

REAL ESTATE

Sovereign Citizen Deed Fraud Threatens Property Owners

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Participants in the Sovereign Citizen movement in the United States claim that, while they reside in the country, they are separate or “sovereign” from the government, and therefore immune to any exercise of governmental or judicial authority.

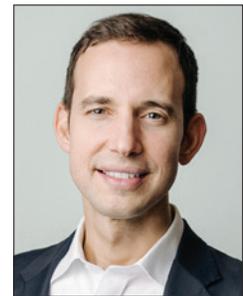
The FBI classifies the Sovereign Citizens as a domestic terrorism group. The movement is premised upon a pseudolegal doctrine, rooted in a fundamental misreading of common law principles, positing that an individual may unilaterally declare personal sovereignty and thereafter reside within a legal jurisdiction while remaining exempt from the authority of its governing institutions.

Through a vast corpus of pseudolegal texts, online manifestos and do-it-yourself guides advising others on “declaring sovereignty,” the movement has spread within and beyond the United States. Since the 1970s, the movement has been principally associated with tax evasion, frivolous lawsuits, and financial scams.

More recently, however, the Sovereign Citizens have begun exercising their “sovereignty”



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in a new way: by claiming ownership of other people’s homes, simply by recording a fraudulent deed in the real property records. These deed frauds are often perpetrated in the wake of a property foreclosure.

Since property owners do not typically monitor title records after purchasing their property, an owner may be unaware that a fraudulent deed has been recorded against its property for months or even years. Often, the fraud is only discovered when the owner attempts to sell or refinance, at which point a title search reveals the defect.

Upon discovery, the owner must initiate legal proceedings to quiet title. This process requires retaining counsel, filing suit, and potentially litigating the matter if the fraudulent claimant contests the action.

For property owners, this can result in significant legal fees, and more importantly, the cloud on title caused by the fraudulent deed may prevent the owner from completing a sale or securing financing, compounding the harm caused by the fraud.

In some cases, victims are targeted for the purpose of retaliation. Sovereign Citizens have been known to file fraudulent liens and deeds against judges, prosecutors, attorneys, or witnesses involved in prior legal proceedings against them. These “paper terrorism” tactics burden victims with the time and expense of clearing their titles, even when the filings have no legal merit.

The primary motive for fraudulent liens and deeds is typically financial gain. A recorded deed, even a fraudulent one, can create the appearance of legitimate ownership sufficient to deceive a lender.

Armed with such a deed, a Sovereign Citizen can obtain a loan secured by a mortgage on the property and disappear with the loan proceeds, leaving the true owner to discover the fraud only when the lender attempts to foreclose.

These schemes are possible because of the relative ease with which deeds can be recorded in some jurisdictions. In many jurisdictions, county recorders’ offices neither verify the validity of the documents they receive nor confirm whether a grantor is within the chain of title; their function is purely administrative.

A person with no legitimate claim to a property need only complete a deed form purporting to transfer ownership to a designee, have it notarized, and pay a modest recording fee. Once filed, the fraudulent deed becomes part of the official chain of title.

This vulnerability is compounded by the limited protection offered by notarization. Notaries verify the identity of the signer—not the truth of

the document’s contents or the legal status of the signer. Those willing to present false identification or forge signatures will encounter few obstacles. As a result, there have been several cases of deed and mortgage fraud reported in various news outlets perpetrated by Sovereign Citizens and others.

The success of these schemes raises the question of what can be done to prevent the potentially devastating effects of deed fraud. Several states have enacted or proposed legislation targeting deed fraud through the establishment of criminal penalties, civil enforcement mechanisms, and enhanced recording requirements.

Texas, through the passage of Senate Bill 1734 last year, has established a mechanism enabling property owners to challenge fraudulent deed conveyances.

Under this framework, an owner who believes a recorded document purporting to convey title or any other interest in real property is fraudulent may file an affidavit in the county real property records, along with a certificate of mailing sent to the grantor and grantee of the purported conveyance. If no controverting affidavit is filed within 120 days, the property owner may petition for judicial review, and the district court may rule on the petition *ex parte* based solely on the documentary evidence and public records, without testimonial evidence or notice. A document is presumed fraudulent if it is the subject of a criminal conviction for an offense under the Texas Penal Code or is accompanied by an uncontroverted affidavit of the owner.

California, by contrast, has focused primarily on notification rather than expedited judicial review. Under Senate Bill 255, which California enacted last year, every county in the state (except for Los Angeles County)

must implement a deed notification program by Jan. 1, 2027, requiring county recorders to mail notices to parties who have purportedly executed deeds, quitclaim deeds, mortgages, or deeds of trust within 30 days of recordation.

Counties may also establish electronic notification programs, expanding the means by which property owners can monitor activity affecting their properties.

Indiana is considering several different means of deterring and preventing deed fraud in proposed legislation that was introduced earlier this year—(i) House Bill 1125, which would designate the knowing recordation of a false or fraudulent deed as a deceptive act and would empower the state Attorney General to investigate and pursue civil enforcement actions against perpetrators, and (ii) and Senate Bill 253, which would allow recorders' offices to refuse to record suspicious deeds and would require recorders' offices to establish systems for sending notifications to property owners (of instruments recorded against their properties) and to notaries public (of instruments purported to have been acknowledged by them), would allow notaries public to refuse to perform notarial acts for individuals who have not provided sufficient proof of identity, and would impose certain security-related requirements on notaries (and on the secretary of state in administering the database of notaries).

Both of these Indiana bills would also permit victims to recover compensatory damages, punitive damages, and attorneys' fees. Together, these state-level initiatives reflect an emerging recognition that deed fraud requires both proactive measures (which are designed to prevent fraud or minimize its impacts) and reactive tools (such as penalties meant to deter fraud or compensate victims).

Local governments have developed their own fraud prevention infrastructure, often centered on notification systems that provide property owners with early warning of potentially fraudulent recordings.

New York City's Office of the City Register operates one of the more robust programs, combining a Notice of Recorded Document Program that automatically mails notifications when new documents are recorded against a property with active review of submitted documents and referral of suspicious activity to the Sheriff's Office for investigation.

Los Angeles County administers an Enhanced Homeowner Notification Program that similarly provides property owners an opportunity to review real estate documents recorded against their homes.

Beyond these major metropolitan areas, many counties across the country have partnered with software vendors to offer free property fraud alert services. These programs allow property owners to receive email or telephone notifications when documents are recorded using their personal or business name, serving as an early warning system that enables swift action even if fraud cannot be prevented outright. While notification programs do not substitute for substantive legal remedies, they represent an important layer of protection.

While states and local governments are making strides toward preventing and mitigating the effects of deed fraud, instances of deed fraud continue to occur. While some will seek to clear their titles through a quiet title action, real estate buyers and lenders may attempt to avoid quiet title suits with title insurance.

Title insurance is designed precisely to protect buyers and lenders from financial loss due to defects in title, including forgery and fraud. If a deed in the chain of title is fraudulent and the

title company is nonetheless willing to issue a policy without exception, the insured party obtains contractual protection: the title company is obligated to pay damages suffered by the insured and to cover the costs of litigating any resulting ownership disputes.

Owners' policies can protect against forgery, fraud, and other defects that existed prior to the policy date. However, while title insurance provides financial compensation, it does not automatically restore ownership or clear the defect from the record, which is typically the goal of the owner.

Notably, it is possible that title insurance will not adequately protect the insured in respect of financial loss either. Title insurance policies have coverage limits. If the fraud results in a total loss of the property, recovery is limited to the policy amount, which may not fully compensate a buyer, especially if the property has appreciated or if the buyer has made significant improvements.

Additionally, litigation with the insurer over coverage can itself be protracted and yield uncertain results. Finally, proceeding with knowledge of a fraudulent deed may undermine a buyer's or lender's status as a bona fide purchaser or good-faith lender, which can be critical to prevailing in a legal dispute. Under recording statutes and common-law doctrines, actual knowledge of a defect can strip a party of the protections otherwise afforded to innocent purchasers.

Deed fraud perpetrated by Sovereign Citizens represents a disturbing trend in real estate. The administrative nature of recording offices—designed to facilitate efficient land transactions—creates an opening that bad actors can exploit with minimal effort and little immediate consequence. While notification programs, enhanced recording requirements, and streamlined judicial remedies offer meaningful progress, no single measure can fully close this gap.

Effective prevention will require a layered approach: public awareness campaigns to encourage property owners to monitor their titles, stronger verification procedures at the point of recording or with respect to notarization, accessible and expedient legal remedies for victims, and consistent enforcement against perpetrators.

The most effective way to combat deed fraud would be greater vigilance and more thorough procedures by the recording office, so the fraudulent deeds and mortgages never hit the public records. Until recording systems evolve to incorporate more robust safeguards, property owners and their counsel must remain vigilant against the threat of deed fraud.

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