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Officials Step Up Fight Against Housing Fraud

By Rachel Nielsen

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Officials ranging from local investigators to the president have been talking up their measures to combat widespread fraud in residential real estate.

Moscow region police convened a news conference Thursday to discuss their efforts to crack down on crime in the collection of payments for building renovations. The same day, the regional government issued a blacklist of 30 property developers.

President Vladimir Putin also has jumped on the trend of fighting housing fraud. Earlier this month, he gave Prime Minister Dmitry Medvedev a deadline of Dec. 1 and instructed him to develop databases of swindled homebuyers who co-invested in the construction of their future apartments.

Putin ordered Deputy Prime Minister Dmitry Kozak to work with senior regional officials to compile databases of development sites that involve violations. He also asked Kozak

to determine by Feb. 1 how much money is needed to help the victimized homebuyers and where that funding will come from.

Sergei Shoigu has been hacking away at housing fraud since he became governor of the region this spring. Then-President Medvedev named him to replace Boris Gromov, making him the area's first new governor in 12 years.

Because it rings the capital and has an abundance of undeveloped land, the Moscow region is a hotbed of residential property development. Years of lax oversight, however, have given it one of the highest concentrations of defrauded homebuyers in the country.

Yelena Nikolayeva, a United Russia deputy who sits on the State Duma's housing committee, has released numbers suggesting that the Moscow region is tied with the Samara region, in southern Russia, for the greatest number of cheated buyers — about 5,800.

Alexander Kogan, chief of the Moscow region committee that released Thursday's blacklist, says the figure for his region is actually 20,000 people, RIA-Novosti has reported.

In one of the most common schemes, developers fail to complete construction of pre-sold apartments. In another ploy, owners of apartment buildings collect money for repairs and capital improvements they never carry out.

Moscow region police said there are nearly 1,500 housing management companies. About two-thirds are private, while one-third are owned and managed by municipal authorities.

Given the relatively large amount of money that apartment owners pay for housing management services — 7 billion rubles ($220 million) across the 1,500 companies — the opportunities for misappropriation are rampant.

In a statement e-mailed to reporters after Thursday's briefing, the Moscow investigators described a 2011 case in which a housing management executive in the Khimki district tricked homeowners into funding renovations of entrances that never materialized.

The 3.4 million ruble ($110,000) embezzlement resulted in a criminal case, the officers said.

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