



Los Angeles County
Sheriff's Department
Leroy D. Baca, Sheriff

Victim's Guide To Real Estate Fraud



Commercial Crimes Bureau
Real Estate Fraud Unit
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Real Property Crimes

Scam artists operate profitably in the complex world of real estate sales and loans. Criminals use false representations, fine print and obscure procedures to steal the equity in your home or to commit loan fraud. Theft by false representations is a crime! If you believe that you have been the victim of real property fraud, law enforcement wants to know. The Los Angeles County Sheriff's Department will investigate complaints of real estate fraud. If there is sufficient evidence to prove that a crime was committed, the Los Angeles County District Attorney will prosecute the offender. Here are a few of the more prevalent types of crimes being perpetrated in Los Angeles County.

Foreclosure Bailout Scam



Victims are lured by the premise of help for those who are "upside-down" and owe more on their home than it is worth. These homeowners are usually desperate and must either sell their home at a large loss or let the lender foreclose, severely damaging their credit. Often these "bailout" specialists target non-English speaking victims.

The "bailout" specialist tells the homeowner that banks prefer to take a loss on a loan rather than take the home back on a foreclosure and if the loan is insured by FHA, the bank is spared the headache of reselling the home. The homeowner is told he is being offered an opportunity to arrange for a "short sale" of the house that will have no effect on his or her credit rating.

The plan is usually for the homeowner to deed his or her house to the "bailout" specialist for a fee of between \$1,000 and \$2,500. The "bailout" specialist then either rents out the house or lets the now former homeowner live there for a modest rent. The "bailout" specialist does not arrange for the short sale and fails to make the payments on the mortgage, resulting in the foreclosure and eviction of the tenants.

The "bailout" specialist pockets the advance fee and all rental payments. On the surface it appears perfectly legal. A careful reading of the small print on the documents given to the victim may reveal warnings that his or her credit may suffer and that the "bailout" specialist is not bound to successfully procure a "short sale" or to reconvey the property.

Rental Fraud



Rental fraud scams involve the rental of homes that the con artist does not own. The con artist locates a vacant or abandoned house. It may be in foreclosure or perhaps a vacation home not in use. The con artist enters the house, changes the locks and advertises the property for rent, usually well below the market rental rate. An unsuspecting tenant pays a security deposit along with first and last month's rent and moves in. Rent is collected and pocketed by the rental fraud perpetrator. The true owner and lender do not receive a dime. When the fraud is discovered the tenant is evicted, losing his security and rental deposits.

Some crooks are so bold that they will rent a piece of property to several different tenants, collecting advance rents and deposits and then vanish. In a creative twist to this fraud some scammers claim that they hold legal title to the property under the old law of "adverse possession".

Be alert for possible rental fraud when utilities are held in the name of a third person, or when the landlord insists that the rent be collected in person without a receipt. Also be wary if legal notices are mailed or posted on the property and the landlord tells you simply to ignore them.

Home Equity Thefts



People who have built up equity in their homes are ripe targets for a variety of confidence games. High pressure home improvement contractors offer elderly homeowners unnecessary and overpriced home improvement on "easy" credit. Slick salesmen may offer to refinance the home at "attractive" interest rates to provide cash to the home owner and to pay off bills.

Victims report that they were asked to sign blank contracts, that they were not allowed to read the contracts before signing or that they were not given copies of the contracts. Only later does the victim realize that the contract contains terms completely different than what were promised.

Too often it turns out that the home improvement contract has "eaten up" all of the equity in the home. The homeowner learns that he has signed high interest mortgages with enormous loan fees. The homeowner may be faced with loan payments he cannot afford. "Attractive" loan payments cover the interest only. The principal is due in one "balloon" payment after a few years. When the "balloon" payment is due, the homeowner must take out another loan, paying additional fees and costs or risk losing his or her home through foreclosure.

Criminals may commit an outright forgery to gain control of loan proceeds contained in a home improvement contract, home sale or refinance.

Straw Buyer Scams



Scam artists find ways to cash out equity of real property entrusted to them using "creative financing". They may employ phony "straw buyers", crooked escrow agents, real estate appraisers or notary publics. The scam artist asks the "straw buyer" to sign loan papers using his or her good credit. The scam artist pockets the loan proceeds and fails to make the loan payments. The straw buyer may have committed both state and federal crimes. His or her credit is ruined and he is obligated to pay the loan amount.

Your best protection is to NEVER submit to pressure and to ALWAYS insist on getting financial or legal advice before you commit to a contract or loan. Remember you have a three day "cooling off" period in which to cancel a loan or contract. Use the time to think about the consequences of such a loan or contract.

What To Do

If you believe you are a victim of real estate fraud, please contact your local Sheriff Station, Police Station or District Attorney's Office. Prepare a written explanation of what occurred. Your explanation should include:

1. A brief overview of the events that took place.
2. The names, addresses and telephone numbers of the people and companies involved.
3. Copies of all documents you signed or that were given to you, including grant deeds, quitclaim deeds, trust deeds, reconveyance, assignment of deeds, notes, contracts, agreements, escrow instructions and statements.
4. Copies of cancelled checks, or money orders (both front and back) that you gave in payment or that were given to you as payments.
5. Please print your name, address and a daytime phone number.

For Additional Assistance Contact:

Los Angeles County Sheriff's Department
Fraud Detail/Real Estate Fraud Unit
11515 S. Colima Road, M-104
Whittier, CA 90604
(562) 946-7201

Los Angeles County District Attorney
Bureau of Investigation
Real Estate Fraud Unit
201 N. Figueroa Street, 16th Floor
Los Angeles, CA 90012
(213) 580-3334

Agencies & Organizations That Provide Help

California Department of Real Estate

320 W. 4th Street, Suite 350
Los Angeles, CA 90013
(213) 897-3399

The Department of Real Estate licenses, regulates and investigates complaints about real estate brokers, salespersons and some mortgage brokers and escrows.

California Association of Realtors

525 S. Virgil Avenue
Los Angeles, CA 90020
(213) 739-8200

The Association has listings for local Realtor associations throughout the Los Angeles County area.

Los Angeles County Bar Association

P.O. Box 55020
Los Angeles, CA 90055
(213) 243-1525

The Bar Association can help consumers find lawyers that deal specifically with real estate cases.

Department of Corporations

Financial Services Division
320 W. 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500

DOC regulates some escrow companies and the sale of securities, such as fractionalized deeds of trust and verifies the licenses of mortgage bankers.

Department of Insurance

Underwriting Services Bureau
300 S. Spring Street
Los Angeles, CA 90013
(800) 927-4357
(213) 897-8921

The Department of Insurance regulates title insurance companies and examines complaints about the insurance business. If you have a complaint involving title to property, you may first file a claim with your title insurer.

Contractor's State license Board

P.O. Box 5000
Buena Park, CA 90622-5000
(800) 321-2752
(714) 736-3021

The Contractor's State License Board investigates complaints involving contractors and mechanics liens.

Los Angeles County Department of Consumer Affairs

Kenneth Hahn Hall of Administration
500 W. Temple Street, Room B96
Los Angeles, CA 90012
(800) 973-3370

The Department of Consumer Affairs can assist with complaints of real estate fraud, rental fraud and other consumer issues.

Bet Tzedek Legal Services

145 S. Fairfax Avenue, Suite 200
Los Angeles, CA 90036
(323) 939-0506

Legal Aid Foundation of L.A.

1102 Crenshaw Boulevard
Los Angeles, CA 90019
(213) 801-7989