

Rental Fraud: The Problem, The Cause, And The Impact

The Problem:

Fraudsters are using AI and other high-tech tools to scam their way into apartments that would otherwise have gone to law-abiding families.

- 93% of housing providers have reported experiencing fraud (NMHC, 2024).
- Nationwide, roughly 1 in 20 rental applications submitted last year were fraudulent (Snappt, 2022).
- But in some high-demand cities and neighborhoods, between 14% and 50% of applications are flagged as fraudulent (Rodriguez, 2025).
- Rising rental fraud means higher rents for everyone. Mitigating a single case of rental fraud can cost up to \$25,000 additional costs for a housing provider (Morphy, 2024). But these costs can't always be absorbed by housing providers; they're often passed onto consumers, meaning that law-abiding renters ultimately foot the bill for rental fraud.

The Cause:

Artificial intelligence and other high-tech tools have made it easier for criminals to commit fraud while also making their attempts at fraud more convincing than ever before.

- "Synthetic identity fraud" is the fastest-growing type of fraud today. This occurs when criminals pair real information (such as a stolen social-security number) with fake information (such as an invented name) to apply for loans, credit cards, and even apartments. Additionally, when surveyed, experts identified synthetic fraud as the top threat for the next 12 months (Mastercard, 2025).
- Impersonation schemes – also known as third-party identity fraud – are also on the rise. This trend is driven by AI-generated "deepfakes," or realistic audio and video that criminals use to impersonate property managers and others, building trust with their victims before pressuring them to make quick decisions. Last year, deepfake fraud surged by 1,740%, amounting to roughly one deepfake attack every five minutes (Dhaliwal, 2025; Mastercard, 2025; Vakulov, 2025).
- The widespread availability of AI and other tools has led to the rise of "template farms," or criminal organizations that mass-produce fake pay stubs, fake employment verification, and even fake IDs. These fake documents are then used to support fraudulent applications for apartments (Rodriguez, 2025).

The Impact:

Rental fraud is imposing huge costs on law-abiding renters while also taking apartments away from families that need them.

- Rental fraud takes homes away from law-abiding renters. For every apartment taken by a scammer, there's one less apartment available for a law-abiding renter. Furthermore, depending on local laws, it can take months, even years, for a housing provider to take back a fraudulently rented apartment. During that time, the apartment is off the market, unavailable to families who need a home.

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- Rental fraud makes communities less safe. Nearly all housing providers screen applicants to ensure not only that they can afford the apartment but also that they're not a danger to their neighbors or the community. When criminals apply for an apartment using stolen or synthetic identities, they circumvent the screening and background-check process. That makes it harder for housing providers to keep violent criminals and other offenders out, endangering their neighbors and the broader community.
- Rental fraud has made it more expensive for law-abiding renters to search for apartments. Housing providers have been forced to invest in more sophisticated fraud-detection tools as fraud becomes more widespread. But these tools aren't cheap and can add to soaring operational costs.
- Rental fraud raises costs for housing providers. Fraudulent rental applications usually result in delinquencies, with roughly one-quarter of evictions stemming from rental fraud (NMHC, 2024). That means housing providers lose months (even years) of revenue while also incurring other costs, including legal costs and the cost to repair and remarket fraudulently obtained apartments (NAA, n.d.).

Policy Solutions

RETTTC believes technology is essential to protecting the financial viability and stability of rental housing communities. To address long-standing housing challenges, Congress and federal regulators must ensure housing providers can continue to leverage technology effectively.

In their efforts to address emerging AI technologies, policymakers risk restricting tools that have become integral to day-to-day business operations. AI is critical to efficient resident screening, yet recent policy proposals overlook the true drivers of housing affordability challenges, namely housing shortages and rising operating costs.

As legislation is developed, policymakers should prioritize innovation and a coordinated, forward-looking approach to fraud prevention. Federal, state, and local policies should preserve the ability of housing providers to use AI and other emerging technologies, enabling more efficient screening and safer communities.