



El Dorado County District Attorney's Office

2020-2021
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 2020-2021 in the Real Estate Fraud Program. As of June 30, 2021, seven (7) real estate fraud cases were investigated by the El Dorado County District Attorney’s Office. This number is lower than in years past and it appears as though the Coronavirus (Covid-19) pandemic has had an impact on the number of real estate fraud cases reported to the District Attorney’s Office. It bears noting that similar to the last quarter of FY 2019/20, Investigator Horlbeck’s work hours were reduced this year because of the ongoing pandemic.



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. This year for the first time in several years, there were NO reported cases to the District Attorney’s Office.

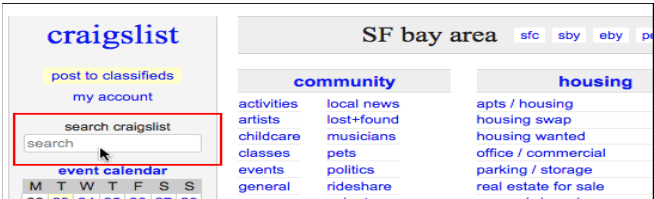
As an example of our outreach and awareness, the El Dorado County District Attorney’s Office utilized a billboard that was located along Highway 50 in the Strawberry area that was visible to drivers traveling eastbound towards South Lake Tahoe. The billboard message ran from mid-October through mid-December ahead of the winter vacation period.



(Close up view of billboard message)
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In its continuing efforts to educate and inform the public, the El Dorado County District Attorney's Office continued its social media presence by utilizing its Twitter and Facebook accounts. The Office uses both of these sites to post educational and preventative information related to real estate fraud. Visitors to the sites are 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 also 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 once again partnered 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 series of Facebook posts that will focus on the different types of real estate fraud and contain warning signs for homeowners. One fear is that some homeowners may be experiencing financial distress associated with the pandemic and be subjected to loan modification and foreclosure rescue fraud.

The number of Notice of Default's by homeowners between 7/1/20 and 6/30/21 was 128, a decrease of 63.5% from the 247 reported in FY 19/20. The number of Notice of Trustee Sale's this year was 62, a decrease of 83% from the 150 reported last year. Over the past four years, the county has seen a consistent decline in these numbers.

As the country continues to recover from the Covid-19 pandemic, both the economy and the housing market are currently strong and 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 has had any effect on the foreclosure related numbers reported during this fiscal year.

FY STATISTICS RELATED TO FORCLOSURES

	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Notice of Defaults:	325	247	128
Notice of Trustee Sales:	193	150	62

FY STATISTICS REQUIRED UNDER GC 27388

	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Cases Filed:	2	2	1
Cases Investigated:	14	16	7
Number of Victims:	16	22	9
Total Monetary Losses:	\$879,400.00	\$650,00.00	\$400,000.00
Total Funds Received in Trust:	\$106,456.47	\$112,677.25	\$103,543.21
Total Funds Expended From Trust:	\$58,007.82	\$81,096.05	\$38,264.00
Adjusted Ending Balance For 6/30/21:	\$399,137.97	\$430,719.17	\$495,998.38

**Note: FY 2020/21 Fiscal Data is estimated due to the pending fiscal year-end close process.*

FY CUMULATIVE STATISTICS INCLUDING OPEN CASES FROM PRIOR YEARS

	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>
Number of Cases Filed:	2	2	1
Number of Cases Investigated:	14	16	7
Number of Search Warrants:	5	3	1
Number of Arrests:	0	4	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.



The El Dorado County Fair is back and scheduled for September 23-26, 2021.

As in years past, the El Dorado County District Attorney's Office will have a presence at the Fair.

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 2021-2022, the El Dorado County District Attorney's Office will strive to improve its outreach efforts to include the following:

- Facebook real estate fraud posts and Public Service Announcement.
- Continue to collaborate with Craigslist for vacation rental advertising and education.
- Create billboard advertisements in El Dorado County associated with real estate fraud.
- Continue to develop office protocols to allow real estate funds to bolster other investigations when real estate fraud is not the 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 2020/2021

DAI Ted Horlbeck / 017-0243493

This case involves three named co-defendants one of whom is the soon to be ex-husband of the victim. The victim alleges her husband falsely recorded a vesting deed associated with a house they purchased together before they were married and did so without her knowledge. The victim further alleges that her husband lied about his marital status on the deed and other associated documents.

Status: Pending

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, 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 \$250,000.

Status: Pending. The investigation has been completed and submitted for review and charging.

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.

Update: This investigation was suspended for several months due to the pandemic. In February of this year, Investigator Horlbeck resumed the investigation and was able to establish communication with the suspect in New York. The suspect ultimately agreed to pay the two victims back in full in the form of cashier's checks. In May, the victims received the cashier's checks.

Status: Case closed - no charges filed in the interest of justice.

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.

** 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.*

UPDATE: As of June 30, 2021, the suspects remain in custody 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.

DAI Ted Horlbeck / 19-08-004435

This case was carried over from the previous year due to the ongoing investigation. 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: Ongoing

Attachment 'A'

FY 20/21 Real Estate Fraud Summary SRF 2270762/CASH 12220362 (through July 12, 2021)

Description	Amount	Comments
Beginning Cash Balance	\$ 430,719.17	2019/2020 Year-End Cash Balance
Revenue	\$ 100,540.80	Recording Fees @ \$2 rate
Revenue	\$ -	Micrographics
Prior Year Adjustment	\$ 621.00	2019/2020 Year-End AR
Interest	\$ 2,381.41	
Total Revenue:	\$ 103,543.21	
Total Available Cash:	\$ 534,262.38	
FY 19/20 Q1 Expenditures	\$ 10,765.01	Not submitted yet
FY 19/20 Q2 Expenditures	\$ 6,508.44	Not submitted yet
FY 19/20 Q3 Expenditures	\$ 5,609.91	Not submitted yet
FY 19/20 Q4 Expenditures (estimated)	\$ 15,380.64	Not submitted yet
Total Expenses:	\$ 38,264.00	*\$.01 rounding variance
Ending Cash Balance:	\$ 495,998.38	Beginning cash balance plus total revenue minus total expenses

EL DORADO COUNTY
REAL ESTATE FRAUD PROSECUTION
ANNUAL EXPENDITURE REPORT, 7/1/20-6/30/21

	YTD	Budget	Variance
I. Salary	26,038.23	70,740.00	44,701.77
II. Benefits	1,440.73	11,494.00	10,053.27
Total Salary and benefits	27,478.96	82,234.00	54,755.04
III. Direct Operating Expenses			
Telephone	342.11	-	(342.11)
Memberships	-	-	0.00
Staff Development	-	-	0.00
Professional Services	-	-	0.00
Computer Equipment	-	-	0.00
Transcription	-	-	0.00
Transportation/Travel	1,460.29	-	(1,460.29)
Office Expense	6.64	-	(6.64)
Rent/Lease	5,324.00	-	(5,324.00)
Special Dept Expenses	-	-	0.00
General Liability	-	-	0.00
Fleet Vehicle Mileage/Fuel (Horlbeck)	1,048.17	5,160.00	4,111.83
Total Direct Operating Expense	8,181.21	5,160.00	(3,021.21)
Total Direct Expense	35,660.17	87,394.00	51,733.83
IV. Indirect Costs			
.10 of salaries	2,603.82	2,842.46	238.64
Total Costs	\$ 38,263.99	\$ 90,236.46	\$ 51,972.47

Trust Fund Beginning Balance as of July 1, 2020	\$ 430,719.17
Revenue from Recorded Documents	100,540.80
Interest	2,381.41
Prior Year Adjustment	621.00
Unadjusted Ending Balance as of June 30, 2020	534,262.38

Total Estimated Expenditures FY 20/21	38,263.99
Adjusted Ending Fund Balance	\$ 495,998.39

*Prior year revenue not included in prior year report