

Real Estate Fraud Prosecution Trust Fund Committee Annual Meeting Minutes: FY 2019/2020

DATE: July 16, 2020

ATTENDEES:

Don Semon – Department of Health & Human Services
(*voting member*)
Joe Alexander – Chief Assistant District Attorney
Jeff Dreyer – Chief DA Investigator
Erin Tognetti – Deputy District Attorney, District Attorney’s Office
Richard Pesce – Supervising Investigator, District Attorney’s Office
Ted Horlbeck – Investigator, District Attorney’s Office
Kimberly Beal- El Dorado County Association of Realtors
Kerri Williams-Horn, Chief Fiscal Officer, CAO’s Office (proxy for CAO Ashton)
Vern Pierson – District Attorney (voting member)
Mike Cook – Lieutenant, Sheriff’s Department (proxy for Sheriff D’Agostini)
Justene Cline – CAO’s Office
Savannah Broddrick – District Attorney’s Office

Absent Member(s):

John D’Agostini – Sheriff, El Dorado County Sheriff’s Office (voting member)
Don Ashton – CAO, El Dorado County (voting member)
James Clinchard – District Attorney’s Office
Shaneen May – District Attorney’s Office

CALL TO ORDER: 2:39 PM

DISTRIBUTION OF AGENDA AND ANNUAL REPORT FY 2019/2020

Chief Assistant District Attorney Joe Alexander welcomed everyone. Roundtable introductions were made.

FY 19/20 EXPENDITURE REPORT:

- Discussion: Kerri Williams-Horn reviewed the FY 19/20 Real Estate Fraud Summary. Total revenue of \$112,677.25 and expenses of \$80,727.96.

Trust Fund Beginning Balance as of July 1, 2019 \$ 399,137.97

Revenue from Recorded Documents	103,104.00
Interest	<u>8,676.40</u>
Total Revenue	\$112,677.25
Total Expenditures FY 19/20	<u>\$ 80,727.96</u>
Adjusted Ending Fund Balance	<u><u>\$ 431,087.26</u></u>

- Vote approving transfer of \$80,727.96 from Trust Fund:
 - Motion by: Joe Alexander (proxy for DA Pierson)
 - Second by: Don Semon
 - Approved by all voting members
- This Report is scheduled on the Consent Calendar for the Board of Supervisors Meeting on August 4, 2020.

RECORDING FEE:

- Kerri Williams-Horn suggested continuing the reduced \$2.00 recording fee rate as the fund appears to be maintaining sufficient cash to operate investigative and prosecutorial services. Even with the goal to reduce the accumulation of cash with the fee reduction, it ended up bringing in additional revenue than the year prior due to COVID and low billed salary hours.
- All committee members agreed to the continuation of the \$2.00 recording fee.
- Kimberly Beal further advised there are no foreseeable major changes to the Real Estate market, keeping in mind the development of the COVID-19 pandemic.

DISCUSSION / REVIEW OF CASES:

DAI Horlbeck discussed and summarized the 2019-2020 Real Estate Fraud Program:

- The number of cases reported to the District Attorney's Office during FY 19/20 is status quo to the number of cases reported during FY 18/19.
- However, due to the COVID-19 pandemic, the office did experience a slight decrease in the number of cases between the months of March and June 2020.
- COVID-19: Due to the Coronavirus (COVID-19) pandemic, Investigator Horlbeck's work hours were greatly reduced during the latter part of the fiscal year as he adhered to both state and county protocol and quarantined at home for a significant period of time.

- Vacation Rental Scams: Discussion of consistent reduction of South Lake Tahoe vacation rental scams being reported. This year, there were three reported cases involving fraudulent Craigslist ads. The DA's office continues to enjoy a good working relationship with Craigslist to combat fraudulent listings. DAI Horlbeck discussed one case showing that our office continues to take an aggressive approach towards rental scams. The case carried forward from last year that combined with one reported this year due to them having a common suspect. Over the course of a lengthy investigation that involved multiple search warrants, the suspect has been positively identified and located in New York. This investigation is ongoing.
- Case No. 2017-065: Continuing case from 2018-2019. Case involves three suspects operating a foreclosure rescue delay scam. Homeowners paid rent to suspects for approximately a year and were later evicted by new home owner after home was foreclosed and legally sold at auction. In October 2019, California Attorney General Xavier Becerra announced the indictment and arrest of the suspects on a 121-count felony indictment for operating a mortgage fraud scheme throughout California. This resulted in a combined loss of over \$7 million. Suspects currently await trial.
- Case No. 18-05-003874: Continuing case from 2018-2019. The suspect in this case is a licensed California Real Estate Appraiser who filed a false Uniform Commercial Code Financing statement against three employees of the California Bureau of Real Estate Appraisers (BREAA). Both defendants were charged with (3) felony counts of filing false documents and failed to show for their arraignment. Arrest warrants have been issued and the El Dorado County District Attorney's Office is working with the US Marshals and Canadian authorities to facilitate apprehension.
- Case No. 2019-008: Continuing case from 2018-2019. Case involves a victim who rented a vacation property in South Lake Tahoe from Craigslist ad only to eventually find out it was a scam. The victim transferred \$2,100 to the suspect electronically by using the app called Zelle as requested by the suspect. Zelle allows electronic money transfers using phone numbers and email addresses. The victim was unable to recoup her loss through her bank. Multiple search warrants have been written for this case.
- Case No. 017-0083342: 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 course of the preliminary investigation, three 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 No. 19-06-003082: This case was carried over from the previous year due to the ongoing investigation and collaboration with the California Department of Business Oversight. The suspect in this case is alleged to have offered or sold securities, in the form of promissory notes-investment contracts, in order to raise money to grow medical cannabis on an Indian reservation in Canada. The victim invested \$20,000 and was promised a return of \$250,000 within 60 days. The suspect represented to the investors that the sale of the cannabis would generate the revenue however, has returned no money to the victim well beyond the agreed upon time frame despite the fact that the victim has requested her principal back plus profit on numerous occasions. The suspect was charged with and subsequently arrested for grand theft. The suspect pled guilty to the charge and was ordered to pay restitution for the full amount of the victim's loss.

OUTREACH:

- Ongoing outreach and awareness of rental scams continues to produce effective results.
- Continuing efforts to educate and inform the public by enhancing social media outreach presence by creating a Twitter account in addition to its already existing Facebook account. The office plans to utilize both of these networking sites to post educational and preventative information related to real estate fraud. Visitors to these Sites will also be provided with links that will allow them to view the El Dorado County District Attorney's Office Vacation Rental Scam public service announcement, the Real Estate Fraud "Tips Resources" brochure and the Vacation Rental Scam Warning Flyer. Copies of the brochure and flyer are available to the public in the front lobby of the DA's office, County Recorder's Office, and at both the El Dorado County and El Dorado Hills Chamber of Commerce offices.
- The DA's office is once again partnering with Craigslist to create an ad on their website for a vacation rental property that when accessed, redirects the visitor to the District Attorney's Office website for information on rental fraud.
- The Real Estate Fraud Program is preparing a press release addressing Escrow Wire Fraud that will be sent out to local Realtors and posted on the District Attorney's Facebook page.
- The DA's Office is working with the California Department of Real Estate to disperse a Consumer Alert they drafted focusing on fraud warning signs for homeowners experiencing financial distress associated with the corona virus pandemic.
- El Dorado County Fair: Typically, DAI Horlbeck is available to provide brochures, flyers, and his business cards at the Annual Regional event wherein the DA's Office hosts a *Fraud Awareness* Booth staffed by DA personnel. Unfortunately, the 2020 County Fair was cancelled due to the COVID-19 pandemic.

- For the upcoming fiscal year 2020/2021, the DA's office will strive to improve its outreach effort to include the following:
 - Partner with Craigslist for vacation rental advertising and education.
 - New direction the District Attorney's Office would like to take moving into the next fiscal year is the addition of billboards along the HWY 50 corridor. The billboards are expected to enlighten the public of fraud awareness. Being that most travelers head up to South Lake Tahoe for vacation, Vacation Rental Fraud will certainly be advertised.
 - Continue to develop office protocols to allow real estate funds to bolster other investigation wherein real estate fraud is component but not the main focus.

MEETING ADJOURNED: 3:01 P.M.