

How to Avoid Real Estate Scams Checklist

If you're looking to sell your house, learn how to spot and avoid predatory buyers (also known as wholesalers) by following this handy checklist.



Signs You're Dealing With a Wholesaler

Price Is Too High or Too Low

- Overpromises a high price compared to other homes in your area that need significantly less work
- Offers a ridiculously low price
- Offers low earnest money deposit that is refundable during inspection period

Contract Clauses

- Contract has an assignable contract clause that states the property can be assigned or resold
- Contract lists 'and or assigns, as Buyer' in the agreement between seller and buyer
- Contract states buyer may get compensation greater than purchase
- Contract contingency clauses state the sale is only valid if it sells within a certain time, the wholesaler can change price, or back out at any time

Shady Behavior or Psychological Warfare

- Puts high pressure on you to make the sale today
- Bait and switch: Offers a high 'vanity price,' but comes back with a much lower offer after problems magically appear during the inspection
- Badmouths the condition of your home and tries to convince you that your house isn't worth that much
- Tells you they have a buyer for this property
- Offers a kickback from the sale
- Wants to purchase your home without seeing it first or claims they live outside the country and can't be present at any point
- Escrow wire fraud: Tries to trick you into wiring the downpayment to the wrong place
- Asks for suspicious fees up front
- Continues to "update" the offer agreement after you've signed the initial contract
- Asks you to transfer over the deed to the house before the actual closing

To-Do

Do Your Due Dilligence

- Check for online reviews on Yelp or Google (Be weary of any company that has no new reviews in the last 90 days on any review platform)
- See if they have a website
- Check for Better Business Bureau accreditation
- Ask for proof of funds to make sure the sale is good
- Make sure you understand the contract
- Talk to a real person or meet in a safe place in person; scammers often hide behind online communication

Questions to Ask

- Are you a real estate wholesaler?
- Do you have a real estate license?
- How long have you been in business?
- Do you have Better Business Bureau accreditation?
- Are you flexible on move dates?
- Do you use standard purchase contracts?
- Do you intend to assign the sale to another buyer during escrow?
- Are you planning to advertise my property online?
- Can you share testimonials from other customers?

WARNING:

Once a seller is in a contract with a wholesaler, it's extremely difficult to get out. Since a contract is a legally binding agreement, you can be sued if you back out. This makes it extra important to learn how to identify the signs of a wholesaler.
