

Los Angeles County District Attorney's Office

Responses to Preventing Foreclosures and Foreclosure Rescue Fraud

1. Types of Foreclosure Rescue Fraud Cases Being Investigated

- **Home Equity Sales Contract Fraud:** Suspects convince homeowners to grant title of the property to them and pay them rent. Suspects usually promise to return property back to the victims in a year or two when their credit is improved. Suspects either take out loans against the property or sell the property and pocket the equity.
- **Mortgage Foreclosure Consultant Fraud:** Suspect contacts homeowner whose home is in foreclosure and claims to be able to assist in delaying or preventing foreclosure by obtaining new financing. Suspect instructs homeowner to transfer title of property to an individual (suspect or suspect's accomplice) who can qualify for new financing. Suspect obtains new loan including all equity. Usually within months, the homeowner receives a notice of default in the mail and the suspect has already absconded with sales proceeds.
- **Bankruptcy Fraud:** Suspects file fraudulent bankruptcy cases using a fictitious business and/or trust using fractionalized deeds. Homeowners pay a monthly fee to the suspects while foreclosure is being delayed because of the bankruptcy proceedings. When a fraudulent bankruptcy case is dismissed, suspects file another fraudulent bankruptcy case.
- **Loan Modification Fraud:** Suspects charge an upfront fee and/or monthly fees to negotiate with lenders on the behalf of the homeowners. Typically, they provide no service or minimal service and just take the money.
- **Forged Reconveyance Fraud:** Suspects file a forged reconveyance on a property, making it appear that the property is owned free and clear. Suspects encumber the property with a new loan and run off with the new loan proceeds.
- **Rent Skimming:** Trespassing on vacant property and renting to unsuspecting tenants.

2. How Are We Addressing the Crisis

- Cases are investigated where there are a significant number of victims and losses. Consideration to investigate a case is also based on the facts of a complaint submitted to our office for review.

- The Los Angeles County Real Estate Fraud Task Force meets monthly and shares information on current trends and cases being investigated. The task force has been in existence for approximately ten years. The task force is comprised of the following agencies: Department of Real Estate, County Department of Consumer Affairs, County Registrar Recorder, Los Angeles Police Department, Los Angeles County Sheriff's Department and County Assessor. Other law enforcement/county agencies also attend the task force meetings.
- We coordinate with outside agencies to investigate cases that have multiple victims in various jurisdictions.

3. Type of Scams

- Phony counseling: Scam artists convince homeowners that they can negotiate a deal with lenders. Once they collect the fee, they take off.
- Rent-To-Buy Scam/Rent Skimming: Suspects convince homeowners to grant title of the property to them and pay them rent. Suspects usually promise to return the property back to the victims in a year or two when their credit is improved. Suspects either take out loans against the property or sell the property and pocket the equity. Suspects benefit from rent money and the equity they stole.
- Bankruptcy Foreclosure: Suspects file fraudulent bankruptcy cases using a fictitious business and/or trust using fractionalized deeds. Sometimes scam artists file bankruptcy in homeowners' names – sometimes without their knowledge. Often attorneys are involved in this scam.

4. Challenges

- Thousands of complaints are received throughout the county annually and due to limited personnel (e.g. detectives, prosecutors, etc.) many cases are often not investigated.
- Cases investigated are often complex and labor intensive.
- Many of the companies have gone out of business that have the records to prove the crime (e.g. Title Company, Escrow Company, financial institution, etc.).

5. Tools or Resources Needed

- Additional investigators and prosecutors.
- Continue Community Outreach Programs to educate the public on what government programs are available to assist them.
- Enhance current statutes with greater punishment (longer prison sentences) and reconvey clear title through the criminal process thus returning the property to the original owner.
- Greater regulatory oversight and accountability over all of the players involved in all real estate transactions (e.g. Appraisers, loan brokers, title companies, etc.) .
- Improve the manner/verification in which records for recordation are accepted.
- Restrict access to real estate records by the general public (Need-to-Know/ Right-to-Know).