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Attention HUD REO Contractors, Property Inspectors, Section 8 Administrators, and Realtors:

Watch out:  Sovereign Citizen Scams

The U.S. Department of Housing and Urban Development Office of Inspector General (HUD OIG) advises the public on how to recognize sovereign citizen occupation of a vacant property and the use of false deeds to support Section 8 leasing. Avoid putting yourself in danger or accepting fraudulent documents. This bulletin explains how to protect yourself as well as HUD’s interests.

What Is the Sovereign Citizen Ideology?

Sovereign citizen groups are loose associations of antigovernment extremists who do not recognize the Federal Government. They believe they are separate or sovereign from the United States and are exempt from Federal, State, and local laws and tax systems. They believe the county sheriff is the supreme law enforcement officer in the land and county clerks or registrars are the only legitimate elected officials. They subscribe to a belief in “common law” and their right to arrest or sue employees of the “illegitimate government.” They are known for filing nuisance lawsuits or liens against individuals who try to stop their schemes, which have involved in lender, credit card, tax, and loan frauds. They make their own driver’s licenses and license plates and sometimes attempt to form their own parallel institutions of government. Sovereign citizen encounters with law enforcement and government personnel frequently become confrontational and sometimes turn violent. The most extreme example of sovereign citizen violence was exhibited by Terry Nichols, coconspirator in the Alfred P. Murrah Federal Office Building bombing in 1995. The 2014 standoff between the Federal Government and a cattle rancher in Nevada also involved sovereign citizens and even more radical militia groups. The Federal Bureau of Investigation (FBI) and HUD OIG have noticed a resurgence of sovereign citizen fraud in HUD programs.
What Are the Scams?

Sovereign citizens have been investigated by HUD OIG for not only illegally occupying HUD properties, but also improperly deeding HUD-owned properties to themselves. These groups take advantage of State laws in most States that require county clerks to accept and file any quit claim deed presented to them as long as the forms are properly signed and fees are paid. No proof of ownership is required. It becomes the burden of the true property owner to go to court and clear the title. This process takes time and is costly. While a HUD real estate-owned (REO) property is being used by sovereign citizens, it is not uncommon for the sovereign citizens to change locks and install alarm systems. There are also instances in which a sovereign citizen has rented a HUD REO property to unsuspecting tenants. Over the last 4 years, HUD OIG has presented a number of investigations for prosecution, resulting in 20 convictions and criminal recoveries of more than $17 million.

Recently, it has come to the attention of HUD OIG that sovereign citizens have begun participating in the HUD subsidized Section 8 Housing Choice Voucher program as landlords, using properties that they do not own. They provide fraudulent deeds to housing authorities to establish ownership rights so they can participate as a landlord.

Sovereign citizens have also been active in foreclosure rescue schemes. Typically, they get defaulted homeowners to quit claim their deeds to them with the promise of stopping the foreclosure. Then they collect monthly payments from the homeowners, promising to return the deeds in the future. Desperate homeowners believe the lies. Eventually, banks evict the homeowners, and they have to contend with severely damaged credit histories.

How Am I Affected?

Your duties may bring you in contact with sovereign citizens who may unlawfully occupy houses you inspect or may fraudulently represent themselves as potential landlords for the Section 8 program. Unlike other “squatters,” sovereign citizens may retaliate if you confront them. They often file frivolous liens against you for huge penalties. While in most instances, you can get these claims dismissed, it takes time and money to do so. The claims may affect your credit or delay financial transactions. Further, engaging in a verbal argument with these individuals could spiral into a violent confrontation.

How Do I Recognize Sovereign Citizens?

They use elaborate names and symbols, which could include

- Names spelled in all capital letters or interspersed with colons, hyphens, or other odd punctuation.
- Signatures followed by “under duress,” “Sovereign Living Soul” (SLS), or a copyright symbol (©).
- Personal seals, stamps, or thumb prints in red ink.
- References to the Bible, the Constitution of the United States, U.S. Supreme Court decisions, treaties with foreign governments, or a Uniform Commercial Code (UCC) number (UCC-201).
- The prefix “Noble” or the suffix “Bey” or “El Bey” with their name.
- Brackets around zip codes or other written oddities that can be found in the two reports referenced in this bulletin.
Sample symbols:
A sample fraudulent quit claim deed containing common sovereign citizen changes to documents is shown below. Some identifying information has been redacted or replaced with illustrative data.
When sovereign citizens occupy a vacant property, they may post a warning notice or deed on the door or window. It is often written in legal gibberish. Examples are as follows:
For more details on recognizing sovereign citizens and their activities, see the FBI’s bulletin: [Sovereign Citizens: An Introduction for Law Enforcement](http://www.mschiefs.org/wp-content/uploads/2012/05/Sovereign_Citizens_Intro_For_LE.pdf)

### How Should I React if I Encounter a Sovereign Citizen in My Work?

If you feel that you are in danger, contact local law enforcement immediately.

If you suspect a sovereign citizen is engaged in a HUD fraud, report the individual to HUD OIG. Provide copies of documents or any information you obtain from the sovereign citizen to HUD OIG. Identifying information (such as name, address, phone number) is most helpful for HUD OIG, but any applications submitted to your office, driver’s licenses, deeds, or notices posted on property are helpful as well.

If you see a deed or a warning sign posted on the property, be aware that you may be dealing with sovereign citizens. If sovereign citizens meet you, they will probably warn you that you are trespassing and that you will be penalized. They may demand that you sign an oath or provide written signed proof of jurisdiction or may want to video the meeting.

- Avoid giving or showing identification.
- Do not attempt to debate the sovereign citizen about ownership or your right to inspect as it would serve no purpose.
- Do not take an assertive, aggressive, or threatening posture.
- Do not touch the person as he or she may file assault charges.
- Do not sign anything.
- Leave and report the incident to supervisors and HUD OIG.
If a sovereign citizen comes to your offices, follow the advice above and

- Have a staff member notify law enforcement that a sovereign citizen is present and you are going to get him or her to leave as quietly as possible.
- Let the sovereign citizen complete applications so identifying information can be obtained.
- Do not challenge documents, such as quit claim deeds or driver’s licenses, which often are issued by the Kingdom of Heaven or a nonexistent government.
- Do not announce any decisions or make any promises. Tell the sovereign citizen that you will contact him or her later.

File a report at HUD OIG’s Website (https://www.hudoig.gov/report-fraud) or call the appropriate Special Agent in Charge in the Office of Investigations. (https://www.hudoig.gov/about/where-were-located)