



El Dorado County District Attorney's Office

2021-2022 Real Estate Fraud Program Annual Report

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County of El Dorado

Prepared by Investigator Ted Horlbeck

PROGRAM SUMMARY:

The Real Estate Fraud Program, under the guidance of El Dorado County District Attorney Vern Pierson, is dedicated to investigating and criminally prosecuting individuals and companies for fraudulent activity connected to real estate transactions. These include loan fraud, notary fraud, mortgage and loan modification fraud, identity theft and forgery in connection with real estate transactions, grand theft, fraudulent transfers of property and financial elder abuse in real estate transactions. The Real Estate Fraud Program is comprised of Chief Investigator Jeff Dreher, Supervising Investigators Bryan Kuhlmann and Joe Ramsey, Investigator Ted Horlbeck, Assistant District Attorney James Clinchard, assigned Deputy District Attorney's, and support staff personnel.

Investigator Ted Horlbeck worked the entire fiscal year 2021/22 in the Real Estate Fraud Program. As of June 30, 2022, a total of 13 cases have been reported to and investigated by the El Dorado County District Attorney's Office.

The El Dorado County District Attorney Office's ongoing outreach and awareness of vacation rental fraud in the South Lake Tahoe area continues to produce effective results. For the second consecutive year there were NO reported cases. The Office is currently working on updating its Vacation Rental Fraud public service announcement video which, when completed, will be available for viewing on its website and various social media platforms. The Real Estate Fraud "Tips & Resources" brochure and the Vacation Rental Scam Warning Flyer continue to be available in the front lobby of the District Attorney's Office and on its website.

On August 14, 2021, the Caldor Fire erupted in the Grizzly Flats area. Over the course of 69 days, 221,835 acres burned, 50,000+ residents were evacuated, and 1,003 structures were destroyed. In response to the fire, the Real Estate Fraud Program created a Fraud Warning letter that was posted on social media to assist fire victims.





Following the fire, the Caldor Fire Local Assistance Center was opened by the California Office of Emergency Services. Investigator Horlbeck was part of a large contingent of District Attorney's Office personnel who represented the Office at the Center. Their purpose was to provide real estate related assistance to fire victims while also warning them about potential scam targeting them during their clean-up and rebuilding process.

While maintaining its commitment to keeping the citizens of El Dorado County informed, the District Attorney's Office used its social media presence by utilizing Facebook to post educational and preventive information related to real estate fraud. This year, the Real Estate Fraud Program prepared and posted six articles focused on a variety of topics associated with real estate fraud and its warning signs. Additionally, District Attorney Pierson, Deputy District Attorney Jodie Jensen, and Investigator Horlbeck made a presentation at the August meeting of the El Dorado County Board of Realtors. Investigator Horlbeck and other members of the Real Estate Fraud Program also met with personnel from the El Dorado County Assessor's Office to establish avenues of communication for better reporting of potential real estate fraud discovered by their office.

The number of Notice of Default's by homeowners between 7/1/21 and 6/30/22 was 177, an increase of 38% from the 128 reported in FY 2020/21. The number of Notice of Trustee Sale's this year was 111 which represents a 79% increase from the 62 reported last year. Over the past three years however, the county has seen a consistent decrease in these numbers. The number of Notice of Default's has dropped 28% from 247 to 177. Likewise, the number of Notice of Trustee Sale's has dropped from 150 to 111 which represents a 26% decrease.

According to the California Association of Realtors, the median price of homes sold in El Dorado County in March of this year was \$750,000. This represents a 13% increase from the median price in March 2021, of \$652,500. As the country continues to adjust to and learns to live with Covid-19, both the economy and the housing market are adjusting as well. Housing prices seemed to have leveled off recently and the economy is dealing with rising inflation and interest rates.

FY STATISTICS RELATED TO FORCLOSURES

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Notice of Defaults:	247	128	177
Notice of Trustee Sales:	150	62	111

FY STATISTICS REQUIRED UNDER GC 27388

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Cases Filed:	2	1	0
Cases Investigated:	16	7	13
Number of Victims:	22	9	15
Total Monetary Losses:	\$650,000.00	\$400,000.00	\$525,847.32
Total Funds Received in Trust:	\$112,677.25	\$103,543.21	\$95,709.99
Total Funds Expended From Trust:	\$81,096.05	\$38,264.00	\$27,901.01
Adjusted Ending Balance For 6/30/22:	\$430,719.17	\$495,998.38	\$602,919.12

FY CUMULATIVE STATISTICS INCLUDING OPEN CASES FROM PRIOR YEARS

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Number of Cases Filed:	2	1	0
Number of Cases Investigated:	16	7	13
Number of Search Warrants:	3	1	0
Number of Arrests:	4	0	0

PROGRAM RECCOMENDATIONS:

The El Dorado County District Attorney's Office, by virtue of the Real Estate Fraud Program, stays committed to its ongoing community outreach efforts to keep the public informed and educated. As in years past, the El Dorado County District Attorney's Office once again had a presence at the El Dorado County Fair that ran from June 16-19, 2022.

Furthermore, the El Dorado County District Attorney's Office continues to work collaboratively with all local, State, and Federal agencies to better serve the citizens of El Dorado County to address their real estate fraud concerns and investigate all cases reported. Moving forward in fiscal year 2022-2023, the El Dorado County District Attorney's Office will strive to improve its outreach efforts to include the following:

- Continue/increase social media presence to better serve citizens of El Dorado County.
- Complete (in-progress) billboard advertisement project in El Dorado County associated with real estate fraud.
- Continue to develop office protocols to allow real estate funds to bolster other investigations wherein real estate fraud is a component but not the main focus.

The El Dorado County District Attorney's Office hopes that its ongoing community outreach efforts will not only continue to provide education to its citizens but increase the number of real estate fraud related cases reported within the county.

HIGHLIGHTED CASE SUMMARIES FOR FY 2021/2022

017-0247425

This case was reported by an attorney who was holding money for a client for a real estate deal in Hawaii. The attorney received instructions related to an electronic wire transfer of the funds and later learned/believed that he had been scammed and that he was the victim of wire fraud in the amount of \$75,600. Contact was attempted repeatedly with the attorney with negative results. After further investigation, it was determined that none of the parties associated with this case had a nexus to El Dorado County.

Case Status: Closed

017-02461669

This case involved two individuals who had purchased a piece of property together several years ago. One of the parties alleged that a loan modification document had been recorded and that his signature had been forged. The investigation revealed that the document in question had not been recorded and that there was no evidence to support the forgery allegation. It was determined that there was no crime committed.

Case Status: Closed

017-0248666

This case was reported by the wife of a married couple who alleged her husband executed a fraudulent property transfer wherein she had been removed from the property deed. The wife further alleged that her husband exercised rights granted to him by a Power of Attorney that she was not aware of. The investigation found that the property in question had been owned by the husband prior to the marriage which gave him the authority to legally remove her from the deed. The investigation also found that the Power of Attorney was legitimate and had been signed by the wife at the time they were married. No crime was committed in this case.

Case Status: Closed

017-0246139

This case involved a dispute amongst two property owners over a property easement and an allegation of fraud and misrepresentation on behalf of one of the parties. The dispute began when property adjacent to the complainants was purchased, and the new owner started to make changes. The reporting party alleged easement violations which were unable to be substantiated. This case was deemed to be a civil dispute with no crime being committed.

Case Status: Closed

017-0083342

This case was carried over from the previous year due to the ongoing investigation. The suspects in this case own a construction business and were hired by the victim to complete a large-scale remodeling project. The victim, after being billed for and paying the bulk of the agreed upon amount, was asked for more money by the suspects even though the project was only half completed. When the victim refused, the contractor abandoned the job. The victim alleges that the funds paid to the suspect were diverted to fund other construction projects which resulted in theirs not being completed. During the preliminary investigation, two other victims have been identified all alleging the same practice of the suspects diverting funds. The total loss among the four victims is approximately \$200,000.

Case Status: Investigation completed and submitted for review and charging.

017-02466144

This complaint involved a property dispute amongst a divorced couple. The complainant alleged her ex-husband committed multiple crimes involving jointly owned property. The investigation found that no crimes had been committed, that all the allegations were unfounded, and that the complaint was driven by revenge stemming from a messy divorce.

Case Status: Closed

017-0242272

This case was forwarded to the El Dorado County District Attorney's Office by the South Lake Tahoe Police Department (SLTPD). The complainant, while searching for a vacation rental property, responded to a property advertisement on Craigslist but soon learned that it was fraudulent and filed an online report with the SLTPD. Investigation into the matter found that the subject behind the fraudulent property advertisement is believed to be in the San Diego area but his exact location and identity has not been confirmed. No crime committed, attempt only.

Case Status: Pending

017-0250266

This case involves the recording of fraudulent transfer deeds of property owned by the complainant into a joint trust of persons unknown to the complainant without their knowledge or permission.

Case Status: Pending

Attachment 'A'

FY 21/22 Real Estate Fraud Summary SRF 2270762/CASH 12220362 (through July 07, 2022)

Description	Amount	Comments
Beginning Cash Balance	\$ 535,110.14	2020/2021 Year-End Cash Balance
Revenue	\$ 93,295.80	Recording Fees @ \$2 rate
Revenue	\$ -	Micrographics
Prior Year Adjustment	\$ -	
Interest	\$ 2,414.19	
Total Revenue:	\$ 95,709.99	
Total Available Cash:	\$ 630,820.13	
FY 21/22 Q1-Q2 Expenditures	\$ 14,983.50	Not submitted yet
FY 21/22 Q3 Expenditures	\$ 3,890.89	Not submitted yet
FY 20/22 Q4 Expenditures (Estimated)	\$ 9,026.62	Not submitted yet
Total Expenses:	\$ 27,901.01	*\$.01 rounding variance
Ending Cash Balance:	\$ 602,919.12	Beginning cash balance plus total revenue minus total expenses

EL DORADO COUNTY REAL ESTATE FRAUD PROSECUTION ANNUAL EXPENDITURE REPORT, 7/1/21-6/30/22

	YTD	Budget	Variance
I. Salary	21,579.71	54,879.00	33,299.29
II. Benefits	4,173.79	4,721.00	547.21
Total Salary and benefits	25,753.50	59,600.00	33,846.50
III. Direct Operating Expenses			
Telephone	418.11	480.00	61.89
Memberships	-	-	0.00
Staff Development	-	-	0.00
Professional Services	-	-	0.00
Computer Equipment	-	-	0.00
Transcription	-	-	0.00
Transportation/Travel	350.00	-	(350.00)
Office Expense	62.91	-	(62.91)
Rent/Lease	131.25	175.00	43.75
Special Dept Expenses	529.45	-	(529.45)
General Liability	50.00	50.00	0.00
Fleet Vehicle Mileage/Fuel (Hornbeck)	605.79	5,135.00	4,529.21
Total Direct Operating Expense	2,147.51	5,840.00	3,692.49
Total Costs	27,901.01	65,440.00	37,538.99

Trust Fund Beginning Balance as of July 1, 2021	\$ 535,110.14
Revenue from Recorded Documents	93,295.80
Interest	2,035.34
Interest - Unposted	<u>378.85</u>
Unadjusted Ending Balance as of June 30, 2022	630,820.13

Total <u>Estimated</u> Expenditures FY 21/22	<u>27,901.01</u>
Adjusted Ending Fund Balance	<u>\$ 602,919.12</u>