

Research Plan: Public Chapter 941, Acts of 2024, Real Estate Fraud

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Support:

Deputy Executive Director Approval: Initial: *MMB* Date: *5-16-24*

Executive Director Approval: Initial: *[Signature]* Date: *5/16/24*

Purpose

To study the prevalence of real estate fraud in Tennessee, including the different schemes used to commit real estate fraud, the approaches used by other states to combat real estate fraud, and the best practices for local government officials in registering documents related to real estate transactions, and to provide suggested statutory revisions that are designed to reduce the risk of real estate fraud for property owners in Tennessee.

Background

In 2020, total losses because of real estate and rental fraud in the United States totaled \$1.9 billion. Real estate fraud involves deceptive practices in real estate property transactions and usually involves one party providing false information or withholding facts, leading to financial loss for another party. A common scheme is quitclaim deed fraud where vulnerable populations are either tricked into transferring their property over to scammers, or the property is acquired through forgery tactics. Quitclaim deeds are legal documents used to transfer ownership from one party to another and are most commonly used to transfer ownership of property between family members. Quitclaim deeds differ from other types of deeds such as warranty deeds in that they are used to transfer property ownership without making a sale. Warranty deeds are used in traditional sale transactions and offer greater buyer protection in guaranteeing that the property is free and clear of liens, claims, and defects. Other types of real estate fraud can include rental scams, wire scams, foreclosure relief scams, and predatory lending. Other states have introduced legislation requiring certain parties to provide specified

information to the property appraiser and requiring photo ID for property transfers in an attempt to combat real estate fraud schemes.

In response to these concerns, Senate Bill 2448 by Senator Akbari and House Bill 2215 by Representative Parkinson were introduced in the General Assembly this year. The bill originally required county registers of deeds and notaries public to verify the identity of a person recording or notarizing a document relating to certain real estate transactions using a government-issued ID. The request for the study came from an amendment from the Senate State and Local Government Committee which rewrote the bill to require the Commission to do a study on real estate fraud in Tennessee. The General Assembly passed the legislation, which became Public Chapter 941, Acts of 2024. The Act directs the Commission to study

- the prevalence of real estate fraud in Tennessee,
- the different schemes used to perpetrate real estate fraud,
- the methods used by other states to combat real estate fraud, and
- the best practices for local government officials in registering documents related to real estate transactions.

Define the Problem

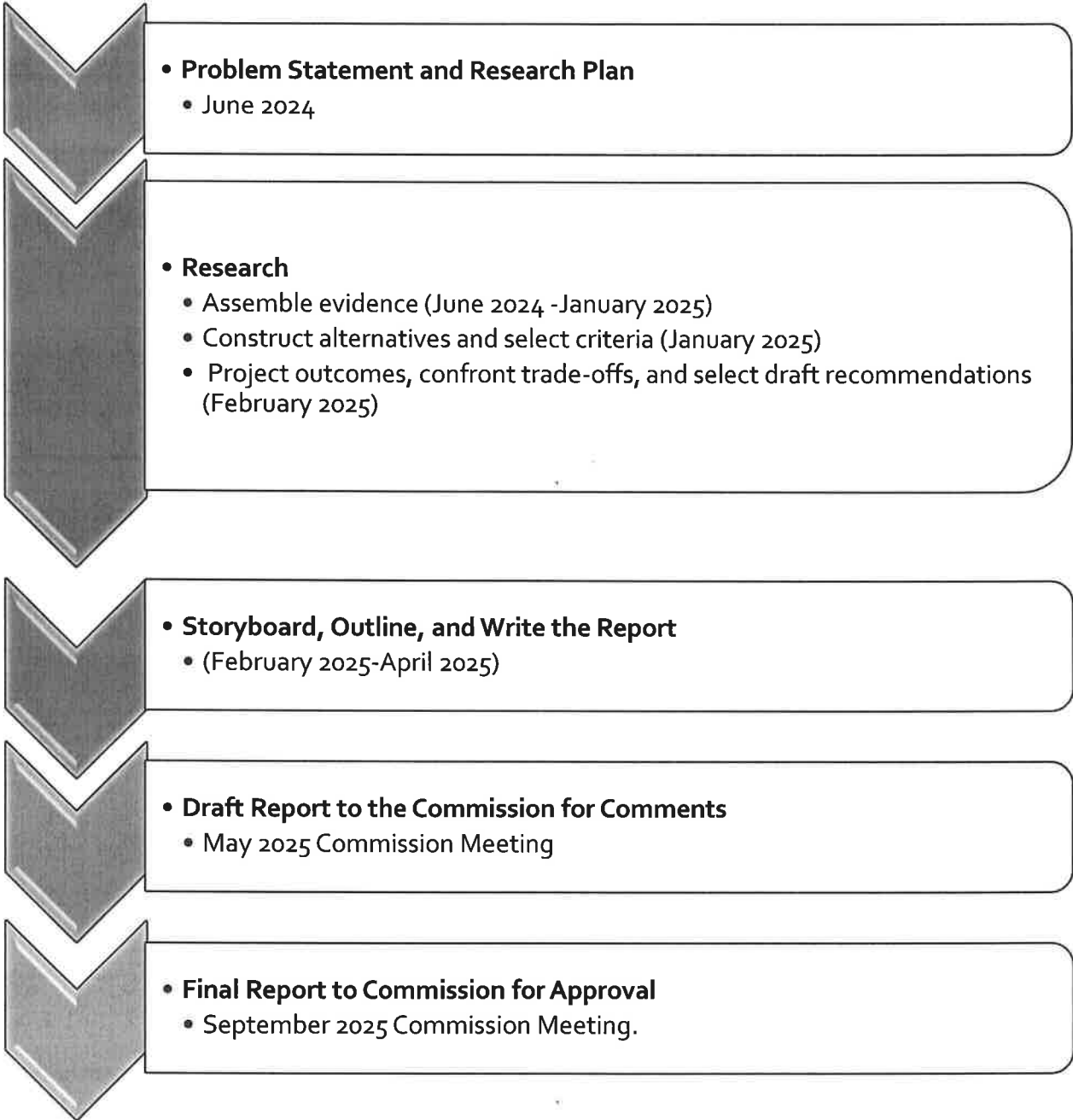
Across the state, individuals, particularly the elderly and even the deceased are falling victim to real estate fraud tactics. Scammers may convince vulnerable targets to transfer property to them, use threats, or forge the property owner's signature on a deed.

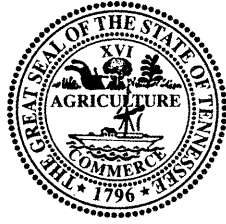
Assemble Some Evidence

- Review referred legislation, Public Chapter 941, Acts of 2024, to determine what it directs the Commission to study:
 - Interview the bill sponsors
 - Review committee hearings on the bill
- Interview stakeholders to determine what is driving this issue, such as
 - the Tennessee Real Estate Commission,
 - the County Officials Association of Tennessee,
 - Tennessee Municipal League,
 - Tennessee County Services Association,

- Tennessee Housing Development Agency,
 - the United States Department of Housing and Urban Development,
 - the Federal Trade Commission, Bureau of Consumer Protection,
 - the Tennessee Bureau of Investigation,
 - National Association of Realtors,
 - Tennessee Association of Realtors,
 - Memphis Area Association of Realtors,
 - Tennessee Apartment Association,
 - Tennessee Land Title Association,
 - Titlelock,
 - local elected officials,
 - district attorneys,
 - title companies.
 - registers of deeds,
 - property assessors,
 - real estate agents,
 - victims of real estate fraud or attempted fraud, and
 - real estate attorneys.
- Review Tennessee's statutes and regulations relevant to real estate fraud, property transfers, penalties for real estate fraud, and other topics useful to the study.
 - Review similar laws, regulations, and best practices from other states.
 - Review potential constitutional issues.
 - Review relevant federal statutes and regulations.
 - Review relevant literature.
 - Gather relevant data sets, including statistics on property and deed transfers, and cases of real estate fraud.

Proposed Research Timeline





State of Tennessee

PUBLIC CHAPTER NO. 941

SENATE BILL NO. 2448

By Akbari, Pody

Substituted for: House Bill No. 2215

By Parkinson, Russell, White, Terry, Chism, McKenzie

AN ACT to amend Tennessee Code Annotated, Title 4; Title 8, Chapter 13; Title 8, Chapter 16 and Title 66, relative to real property.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. The Tennessee Advisory Commission on Intergovernmental Relations (TACIR) shall conduct a study and compile a report to be submitted to the General Assembly on real estate fraud in this state. The study must investigate the prevalence of real estate fraud in this state, the different schemes used to perpetrate real estate fraud, the methods used by other states to combat real estate fraud, and the best practices for local government officials in registering documents related to real estate transactions. The report must provide a detailed summary of the study and provide suggested statutory revisions that are designed to reduce the risk of real estate fraud for property owners in this state.

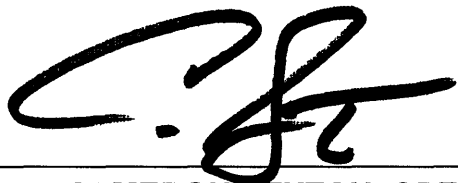
SECTION 2. This act takes effect upon becoming a law, the public welfare requiring it.

SENATE BILL NO. 2448

PASSED: April 22, 2024



RANDY McNALLY
SPEAKER OF THE SENATE



CAMERON SEXTON, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 6th day of May 2024



BILL LEE, GOVERNOR