sexual relationship in exchange for waiving rental payments. This behavior will not be tolerated and any landlord or other person who has control over housing and engages in this sort of misconduct may be referred to local law enforcement or the U.S. Department of Justice for action. It is illegal for landlords or staff to engage in this behavior under the Fair Housing Act. To report sexual harassment, call the Sexual Harassment in Housing Initiative Hotline at 1-844-380-6178 or TTY: 202-305-1882 or email fairhousing@usdoj.gov. (See above HUD OIG March 2022 Fraud Bulletin)

Added fees for background checks. While it is common for landlords to check a potential tenant's credit and backgrounds, some landlord scams involve requiring potential tenants to pay exorbitant fees to cover these checks. ([Redfin](#))

How to Recognize Impostor Landlords Who Are Seeking to Bilk Potential Renters

Last year, our colleagues at the Office of Inspector General for HUD (HUD OIG) published a [Fraud Bulletin](#) regarding impostor landlords. HUD OIG recommends that people be aware that individuals purporting to be landlords are listing properties that they do not own on various rental websites. These impostor landlords may be part of a

complex organized criminal enterprise operating outside of the United States. The following are some red flags to help identify impostor landlords and protect against falling victim to fraud.

- **Listing is Too Good to be True:** The advertised unit is substantially better in price, location, size, or quality than other available units on the market. The impostor landlord will not let the tenant tour the unit in person. No rental application or lease is required:
- **Inability to Meet Prospective Tenant:** Impostor landlords will make excuses that they are out of town or agree to meet at the property but never show up.
- **Upfront Payment Demand:** Impostor landlords will require an upfront and unreasonable payment in exchange for a promise that they will send the keys to the prospective tenant by mail.
- **Peer-to-Peer (P2P) Payment Method:** Impostor landlords are known to exploit P2P payment methods like Cash App, Venmo, and PayPal. In order to get the keys, prospective tenants are told to pay an application fee, deposit, and first month's rent using P2P. The P2P profiles used by the impostor landlords are stolen identities or victims of other scams. The impostor landlord may claim this stolen P2P profile is their attorney or business associate.
- **Cryptocurrency:** Tenants should be cautious if a landlord requests initial payment via cryptocurrency, such as Bitcoin.
- **Gift Cards:** Landlords requesting tenants to make payments by gift card is likely a scam. In this instance, a tenant may be told to put money on a gift card, take a picture of the gift card, and send it to the impostor landlord.
- **Fraudulent Use of Official-Looking Email Address:** Impostor landlords may send emails from fraudulent email addresses that are designed to appear as though they are from official sources. By using official sounding titles or words like "Section 8" or "HUD" or "Housing Authority," fraudsters deceive people into corresponding with them—and eventually send them money.

How Renters Can Protect Themselves Against Corrupt Landlords

Our colleagues at HUD OIG recommend that prospective renters protect themselves from becoming victims of fraud by always doing the following:

- Insist on meeting the prospective landlord by scheduling an in-person meeting in a public place or meet virtually. Ask for the location of the rental unit and tour the unit before renting it. Remember to bring a trusted family member or friend.
- Use an Internet search engine to look up the prospective rental address. It may already be listed by a legitimate landlord on a different website. Consider conducting a reverse image search of prospective rental property photos. This search will determine if the photos are present elsewhere on the Internet. [How to Do a Reverse Image Search From Your Phone | PCMag](#).
- If renting a government-subsidized unit (such as a unit advertised as a "voucher" or "section 8" unit), contact the local public housing authority at the phone

number or email address listed on their public website to verify the landlord before sending money, documentation, or rental forms.

- Pay rent with a check, money order, or other verifiable means to track the money. Avoid using cash, gift cards, or other forms of payment. Keep a copy of the check or money order and ask for a receipt as a record of payment.

Online Resources for Legal Aid Professionals and Renters

The U.S. Department of Housing and Urban Development issued a publication titled [Renter's Guide: Ten Tips for Tenants](#). For more information on these tips, please review the link to the source document.

- 1) Bring your paperwork
- 2) Review the lease
- 3) Get everything in writing
- 4) Protect your privacy rights
- 5) Demand repairs
- 6) Talk to your landlord
- 7) Purchase renter's insurance
- 8) Protect your security deposit
- 9) Protect your safety
- 10) Deal with an eviction properly

The Consumer Financial Protection Bureau (CFPB), the Federal Trade Commission (FTC), and the Federal Housing Financing Agency (FHFA) each released guidance or best practices to landlords, operators, and stakeholders who rely on tenant screening reports when evaluating applications from renters, which can be found at the following links:

- [CFPB guidance](#)
- [FTC guidance](#)
- [FHFA guidance](#)

Questions and Contacts

If you have any questions or would like additional information about this or any other article, please contact Daniel O'Rourke, Assistant Inspector General for Investigations, LSC OIG, at (202) 295-1651, or by email at dorourke@oig.lsc.gov.

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