



# El Dorado County District Attorney's Office

2019-2020  
Real Estate Fraud Program  
Annual Report

*Vern Pierson*  
District Attorney  
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 Investigator Richard Pesce, Investigator Ted Horlbeck, Assistant District Attorney James Clinchard, an assigned Deputy District Attorney, and support staff personnel.

Investigator Ted Horlbeck worked the entire fiscal year 2019-2020 in the Real Estate Fraud Program. As of June 30, 2020, a total of 16 cases have been reported to and investigated by the El Dorado County District Attorney's Office.



It should be noted that 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 protocols and quarantined at home for a significant period time.

The El Dorado County District Attorney Office's ongoing outreach and awareness of rental scams continues to produce effective results. This year, there were three reported cases involving fraudulent vacation rentals in the South Lake Tahoe area equaling the number reported in FY 17/18 and FY 18/19. Once again, all of the cases originated from fraudulent Craigslist ads. The District Attorney's Office continues to enjoy a good working relationship with Craigslist to combat fraudulent listings.

The District Attorney's Office continues to take an aggressive approach towards these rental scam matters. For example, one case that carried forward from last year was 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.

In its continuing efforts to educate and inform the public, the El Dorado County District Attorney's Office enhanced its social media outreach 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 District Attorney's Office, at the County Recorder's Office, and at both the El Dorado County and El Dorado Hills Chamber of Commerce offices.

Furthermore, the District Attorney'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.

Additionally, 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 District Attorney's Office is also 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 coronavirus pandemic. The fear is that loan modification and foreclosure rescue scams may start to surface again targeting vulnerable consumers.

The number of Notice of Default's by homeowners between 7/1/19 and 6/30/20 was 247, a decrease of 25% from the 325 reported in FY 18/19. The number of Notice of Trustee Sale's this year was 150 which represents a 22% decrease from the 193 reported last year. Over the past three years the county has seen a consistent decrease in these numbers. The number of Notice of Default's has dropped 28% from 343 to 247. Likewise, the number of Notice of Trustee Sale's has dropped from 216 to 150 which represents a 30% decrease.

Prior to the Covid-19 pandemic, both the economy and the housing market were healthy. It is unknown if the crisis itself or the action taken by the federal government by having implemented a moratorium on foreclosures and directing mortgage servicers to offer forbearances or reduced payments on mortgages had any effect on the foreclosure related numbers reported during this fiscal year.

**FY STATISTICS RELATED TO FORCLOSURES**

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Notice of Defaults:	343	325	247
Notice of Trustee Sales:	216	193	150

**FY STATISTICS REQUIRED UNDER GC 27388**

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Cases Filed:	3	2	2
Cases Investigated:	16	14	16
Number of Victims:	20	16	22
Total Monetary Losses:	\$724,040.00	\$879,400.00	\$650,000
Total Funds Received in Trust:	\$122,543.81	\$160,745.00	\$112,677.25
Total Funds Expended From Trust:	\$72,191.01	\$58,007.82	\$80,727.96
Adjusted Ending Balance For 6/30/20:	\$350,400.79	\$399,137.97	\$431,087.26

**FY CUMULATIVE STATISTICS INCLUDING OPEN CASES FROM PRIOR YEARS**

	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Number of Cases Filed:	3	2	2
Number of Cases Investigated:	16	14	16
Number of Search Warrants:	6	5	3
Number of Arrests:	1	0	4

**PROGRAM RECCOMENDATIONS:**

The El Dorado County District Attorney's Office, by virtue of the Real Estate Fraud Program, stays committed to its on-going community outreach efforts to keep the public informed and educated. The El Dorado County District Attorney's Office had planned to once again be represented at the El Dorado County Fair however the fair was canceled due to the pandemic.

Furthermore, the El Dorado County District Attorney's Office continues to work collaboratively with all local, State, and Federal agencies in an effort 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 2020-2021, the El Dorado County District Attorney's Office will strive to improve its outreach efforts to include the following:

- Partner with Craigslist for vacation rental advertising and education.
- Create billboard advertisements in El Dorado County associated with real estate fraud and vacation rental scams.
- 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 2019/2020

### DAI Ted Horlbeck / 2017-065

This case was carried over from the previous year. It involves three suspects operating a foreclosure rescue delay scam. They convinced a property owner in El Dorado Hills, whose property was in foreclosure, to deed their property to them on the promise they would work things out with the bank. The homeowners in turn paid rent to the suspects for approximately a year and then had to be evicted by the new owner when their home was ultimately foreclosed on and legally sold at auction. The suspects then recorded three fraudulent Deeds of Trust to encumber the property belonging to the new owner. The investigation revealed the suspects were operating a large scale foreclosure rescue delay scam that involved 45 properties within and out of the State of California. The Attorney General's Office conducted a concurrent investigation.

Status: Case completed and turned over to the Attorney General's Office to be prosecuted at the federal level.

Update: In October 2019, California Attorney General Xavier Becerra issued a press release announcing the indictment and arrest of the suspects involved in this case on a 121-count felony indictment for allegedly operating a mortgage fraud scheme throughout California. The scheme resulted in a combined loss of over \$7 million. The suspects are currently awaiting trial.

### DAI Ted Horlbeck / 18-05-003874

This case was carried over from the previous year due to the ongoing investigation. 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 (BREA) and listed their homes as collateral. The suspect did this because she was unable to renew her license due to the fact that she was under investigation by the BREA for licensing violations. As a result, she believes they are responsible for \$200,000 + in lost income. The suspect is working with a second subject who lives in Canada and both appear to align themselves with sovereign citizen ideology. Investigator Horlbeck is working with the Ontario Provincial Police on this case.

Status: Both defendants were charged with (3) felony counts of filing a false document 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 United States Marshals and Canadian authorities to facilitate their apprehension.

**Assistant District Attorney James Clinchard, Chief Jeff Dreher, DAI Ted Horlbeck,  
(Additional Deputy District Attorneys and DA Investigators)**

This case was carried over from the previous year due to the ongoing investigation. This is a large scale investigation involving multiple suspects and multiple law enforcement agencies. The investigation has been ongoing for several months and is expected to continue for several additional months.

Status: Pending

**DAI Ted Horlbeck / 017-0232314**

The victim in this case hired the alleged suspect to perform survey work on their property. During the process, the victim became unhappy with the quality of the suspects work product and the fee he was charging. The victim later learned that the suspect was not a licensed surveyor and a dispute ensued. The suspect was eventually fired. The victim demanded their money back and the suspect refused to comply. This case was determined to be civil in nature and was referred to the California Board of Professional Engineers, Land Surveyors and Geologists for further investigation.

Status: Closed

**DAI Ted Horlbeck / 2019-008**

This case was carried over from the previous year due to the ongoing investigation. It was originally reported to the South Lake Tahoe Police Department who in turn forwarded it to the District Attorney's Office for further investigation. The case involves a victim who rented a vacation property in South Lake Tahoe from a Craigslist ad only to eventually find it was a scam. The victim transferred \$2,100 to the suspect electronically by using an 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.

**017-0233600** - Very similar to the aforementioned case, this too involves a victim who rented a vacation property in South Lake Tahoe from a Craigslist ad and eventually learned it was a scam. The victim also transferred \$5,865 electronically using the Zelle app to the same suspect named in the above case. Because of the common suspect, these cases were combined for investigative purposes. As a result of a lengthy investigation, the suspect has been positively identified and located in New York.

Status: Ongoing

**DAI Ted Horlbeck / 19-08-004435**

The suspect in this case is alleged to have scammed three victims out of \$90,000 in a mortgage fraud scheme. The victims, by virtue of their LLC, invested money with the suspect for the purchase of a commercial real estate property. The property was never purchased and the suspect refused to return the funds. The investigation revealed several other victims throughout the state with an estimated combined loss in excess of \$1 million. The El Dorado County District Attorney's Office is working with the Federal Bureau of Investigation who is conducting a concurrent investigation into the suspect and his business.

Status: Pending

**DAI Ted Horlbeck / 017-0234050**

The victim in this case alleged that the suspect, his mother, had recorded a Quit Claim Deed against his property in an effort to defraud him. The investigation revealed the recorded document in question had no bearing on the property ownership and that no crime had occurred.

Status: Closed

**DAI Ted Horlbeck / 19-06-003082**

This case was carried over from the previous year due to the ongoing investigation. 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. The suspect 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. A concurrent investigation is being conducted by the California Department of Business Oversight.

Status: 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.



**DAI Ted Horlbeck / 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.

Status: Ongoing

# Attachment 'A'

**FY 19/20 Real Estate Fraud Summary SRF 2270762/CASH 12220362 (through July 8, 2020)**

<b>Description</b>	<b>Amount</b>	<b>Comments</b>
<b>Beginning Cash Balance</b>	<b>\$ 399,137.97</b>	2018/2019 Year-End Cash Balance
Revenue	\$ 103,104.00	Recording Fees @ \$2 rate
Revenue	\$ -	Micrographics
Prior Year Adjustment	\$ 896.40	2018/2019 Year-End AR
Interest	\$ 8,676.85	
<b>Total Revenue:</b>	<b>\$ 112,677.25</b>	
<b>Total Available Cash:</b>	<b>\$ 511,815.22</b>	
FY 19/20 Q1 Expenditures	\$ 16,288.37	Not submitted yet
FY 19/20 Q2 Expenditures	\$ 10,533.66	Not submitted yet
FY 19/20 Q3 Expenditures	\$ 10,094.14	Not submitted yet
FY 19/20 Q4 Expenditures (estimated)	\$ 43,811.79	Not submitted yet
<b>Total Expenses:</b>	<b>\$ 80,727.96</b>	
<b>Ending Cash Balance:</b>	<b>\$ 431,087.26</b>	Beginning cash balance plus total revenue minus total expenses

<b>EL DORADO COUNTY</b>
<b>REAL ESTATE FRAUD PROSECUTION</b>
<b>ANNUAL EXPENDITURE REPORT, 7/1/19-6/30/20</b>

	YTD	Budget	Variance
I. Salary	\$ 35,293.31	\$ 57,154.01	\$ 21,860.71
II. Benefits	5,218.57	4,917.53	(301.04)
Total Salary and benefits	40,511.88	62,071.54	21,559.67

III. Direct Operating Expenses

	YTD	Budget	Variance
Subscriptions	-	-	0.00
Memberships	-	-	0.00
Staff Development	-	-	0.00
Professional Services	-	-	0.00
Computer Equipment	-	-	0.00
Transcription	-	-	0.00
Transportation/Travel	3.71	-	(3.71)
Office Expense	17.60	-	(17.60)
Rent/Lease	175.00	-	(175.00)
Special Dept Expenses	-	-	0.00
General Liability	125.50	-	(125.50)
Fleet Vehicle	29,789.78	31,428.00	1,638.22
Vehicle Equipment	6,575.17	-	(6,575.17)
Total Direct Operating Expense	36,686.76	31,428.00	(5,258.76)
Total Direct Expense	77,198.64	93,499.54	16,300.91

IV. Indirect Costs

	YTD	Budget	Variance
.10 of salaries	3,529.33	2,842.46	(686.87)
Total Costs	\$ 80,727.97	\$ 96,342.00	\$ 15,614.03

Trust Fund Beginning Balance as of July 1, 2019	\$ 399,137.97
Revenue from Recorded Documents	103,104.00
Interest	8,676.85
Prior Year Adjustment	896.40
Unadjusted Ending Balance as of June 30, 2020	511,815.22

Total Expenditures FY 19/20	80,727.97	<i>*rounding variance</i>
Adjusted Ending Fund Balance	\$ 431,087.25	

\*Prior year revenue not included in prior year report