

# Real Estate Scams and Fraud

*Issues affecting consumers and real estate agents*

By

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This 3 clockhour course is an introduction to different types of scams and fraud that can affect a consumer and real estate agents. There are times when a seller, buyer or the real estate agent may be vulnerable in a real estate sales situation. In this industry real estate agents need to be aware what decisions may affect their clients, the property or themselves. It is important to recognize possible scams.

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# Real Estate Scams and Fraud

## Curriculum

<b>Session Hours</b>	<b>Major Topics</b>	<b>Method of Presentation</b>
1 .25 hour	Overview of the most common scams and why it is important to be able to recognize them.	Lecture Discussion Read material
2 1 hour	<ol style="list-style-type: none"><li>1. Business Email Compromise</li><li>2. House flipping and free seminars</li><li>3. Lease Purchase</li><li>4. Advance Fee Fraud</li><li>5. Foreclosure Specialists and Short sale flopping</li></ol>	Lecture Discussion Read Material
3 1 hour	<ol style="list-style-type: none"><li>6. Rental Fraud</li><li>7. Mortgage Elimination</li><li>8. Asset and Income rental</li><li>9. Straw Buyers</li><li>10. Mortgage Loan Fraud</li></ol>	Lecture Discussion Read Material
4 .75 hour	11. They Got Caught Complete quiz and read a selection of the cases that were prosecuted	Read Material Take quiz

# Real Estate Scams and Fraud

Sometimes to make some fast and apparently easy money or other times just caught unaware, people are involved with scams and fraud every day. Often, many of these are tied to real estate or to consumers involved in a purchase. The “everybody’s doing it” excuse never makes it legal or ethical. The more knowledgeable that the real estate agent is about these twists and turns, the less chance that they or their clients will be trapped or seduced into thinking that they have found a “good thing.”

## Course Objectives

Real estate agents, their clients and the properties are vulnerable in the marketplace. It is important to know when to avoid situations that may carry a greater chance for problems.

As a result of taking this course the real estate agent will be able to:

- Identify some of the most common scams in the market
- Explain to a client why this scam is not legitimate
- Take precautions or make decisions to avoid getting trapped in fraud

# Most Common Real Estate Scams and Fraud

There are so many “get rich quick” schemes in the world today. Most often they look legitimate. The con artists always “say” that they are legal! There are always people out there with testimonials saying that they made money. But, bottom line, if it is a scheme created to make money at someone else’s expense or naiveté, then it is a scam.

Every one of us dreams of a windfall of money. We wish to win the lottery even if we haven’t purchased a ticket. There are con artists that prey on others to try to get them to believe it could be possible. These are just a few of the most common in our industry. Everyone is just slightly different. This is just a list of the most common schemes in the market. There are many more!

Someone said that by taking my class they can learn how to get rich using one of these schemes! I do not encourage any person to commit fraud! All of these schemes are flooding the internet and it is about time that lenders, real estate agents and escrow are going to prison for some of the fraud.

Most of us drove our car today just a few miles over the speed limit. And probably no one reading this today got a speeding ticket because we don’t live in a police state with officers everywhere. We live in a society filled with trust. We know the laws and we assume that most people will follow them. It is the same in the real estate and mortgage industry. We trust that people will be honest when they fill out an application, offer someone a deal or incentive, or take a signature on the bottom line. Not everyone gets caught. But, there are enough criminals prosecuted to show others that in fact, yes, certain activities are illegal.

Most people that get involved in some scheme and lose money never tell anyone. It’s hard to admit that you were foolish enough to believe that the riches were just within reach! Though these schemes seem rather preposterous, there is probably a friend, relative, co-worker or neighbor who is participating. Some have made money off others. Some are losing money to others. But, seldom will you know.

The better educated you are about these schemes the more chance you will be able to educate others around you including your sphere of friends and your client base.

# Summary

## 1. Business Email Compromise

*Don't follow wire instructions for a transaction from an email that is not the escrow officer. Beware of phishing scams.*

## 2. House Flipping and Free Seminar Scams

Beware of the classes and seminars that purport to help you get rich flipping houses while they sell you programs for thousands of dollars!

## 3. Lease Purchase

*If you can't qualify to buy a house, then making rent payments and building equity sounds like a great plan... but what if the owner isn't on title or owes too much to sell it?*

## 4. The Advanced Fee Fraud

*Someone has a million dollars that needs help getting it out of their country! Or they have a cashier's check but it is made out for too much money,.. and you could make money helping them! Or there is a long lost relative lost in the tsunami!*

## 5. Foreclosure Specialists and Short Sale Flopping

*Is there someone out there that is really a foreclosure specialist who will save a homeowner from foreclosure? Flipping a short sale prior to first closing is illegal.*

## 6. Rental Fraud

*How do you know when you rent a house that the owner is the one you just paid rent to?*

## 7. Mortgage Elimination

*Imagine a way to just "eliminate" your debt! It can just disappear! There is a workshop near you to tell you how!*

## 8. Asset and Income Rental

*If you don't have a high enough W2 or you need to show that you have cash in the bank .. is there a way to fake it?*

## 9. Straw or Fake Buyers

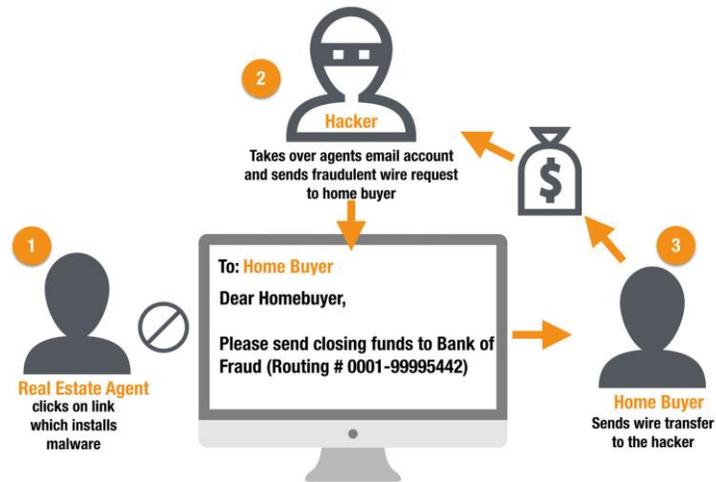
*If you are going to make some money that you don't want to put your name, why not just get another person to be on the agreement and loan?*

## 10. Mortgage Loan Fraud

*If it just takes a few little lies to get a loan, what is the harm?*

## 11. They Got Caught

*The courts eventually catch up with the criminals. White collar crime does have victims.*



## 1. Business Email Compromise / Wire Fraud

According to the FBI, the Internet Crime Complaint Center saw a 480 percent increase in the number of complaints filed last year by those in the real estate industry. Most of these complaints were related to wire fraud, a scam becoming more common in the real estate industry.

Washington State is listed in the top ten list on the Internet Crime Center 2016 report for the reported number of victims and the reported number of losses due to Internet Crime. In 2016 there were 6874 victims in our state compared to California with over 39,000 victims. But, the numbers of victims in Washington are substantial compared to the rest of the country. The loss per victim in Washington state is \$725,638,734. The number of victims is not nearly as high as all kinds of other internet crimes like the advance fee fraud, phishing and non payment or non-delivery. But, the monetary losses are exorbitantly high. The next highest reported monetary losses are from Confidence Fraud/Romance and non-payment/non-delivery.

This past June, news broke that a real estate phishing scam cost a New York State Supreme Court judge over \$1 million.

Business Email Compromise/Email Account Compromise leads all the other types of internet crime with reported monetary losses over \$360 million dollars.

Business Email Compromise is a scam targeting businesses (not individuals) working with foreign suppliers and/or businesses regularly performing wire transfer payments. Email Account Compromise is a similar scam which targets individuals. These sophisticated scams are carried out by fraudsters compromising email accounts through social engineering or computer intrusion techniques to conduct unauthorized transfer of funds. Most victims report using wire transfers as a common method of transferring funds for business purposes; however, some victims report using checks as a common method of payment. The fraudsters will use the method most commonly associated with their victim's normal business practices.

In real estate, victims are often the buyer of a property. An email account with the real estate agent or escrow has been compromised. When it comes time to wire funds for closing, the scammer creates a ghost account and sends wiring instructions that are different than the escrow instructions. Once the buyer emails the funds, they are lost and gone off to most likely another country.

According to Law.com, "The FBI told the Washington Post that in 2017, cyber criminals stole or attempted to steal almost \$1 billion from real estate purchase transactions. That figure is up from \$19 million in 2016, which makes wire fraud the fastest growing real estate cybercrime in the U.S."

"As with any other target for cyber criminals, if there is an opportunity to profit, the criminals will come. That said, there are likely three reasons real estate is attractive to cyber criminals. One, because of the diversity of targets. Second, because they prey on unknowing home buyers who don't know how to spot a scam, and three, because of the amounts involved—it is not uncommon for buyers to wire transfers for hundreds of thousands of dollars."

Many of these scams happen on Friday afternoons—especially the Friday before a long weekend. By the time victims figure out they've been scammed, three or four days might have passed. That kind of head start can mean the money is gone for good. Every second counts.

Scammers typically immediately wire the stolen money to series of different (often unwitting) accomplices making the trail harder for law enforcement to follow. And if the money leaves the country, it is very hard to get it back.

Prevent yourself from becoming a victim. There are two primary victims. They include the hacked email account holder and the buyer who emailed the funds.

Make sure that the buyer who is planning to wire funds is aware of the scam. Be in touch with escrow through known channels. Use the contact information given at the beginning of the transaction. Beware of any changed phone numbers or email accounts. For example, if there is a request to transfer funds that comes to the buyer from escrow using a Yahoo or Gmail account, it is a pretty sure guess that the email is a ghost one. Real Estate agents and transaction coordinators show beware clicking on an unknown link.



## 2. House Flipping or Investing Seminars

There are many real estate seminars and workshops that purport to help teach people how to be successful investors. Some of them are local, but there are large national seminars that make their

rounds around the country. There is a model that they follow to encourage you to buy ... what they are selling. That is more seminars and books. The first free seminar is advertised heavily on the radio, news and internet as a free seminar. The free seminar usually about 2 hours is a teaser for the next seminar where the charge will be hundreds of dollars. They spend hours convincing you to sign up for the next seminar. The free seminar does not teach anything that they advertise. In addition, they sell books and videos and sometimes even real estate documents. The second seminar is designed to sell people on the next program which can cost upwards of \$20,000-\$30,000.

They have lots of noise and sometimes have paid celebrities to promote their programs. They have speakers and testimonials from people that have been successful investing with their “program.” Most of them are travelling around with them and not investing. They do not give people in the seminars money to invest.

There is no way such thing as a free lunch. There is no free money out there for any individual to use to buy property. There is no real legal and successful way to purchase real estate without some investment. There is no way to legally buy and sell real estate within days.

The seminars are tantalizing. They are designed to have your thoughts focus on the idea of “FOMO” which is the Fear of Missing Out. The targets of the seminars are typically the people that can never buy a property. People are duped into spending money for more real estate education... which never occurs.

There is nothing illegal about teaching seminars and workshops that teach fraudulent techniques. It is illegal to be doing what is taught ... but not illegal to teach fraud!



### 3. Lease Purchase Fraud

Yes, there are legitimate lease purchase transactions, but it is rather rare for one to close. Most of them are either due to a relative purchasing, a long tenant purchasing a house, or a seller that does not want to get the equity out of the house.

“Rent to own Fixer” signs have probably hung on telephone poles in your neighborhood. There are programs that teach people how to invest in real estate just by using the Lease Purchase fraud! Some are featured on late night TV infomercials. People are making a fortune teaching classes on how to get rich by investing in real estate. Many of the programs are using techniques that may be illegal, fraudulent, or intentionally meant to defraud homeowners.

They key is that the “purchaser” does not do research on the title issues and the owner can encumber the property...even sell it to someone else because the agreement is seldom recorded. There is no title insurance for the buyer or lessee.

The rent to own scheme teaches buyers to find a desperate homeowner in foreclosure or in some trouble. Convince them to sign the property over on a lease purchase. Then the buyer does a lease option with a third party. It is nearly impossible to create a rental that can bring the first homeowner out of foreclosure. In addition, signing a lease option without owning the property is a scheme because the buyer does not know the actual owner.

Here is an example:

Let’s say Jane is a homeowner who is facing foreclosure. She just couldn’t make the payments after the divorce and lost her job. Foreclosure is imminent. There are creditors calling her constantly. There seems to be no end.

The scammer... lets call him Cal the Con Man comes to her door. He is totally sympathetic. He listens to her hard story.

Then he says, “Jane, I know a way to make it all go away! No more calls from the lender! You will be free from this house! And, I will give you money to move!” She can hardly believe it. She is so excited. It sounds like a dream come true.

He informs her that she has to sign a few papers. They can include a quitclaim deed, a change of address, a power of attorney, a change of trustee... and any other document he can think of. She will do it, of course, because she will get money! Jane is desperate!

He asks her if she can move this weekend... let’s say to her sisters or something. And if so, he will give her let’s say \$1000.

So out she goes and he gets the keys to a fixer house!

Before Cal the Con Man takes his next breath, he has an ad on CraigsList.com for a “Rent to Own Fixer”

When Cal the Con Man meets the potential prospects at the door, he tells them that the rent is very reasonable. He also explains that over the next year or two he will take some rent and put it towards their down payment. So in a year or more they will have built up a down payment and fixed up the house so it is worth more! And, the market will get better and the house will go up in value. This is perfect for the buyers who have bad credit now but can get relatives to help fix the house!

Cal the Con Man says he needs some money up front to hold the house for a year. In no time he has first and last month’s rent and a fee of lets say \$3000. He has more than quadrupled his money. They sign a lease purchase with Cal the Con man as the owner.

But, Cal the Con man does not have any ownership interest! He can communicate with the bank to see how far into the foreclosure process the house stands. Then he collects rent until the very end.

The bank knocks on the door and tries to evict the tenants who are confused because they pay regularly to Cal the Con Man who is supposedly the owner.

But, no. Cal is not the owner and they are evicted and lose any money they put down and any money they put into improvements.

Cal the Con Man is no where to be found. The PO Box is closed and the cell phone cancelled.

Yes, this happens. Why don’t you hear about it? Because who would admit it?

As the real estate market improves, the lease purchase deals have become more sophisticated. Companies or investors work with real estate agents to find a prospective lease purchaser prospect. The company or investor purchases the house and then leases it to the prospect. It all sounds like a great idea especially for those buyers who may have had their credit ruined during the downturn of the market. But the buyer... person who lease purchases the house.... Will pay a considerable amount of fees and costs to complete the transaction.

## 4. The Advanced Fee Scheme

Just about everyone has received a letter or an email about how an official in Nigeria (or any other country in the world) is trying to get money out of the country and into the United States. It is called the "Advance Fee Fraud" and is one of the largest scams in the world.

It is referred to as "Advance Fee Fraud", "419 Fraud" (Four-One-Nine) after the relevant section of the Criminal Code of Nigeria, and "The Nigerian Connection" (mostly in Europe). It is copied and originates now across the entire planet!

The fraudsters manage to dupe people into forking thousands of dollars over to complete strangers each year. In 2011, the FBI received close to 30,000 reports of advance fee ploys, called "419 scams." The agency received over 4,000 complaints of advance fee "romance" scams in 2012, with victim losses totaling over \$55 million. Nigerians aren't the only ones committing international advance fee fraud, but nearly one-fifth of all such scams originate in the West African country. The scams often involve phony lottery winnings, job offers, and inheritance notices.

The Scam operates as follows: the target receives an unsolicited fax, email, or letter often concerning Nigeria or another African nation containing either a money laundering or other illegal proposal OR you may receive a Legal and Legitimate business proposal by normal means. Common variations on the Scam include "over invoiced" or "double invoiced" oil or other supply and service contracts where your Bad Guys want to get the overage out of Nigeria; crude oil and other commodity deals; a "bequest" left you in a will; "money cleaning" where your Bad Guy has a lot of currency that needs to be "chemically cleaned" before it can be used and he needs the cost of the chemicals; "spooft banks" where there is supposedly money in your name already on deposit; "paying" for a purchase with a check larger than the amount required and asking for change to be advanced; fake lottery 419; and ordering items and commodities off "trading" sites on the web and then cheating the seller. The variations of Advance Fee Fraud (419) are very creative and virtually endless.

At some point, the victim is asked to pay up front an Advance Fee of some sort, be it an "Advance Fee", "Transfer Tax", "Performance Bond", or to extend credit, grant COD privileges, send back "change" on an overage cashier's check or money order, whatever. If the victim pays the Fee, there are often many "Complications" which require still more advance payments until the victim either quits, runs out of money, or both. If the victim extends credit on a given transaction etc. he may also pay such fees ("nerfund" etc.), and also stiffed for the Goods or Service with NO Effective Recourse.

The Nigerian Scam is, according to published reports, the Third to Fifth largest industry in Nigeria. It is the 419 Coalition view that, in effect, the elites from which successive Governments of Nigeria have been drawn ARE the Scammers - therefore, victims have little recourse in this matter. Monies stolen by 419 operations are almost Never Recovered from Nigeria.

Most 419 letters and emails originate from or are traceable back to Nigeria. However, some originate from other nations, mostly also West African nations such as Ghana, Togo, Liberia, Sierra Leone, Ivory Coast ( Cote D'Ivoire ) etc. In most cases 419 emails from other nations are also Nigerian in



that the "Home Office" of the 419ers involved is Nigeria regardless of the source of the contact materials. But there are occasionally some "local" copycats trying to emulate the success of the Nigerians. These folks tend not to last too long actually operating out of nations other than Nigeria, but they do try. The FBI strongly encourages consumers to NOT RESPOND TO THE 419ER.

Scams like these can be seen on sites such as Facebook, Craigslist and emails. Here are 3 examples

This is a letter sent to my Facebook account Sept 2012. Though it doesn't appear to be an advance fee scam... if I reply, there would be fees to be able for me to "claim" the \$8.5million! These kinds of letters are sent about long lost relatives lost in the tsunami or another tragedy. Many say that there is money that needs your help to get money out of the country and into the US.

Though it may seem odd that someone might reply...

I have two friends who had relative that responded and believed the emails and both lost money. One flew to England to meet up with the scammers to help get millions of dollars out of Nigeria after paying fees to them. The other flew to Spain to try to get money from some long lost relative that didn't exist.

Dear Natalie Danielson,

I Barr.Alfred Johnson lawyer, I am personal attorney to Mr .D.Danielson, contractor and businessman.

On 22 th June 2007, our late client, his wife and their only daughter were involved in a car accident and it was a pity that our late client and his family all lost their lives in the accident. Do please contact me directly on my private email address below address thus: (barrister.alfredjohnson @XXX) for more details inrespect for approval of its property / fund valued (USD\$8.5Million) left before it gets confiscated or declared unfit for finance firms.

With best wishes

Alfred Johnson (Esq).

Lomé,Togo.

Maria had her beautiful home listed with a major real estate firm. She got a full price offer by email for her half million dollar house in Seattle. The offer was for 30% more than the list price which would also pay the agent 30% more. The Agent, Annie, and Maria started communicating by email with the buyer who was purchasing the home to be used as the Nigerian Embassy! It has the perfect layout and location close to the city but in a quiet neighborhood. The buyer was an attorney working with the Embassy. They emailed documents to the buyer. They were instructed to open escrow and deposit several thousand dollars. It would have to be wired to Nigeria to cover the legal fees. Since they were paying 30% more and the fees would be added to the sales price. So, Agent Annie and Maria did as instructed. They invited friends over, including Natalie, to celebrate the sale of the house. As we went to toast the sale with our full glasses of expensive white wine, I asked... "Who is buying the house?" They told me the story. I waited until the next day to tell them it was a scam.

Natalie's neighbor was moving out of her house. She put some of her large furniture for sale on Craigslist. She immediately got an offer for about \$700 for the table. The buyer sent her a check for \$3000. He told her that was the only check he had. He wanted her to cash it and send him the difference. He would come next week, rent a truck and pick up the table. I told her it was a scam, but she was insistent that he really wanted the table for his house. So, she went to the bank to deposit the check and the bank told her that it was a fake cashier's check.



## 5. Foreclosure Specialists and Short Sale Flopping

Property owners who are facing foreclosure are targets for “specialists” that have all kinds of schemes that sound good to someone who is in the process of losing his home. Once their house gets on a list, there are people knocking on their door with all kinds of schemes.

Watch out for people posing as foreclosure specialists who are actually nothing more than marketing specialists for bankruptcy attorneys. There is no such thing as a licensed “foreclosure specialist.” They convince you to declare bankruptcy and of course just happen to have a referral to a local bankruptcy attorney. In some situations, bankruptcy might be a solution but before filing it you should know how it works, the advantages and disadvantages to filing, and what other options are available to save your home. DO NOT rush into any decision but especially filing bankruptcy.

Watch out for so-called "investors" who understand how you feel! They take advantage of your frustration and convince you that you have no way out of the situation except to sell the home to them for exactly what you owe on it. They will hope that you are so stressed out by the whole thing that you just "want out" and will willingly sign over ALL of your equity to them. If you have equity in your home, don't lose it by panicking! Consider ALL options before signing anything!

If anyone calls you offering a sale/leaseback scheme--hang up immediately! This scheme involves signing over your house to an investor and then leasing or renting it back with an option to repurchase it later. Then by saving money they would supposedly be able to buy the property back. They would be able to continue living in their home all the time. This type of situation is ALWAYS structured to favor the investor and usually costs you a great deal in the end. If you want to try this option, get professional help when evaluating the paperwork. Use an attorney or other profession that is NOT recommended by the investor!

Foreclosure Consultants: The key word here is consultant! Companies pay consultants millions of dollars every year to look over their process and recommend a solution. Keep in mind that consultants do not actually do any of the work they recommend--they are just a middleman. The same principle applies here. Most foreclosure consultants promise to solve your foreclosure problem and may even promise to perform negotiations but, after charging an arm and a leg, they just refer you to their clients; investors, mortgage brokers and bankruptcy attorneys. In the end, you end up with no solution and worse off than when you started! These types of companies are difficult to spot so be sure and ask for references and check with the BBB. Look over all paperwork carefully before signing or paying anything!

### Example:

Mark and Patti are going into foreclosure. They have 4 kids and they just can't make the mortgage payments. He has lost his job and Patti is overwhelmed with the kids. They ignore all the letters from the bank because the "land of denial" can be a safe place for a period of time. The bank files a foreclosure notice that becomes public. Soon the foreclosure specialists, real estate agents, investors, creditors, neighbors, lenders etc all start calling and dropping by the house. These people are often very friendly and helpful. One gives them a fantastic deal that they just can't refuse. They can stay in the house and Frank the Foreclosure Consultant will take over the payments. He will buy the house and they can rent back from him. The rent payments will be less than the mortgage payments! He says that then they can save money and get their credit back in shape so they can buy the house back from him next year. Oh, Mark and Patti can barely breathe! Frank the Foreclosure Consultant has saved their house for them! So they sign all the papers including a Quit Claim Deed. This looks like a sale but I can fill out a Quit Claim Deed and "sell" my interest to you for the Seattle Space Needle! But, do I own or have any interest in the Space Needle??? No... so I have given you a deed that is worthless! The mortgage loan that Mark and Patti owe does not go away but the bank information starts to go to Frank the Foreclosure Consultant. He collects "rent" payments from Mark and Patti until the bank actually forecloses. When that happens Frank disappears.

### Four indicted in NY for Short Sale Foreclosure Rescue

In May 2009 four people were charged with a mortgage fraud scheme. They targeted homeowners who were behind on payments with radio ads as a foreclosure specialist. They convince the homeowner to sell or transfer the homes to their foreclosure rescue company. They get the lender to agree to a short sale. They then resold the properties to a third party straw buyer at a higher price within a short time. Then they pocket the difference which was more than \$150,000.

Another scheme which is found all over the internet involves teaching the homeowner facing foreclosure to file all kinds of liens against the property. In some cases, the homeowner is told to start an LLC and file a lien from their own company against themselves. This does not work to stop any foreclosure.

### Short Sale Flopping

Purchasing a property in a short sale transaction and then "flipping" it by reselling in less than 90 days is often a "flop" transaction.

According to [www.CoreLogic.com](http://www.CoreLogic.com) in their 2010 report, one in every 53 short sales or 1.9% was part of a flip transaction. About 4% have a subsequent resale within 18 months.

According to [msn.com](http://msn.com) a recent study by CoreLogic short sales that were resold the same day averaged a 34% gain or \$54,947 between sale prices.



Short sale fraud and other servicing related fraud is definitely the fraud du jour and our greatest area of focus at the moment,” says Robert Hagberg, Associate Director of Mortgage fraud investigations for Freddie Mac. In some cases, this type of mortgage fraud involves buyers scooping up distressed properties for a portion of their value, either for themselves or to give back to a friend or relatives.

<http://realestate.msn.com/more-short-sales-bring-new-scam-flopping>

No matter how you twist or turn it, a flopping transaction is illegal.

This is how a basic flop occurs. Larry, the listing agent has a property that is in a short sale situation. The seller is “underwater” where the mortgage is more than the value of the house. The Bob the Investor Buyer of the house writes an offer for, let’s say, \$400,000. Bob the Investor Buyer can be an individual or an LLC. He might say he is buying cash or that he has the financing in place. During the time the short sale is being negotiated with the bank, Bob the Investor Buyer takes the information on the property off the listing and creates an ad on CraigsList for the same property but for \$450,000. Bob is hoping to find a second buyer. When he does find the second buyer, Bob says that the property cannot close for 4 months. So the second buyer is to get their financing in order, get a lender and start the loan process. (The second buyer can also be a “straw” or fake buyer or a co-conspirator.. even a real estate agent!) Once the short sale is approved Bob the Investor Buyer closes on the sale and sometimes within the same day Bob the Investor Buyer closes on the sale to the second buyer and pockets \$50,000. Sometimes he might wait a few months to close.

Where is the illegal action? It seems fair to buy and resell the property? But, the intent is to deceive the bank out of the proceeds of a sale.

The middle man, Bob the Investor Buyer is creating an illegal profit. Just by advertising the house to a second buyer, that is against Washington State license law because he doesn’t own the house and isn’t a licensed agent. Then at closing with the bank, the buyer signs documents that state they are not reselling the property and, most often, that they are going to occupy the property. So they are committing fraud at closing. For the second sale to close, escrow and the appraiser have to be involved because the second bank is not aware of the sale that just occurred. So the buyer, real estate agents, escrow, appraiser, and the lenders often are all in cohorts. The paperwork is on federal forms and the fraud is to a federal institution.. the BANK. Then the paperwork crosses state lines and it becomes Mail Fraud. This happens all the time! Today!

### **Real Estate Agents plead guilty in Flopping Scheme**

Two real estate agents Anna McElaney and Sergio Natera were indicted by the US Attorney in Connecticut for conspiracy to commit bank fraud. Both pled guilty in the fall of 2010. It involved four properties in short sale mortgage fraud. The agents evidently created straw buyer transactions when negotiating with lenders on short sales. The closings took place but on each transaction, the real estate agents had second buyers that closed soon after for a much higher price. The banks were not aware of the second transactions nor did the banks receive any of the proceeds.

McElaney was a listing agent for a property and received an offer to purchase the property for \$132,500. However, McElaney presented to the bank an offer to purchase for \$102,375 for a short sale transaction. The offer was from an LLC that Natera controlled. The bank agreed to the short sale for the property and released its mortgage on the property.

Natera sold the property 8 weeks later for \$132,500 to the original buyer. Natera and McElaney split the difference, over \$30,000, between the two sales prices. Natera and McElaney did plead guilty to a Federal Mortgage fraud charge. The real estate agents are waiting for sentencing. They face a maximum term of 30 years and up to a \$1 million fine on each count.

### **Short Sale Kid Rakes in Riches in Short Sales**

Nathan Jurewicz was only 28 years old closing transactions by the dozens in the Tampa Florida area during 2008-2009. According to the paper, his YouTube sales pitch purports to show real estate professionals how to “make rump roast from road kill in the foreclosure-wrecked housing market” His programs are all based on “flopping.”

The newspaper writes “ Jurewicz has devised a special purchase option contract that lets him simultaneously bid on a short sale house with the bank while marketing it to other buyers. A team of Realtors and negotiators does the dirty work of juggling buyers and banks for him. He's outsourced the workload so much, he claims not to know the addresses of many of the homes he's buying and selling. But is the bank aware that Jurewicz will buy a house for, say, \$150,000 and immediately sell it for \$175,000?” That is classic and illegal “flopping.” He sold his program across the internet.

It is not against the law to teach someone how to commit fraud. It is against the law to be a participant. Many scam artists sell classes, webinars and programs. It could be a matter of time before they face investigators.

## 6. Rental Fraud

When a prospective tenant signs a rental agreement, they often do not check the ownership of the property. There are so many con artists making money duping prospective tenants.

Let's say that a bank owned a vacant property that is in foreclosure. The Creepy Con Artist lists the property (that might even be for sale with a real estate company) on Craigslist "For Rent" at a really hot rental rate! It could be almost half of the going market! The prospective tenants are so excited. They make arrangements to meet the Creepy Con Artist at the house. The Creepy Con Artist doesn't own the house.... He breaks in the back door. He tells a story that he's got to get it rented right away. The Prospective Tenants are so thrilled at the low rent that sometimes they just give him cash and sign a basic rental agreement. He says he will meet them at the house on Saturday with the keys. But, of course, the Creepy Con Artist never shows. He just keeps the cash.



But, in some cases, it can be much easier to get money from Prospective Tenants just over the internet! Fraudsters take the information and photos from rental listings. Then they repost them on Craigslist (and maybe other websites) for rent for a very low LOW rent. Sometimes the fraudster looks up the real owner's name and creates an email with the owners name... goes to Yahoo or Gmail and creates an email so that the prospective tenants think they are communicating with the owner! Sometimes the Fraudster will use a house that a property manager has listed with a sign that has the real estate agents name. The Fraudster will create a new email using the real estate agents name!!!! Prospective tenants see a great buy. When they write to the fraudster, who the tenants think is the owner, they get some sob story about how it must be rented right away and why the rent is so low. The email includes an application and asks for money to hold the house!

Here is a posting on Craigslist with a photo and info on a house a friend of mine owns. He has it for rent but this posting showed up using his information but the rent is MUCH less than he is renting it for. And who is Sherise? Did anyone send her money and an application for his house?

## \$700 / 3br - Clean and charming newly remodeled 3 bedroom (Seattle)

Date: 2018-09-18, 4:43PM PDT

[sherisenferensen@yahoo.com](mailto:sherisenferensen@yahoo.com) [\[Errors when replying to ads?\]](#)



Clean and charming newly remodeled 3 bedroom 1 bath unit of house with large living room and kitchen. Very private, quiet rural setting over looking greenbelt with no neighbors behind but three minutes to I-5. New bathroom, new plank flooring throughout, large bright living room, new modern light fixtures, fresh paint, double pane windows, nice deck and newly painted exterior.

2222 S Fountain Street (I changed the address)

- cats are OK - purrr
- dogs are OK - woof
- Location: Seattle
- it's NOT ok to contact this poster with services or other commercial interests

Here is a letter from the REAL OWNER to the advertiser! Sherise Ferensen is some fake Fraudster!

Subject: \$700 / 3br - Clean and charming newly remodeled 3 bedroom (Seattle)

To: [sherisenferensen@yahoo.com](mailto:sherisenferensen@yahoo.com)

Date: Tuesday, September 18, 2018, 9:39 PM

Is this home still available? If so, can we arrange a viewing?

Thank you, (the real owner)

Here is Sherise, the Fraudsters Response! This is a total scam! Who is Sherise? The same type of story is used all the time! So, a naïve prospective tenant might send the fraudster a rental application and MONEY! Happens daily! Seriously! Probably every day in Seattle!

Date: Thu, 20 Sep 2018 12:55:53 -0700

From: [sherisenferensen@yahoo.com](mailto:sherisenferensen@yahoo.com)

Subject: Re: \$700 / 3br - Clean and charming newly remodeled 3 bedroom (Seattle)

To: (owner) Thanks for your email and interest in renting my house..I am Sherise N Ferensen the owner of the house you are making inquiry of...Actually I resided in the house with my family, my wife and my only daughter before and presently we have moved out due to my transfer from my work now in Warsaw,Poland. Presently my house is still available for rent for \$700 USD (rent already includes utilities).More so Now, i'm currently in the (West African)for an international Christian follower's crusade.Pls i want you to note that i spent a lot on my property that i want to give to you for rent,so i will solicit for your absolute maintenance of this house and want you to treat it as your own, It is not the money that is the main problem but i want you to keep it tidy all the time so that i will be glad to see it neat when i come for a check up.I also want you to let me have trust in you as i always stand on my word..

ADDRESS OF MY HOUSE:2222 S Fountain Street Seattle, WA 98178 (Natalie changed the address for this class)

It has a dramatic entry foyer with ceramic floor. Extremely spacious rooms throughout with lots of big windows...nice and light! New neutral paint and some newer carpet.....Very quiet, low traffic area. New fridge I believe its absolutely a perfect home for you and your family.Utilities include Water,Trash,Sewer,Gas Etc....

SO, IF YOU ARE REALLY INTERESTED I WILL WANT YOU TO FILL THE RENT APPLICATION FORM BELOW.

Name (First name/ Middle name/Surname ) : _____	Will you have pets : _____	Do you run a business from home : _____
Phone # : _____	Please describe Breed, size : _____	If so what kind of business : _____
E-mail : _____	Preferred move in date : _____	Do you work late night : _____
Best time to call : _____	Intended length of lease: _____	Do you smoke : _____
How many proposed occupants : _____	Earliest possible date of deposit payment: _____	Do you drink : _____
List all in addition to yourself including approx age : _____	Length of previous tenancy : _____	Intended length of lease: _____
Present Address : _____	Present occupation : _____	Earliest possible date of deposit payment: _____
City/State : _____	Are you a section 8 applicant : _____	Length of previous tenancy : _____

Looking forward to hearing from you with all this details so that i can have it in my file in case of issuing the receipt for you and contacting you...Await your urgent reply so that we can discuss on how to get the document and the keys to you,please we are giving you all this based on trust and again i will want you to stick to your words,you know that we have not seen yet and only putting everything into Gods hands,so please do not let us down in this our property and God bless you more as you do this... The house is available for rent at the moment so you are free to move in as soon as you wish to...A Deposit of \$700 (which happens to be the security deposit) is required before moving in...Feel free to call my number is XXXX me for more information and arrangements on how to get the keys and other necessary documents delivered to you...The house will be available for rent for a period of 4 years so you have a choice of deciding how long you intend staying there... Sherise N Ferensen.



## **Mortgage Elimination still continues to find victims!**

In New York and Connecticut, Bruce Lewis, 65, Jacqueline Graham, 47, Anthony Vigna, 59, Rocco Cermele, 54, and Paula Guadagno, 58, were indicted and charged with conspiracy to commit bank fraud, wire fraud, and mail fraud in connection with a debt-elimination scheme to defraud homeowners and banks. The Indictment alleges that in 2011 and 2012, Lewis, Graham, and an unindicted co-conspirator were partners in a business that they called the Pillow Foundation or the Terra Foundation (collectively, "Terra"). Terra held itself out as a business that would investigate and eliminate mortgage debt in exchange for a fee. Terra solicited clients who were having difficulties making their mortgage payments. The case was closed in the Fall of 2016.

Vigna was a lawyer who worked in-house at Terra and provided legal services to it and its clients. Cermele was Terra's director of operations who recruited clients, among other duties. Guadagno was a real estate title professional who performed real estate title work for Terra.

Lewis, Graham, Vigna, Cermele, Guadagno, and others at Terra told potential clients that Terra could eliminate their mortgage debt in exchange for a fee. In reality, Terra filed fraudulent discharges of mortgages at local county clerk's offices in Westchester and Putnam Counties, New York and in Connecticut. These fraudulent documents made it appear as if Terra's clients' mortgages had been discharged, when in fact they had not.

To profit from their scheme, Terra and the defendants charged monthly fees that they said covered, among other things, audits of the clients' properties that they often failed to perform. Terra and the defendants also encouraged their clients to take out second or reverse mortgages on the properties for which Terra had claimed to have discharged the first mortgages. Once the clients had taken out these second or reverse mortgages, Terra and the defendants retained substantial portions of the proceeds. Some of these second or reverse mortgages were made under HUD's Home Equity Conversion Mortgage Program.

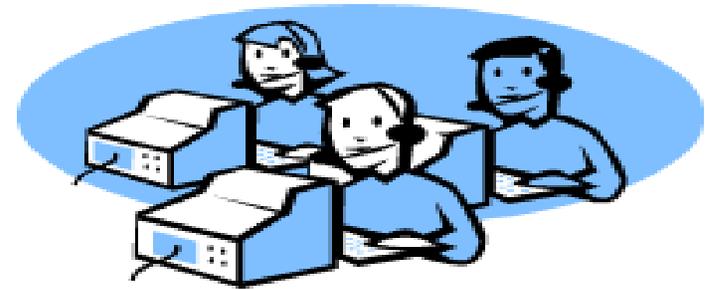
In total, Terra and the defendants filed nearly 60 fraudulent discharges in Westchester and Putnam Counties in New York and in Connecticut. The fraudulent discharges claimed to discharge mortgages with a total loan principal of over \$33 million. In reality, the Terra clients for whom the fraudulent discharges were filed were often left with both a second or reverse mortgage and their original mortgage that had not actually been discharged.

Vigna, Cermele, and Guadagno were taken into federal custody. Lewis and Graham remain at large. Each defendant is charged with one count of conspiracy to commit wire fraud, bank fraud, and mail fraud, which carries a maximum penalty of 30 years in prison and a \$1 million fine.

## 8. Asset or Employment Rental

Let's say you don't have to funds in the bank to show that you can make future payments. Or, you need to have a higher income to qualify for the loan. Welcome to Asset Rental.

Who needs money in the bank to buy a house and qualify for a mortgage? Apparently not everybody, at least according to recent email pitches send to mortgage brokers around the country. You don't need your own money on deposit -- you can "rent" somebody's else's deposits, and have them verified to lenders as your own.



Sound dubious, if not downright dishonest? Loan officers get these types of emails... it will help them qualify more borrowers! "The Asset Rental program is a terrific tool which enables you to 'save' clients you would otherwise lose due to the inability to show sufficient assets." The home buyer with insufficient bank deposits pays the Asset Rental Firm a percent (5%) of the amount of bank assets desired for the first month, and 1.75 percent of the assets in any subsequent months. If you need \$100,000 on deposit, in other words, you pay \$5,000 up-front. If you need \$500,000, you pay \$25,000.

For its part, according to an attachment the firm will "hold cash funds and/or other assets in a sub-account (under the Asset Rental Firms master account) in your name. You will NOT have access to use these funds and/or other assets for collateral, withdrawal, electronic probing, etc. The Asset Rental Firm will verify your funds and/other assets to any Lender or person that you authorize." There is also a "popular" companion service which "can help you 'save' clients who can't verify the required employment data." An attachment allowed interested mortgage brokers to fill out whatever monthly income and annual income totals their clients desired. Once payment was received, the sponsors would "verify" a home buyer's employment and income to lenders or others.

The FBI may also be on the case of one firm. A spokesman for the FBI's Las Vegas field office, David Schrom, confirmed that it had been sent "information" about the asset rentals and employment verification program from headquarters in Washington DC. But Schrom said it is his agency's "standard policy" not to "confirm or deny" that the agency is investigating any specific firms.

Be aware that any home buyer or mortgage broker or realty agent who falsifies information in an application for a mortgage loan could be subject to criminal prosecution and severe penalties if found guilty. They are federal forms that cross state lines and it can become Mail Fraud.



## 9. Straw or Fake Buyers

Ask any college student how easy it is to get a fake ID! There are people everywhere using fake identification. In a real estate transaction, there are no fingerprints or background checks. The buyers just show a copy of a drivers license at closing. The sellers might also when signing transactions.

Straw buyers are “fake” buyers that make application for loans, sometimes in return for a payment, and often the loans, which of course are never paid, have cash back at closing.

For criminals, it seems like a no brainer to use someone elses name or identity to purchase property or “steal” money from a bank!

For investors, being a straw buyer looks good on paper. The Fraudster asks the Investor with good credit to use his name and credit to purchase property in this great location... sometimes out of state. The Fraudster tells the Investor that there is absolutely no risk, of course. In 90 days the Investor will get paid for his part.

So the Fraudster purchases a property under the investors name and credit. The investor might not even know it or think it’s just his credit score being used. Usually the property is inflated in value and the Fraudster gets cash back at closing.. maybe for new carpet or a refinance right after closing. He send a portion of his profits back to the Investor. But, what the investor doesn’t know is that he became liable for any debt or loan that was put under his name.

Filling out an application for a straw buyer is a federal crime!

## 10. Mortgage Loan Fraud



When information provided to a lender on a loan application is misleading or fraudulent, the borrower is committing loan fraud on a federal document that is mailed or emailed usually across state lines which becomes mail fraud which becomes a federal crime.

According to late night TV and maybe your neighbor, you can be one of the many making a fortune buying investment property! Ever wondered why that neighbor has purchased so many rental houses? Ever been seduced by the infomercials where investors are sitting by a pool talking about their riches or equity?

### **Owner Occupied**

When applying for a loan to purchase a property as an investment, the borrower must disclose that information. Often, borrowers will purchase a property and write that it is “Owner Occupied” on the application when they have no intention of moving in to make it their primary residence.

Though it may seem like a small lie, it is a federal form. The lender takes a higher risk on investment

properties and often charges a higher rate and different qualifying standards.

### **Fake Documents**

Often borrowers will prepare fake tax returns or fake W2 forms in order to qualify for the mortgage payment.

### **Inflated Appraisal**

The buyer (who could be a fake or straw buyer) might get an appraiser to say the property is worth more than what the actual market value really is. The property worth \$100,000 but the appraiser says it is worth \$120,000. The buyer might get the seller to carry a “ghost second mortgage.” The buyer would get an appraiser to say the property is worth \$20,000 more. Then the buyer would get a loan lets say for \$100,000 telling the bank that the buyer is putting \$20,000 down. Escrow prepares documents showing the bank the sale for \$120,000 with a \$100,000 loan and \$20,000 down. BUT there is NO \$20,000. So the escrow prepares other documents showing the buyer “owes” the seller \$20,000 and will make monthly payments. But, there is no second mortgage. There are no monthly payments. There is NO \$20,000. The bank thinks that there is equity in the house but it is only worth the amount of the loan. The house is collateral for the loan and the lender often requires some equity to protect their interest. So why does the buyer do this? Because later, the buyer will go refinance the property.. maybe get the same appraiser (sometimes under duress) to say the property is worth \$140,000 and get a refinance with cash back or a HELOC (home equity line of credit). But, the house is only worth \$100,000? The bank will give the buyer cash for equity that doesn’t exist. The buyer never makes a payment and walks away with the cash.

# 12. They Got Caught

## Two Biggest Cases of Real Estate Fraud in Washington State

### The Hellickson Real Estate Firm



Michael Hellickson was the Broker owner of Hellickson Real Estate. He has lost his firm and Broker license in this state. But, before the company was taken down, for many years real estate agents and consumers knew there were problems. But, Michael Hellickson was famous! He was featured on television as one of the top distressed property agents in the United States! He had Glenn Beck do video commercials for him. The photo shows him speaking at the National Association of REALTORS. Today, he is a coach and his company "Club Wealth" which can be found online but his bio has no mention of his legal issues.

#### The Seattle Times.com May 13, 2011

An administrative-law judge has upheld the state's decision to revoke the real-estate license of Pierce County broker Michael Hellickson, agreeing that he engaged in dishonest practices that took advantage of struggling homeowners. If Judge Terry Schuh's ruling sticks, Hellickson — touted on national television as an expert on distressed property sales — would be out of the real-estate business for at least 10 years. In a 53-page ruling Thursday, Schuh also upheld the Department of Licensing's revocations of the licenses of Hellickson's wife, Tara, and their Bonney Lake firm, [Hellickson.com](http://Hellickson.com).

The firm specializes in "short sales" for less than the seller owes on the property, and has represented sellers throughout the state. The licensing department moved to pull the Hellicksons' licenses in September after a 17-month investigation prompted by more than two dozen complaints. The agency took the unusual step of suspending their licenses immediately, before a formal hearing, because the severity of the charges. But the Hellicksons appealed, and in October a superior-court judge reinstated their licenses temporarily pending the hearing. A licensing-department spokeswoman said the agency is pleased with Schuh's ruling. The Hellicksons' lawyer, Douglas Tingvall, was not immediately available for comment.

The Hellicksons have 20 days to ask Schuh to change his ruling before the revocations take effect. If that's unsuccessful, they can appeal in court. Schuh upheld six of the 10 violations with which the Department of Licensing charged Michael and Tara Hellickson, and five of 10 charges filed against their firm. But the affirmed violations "were repeated and ongoing," the judge wrote, and three were serious enough on their own to warrant license revocations.

Schuh found that the Hellicksons had:

- Misrepresented to sellers that the Hellicksons would buy properties listed with their firms if the homes didn't sell within 30 days. "The purpose of this advertising was to generate leads," Schuh wrote. "The Hellickson team had no intention of buying homes at anything close to market price."
- Listed homes at prices below what the seller was willing to accept to generate multiple lowball offers. "The implication is that [the Hellicksons] were more interested in generating offers than they were in realistic pricing," Schuh wrote.
- Failed to provide copies of executed listing agreements to clients.

- Engaged in "negligent and dilatory communications" with homeowners. Schuh labeled the Hellickson office "disorganized and inefficient."
- Added language without clients' knowledge to proposed sale agreements steering prospective buyers to specific lenders.
- Engaged in false advertising, including claims the firm was the No. 1 agent in Oregon and Hawaii — states in which the Hellicksons weren't licensed.

Before the licensing department moved against him, Michael Hellickson had appeared on CNBC, Fox Business News and other broadcast outlets to discuss distressed real estate. He also heads Club Wealth Coaching, which holds training events for agents around the country. Its website says Hellickson is "considered by most to be the No. 1 short-sale expert in the world," and advertises upcoming Web seminars later this month and in early June.

The investigation by the Real Estate Department of Licensing was based on only a couple dozen complaints. But, most everyone in the real estate industry, especially in Pierce County knew of the issues that were happening at the Hellickson Firm. There were problems with offers that agents had on his listings, consumers properties listing prices were reduced without their knowledge, and properties were advertised for amounts different than the actual listed amounts. The Dept of Licensing released the over 40 page report on the investigation.

This is a link to the article about his suspension. There are links to the charges from the Dept of Licensing and the Investigators report.

[http://seattletimes.com/html/business/technology/2012845369\\_hellickson09.html](http://seattletimes.com/html/business/technology/2012845369_hellickson09.html)

My personal experience includes his firm listing for sale a home that my good friend had owned for over a year. It was listed in the NWMLS for sale even though my friend did not list it. It was used like a "bait and switch" tactic on the Hellickson website. The owner had to basically fight the MLS to get it removed. He never signed any listing!

You can learn from the "best!" Of course, I am tongue in cheek. Michael Hellickson is selling coaching services under the name of Club Wealth. "Having a real estate license is like having a license to print money," he writes on his bio. I do not know what he encourages as a coach or what he trains the coaches under his name. Most of the information on the website is basic real estate training.

## Shawn Portman, Lender pleads Guilty

Most real estate agent knew that Shawn Portman could get just about anybody a loan. A job or income was not even required. Throughout the Puget Sound, real estate agents talked about him. It took many years, but he did plead guilty of mortgage loan fraud. From his perch as the top individual loan officer in the country he will head to a federal prison for taking down a bank. This article from the Seattle Weekly gives an idea of his type of business practices. But, it is hard to imagine that the woman who bought the home using a loan from him did not know what she was doing! His sentencing is set for Jan 28, 2013.



### Excerpt from the Seattle Weekly Jan 12, 2011

<http://www.seattleweekly.com/2011-01-12/news/feature-hed/>

In 2006, Cheryl Hardtke was getting a divorce and desperate for a new place to live. She thought she found one when a friend told her he was selling his house in Lake Tapps, near Puyallup. Her friend even knew of a banker who could handle her mortgage application, an old high-school buddy named Shawn Portmann, who now headed the home-lending division of Tacoma-based Pierce Commercial Bank. Some months, Portmann completed an astounding 120 loans.

There was just one problem, Hardtke told Portmann in his Puyallup office. Having recently stopped work as a dental assistant because of a back condition, she wasn't making any money. There was no way she could possibly qualify for a loan. Portmann told her not to worry. "We'll take care of it," he said.

According to Hardtke, he did so by creating for her a phantom \$4,000-a-month job. On her loan application, Portmann wrote that she worked for a car-upholstery company run by the high-school pal who'd introduced them. The 53-year-old Hardtke claims she didn't realize the fabrication when she signed the loan documents. Reeling from the divorce and strung out on pain medication, she says, "I wasn't in my right mind." Later, facing foreclosure, she filed a complaint about Portmann with the state attorney general, accusing him of falsifying documents.

Hard-charging, high-living, and imperious, with a Hummer parked outside and a team of in-house underwriters at his disposal, he told Hardtke what he told any borrower, employee, or acquaintance who would listen: "I own the bank." That wasn't exactly true, but truth didn't seem to trip Portmann up. Federal authorities and former bank officials say he frequently made up information out of whole cloth—and then created phony documentation and padded borrowers' bank accounts to back up his lies.

"There was no limit," says a former Pierce Commercial employee, who spoke at length to [Seattle Weekly](#) on condition of anonymity. "If you could make it fraudulent, Shawn would do it." Indeed, some of Portmann's alleged tricks have surprised even veteran watchers of the nation's mortgage meltdown. The former Pierce Commercial co-worker says that Portmann would not only conjure up imaginary jobs, but fake W-2s as well. And if borrowers didn't have enough cash on hand to qualify for a mortgage—well, that was not a problem, either. Portmann, according to authorities, would "season" his clients' bank accounts with his own money, some of which he kept stashed in a home safe for just that purpose.

**When Shawn Portman was indicted this is an excerpt from the US Attorney's office about the indictment.**

<http://www.justice.gov/usao/waw/press/2011/aug/portmann.html>

According to the indictment, between 2004 and 2008, PORTMANN and the other defendants conspired to submit false documents within various loan documents and applications. They falsified information about the borrowers' qualifications as well as about the value of the properties being purchased. Based on a review of a sample of loans, the co-conspirators caused more than 270 loans that contained false and fraudulent documents and information to be funded by Pierce Commercial Bank representing in excess of \$45 million in loan proceeds. More than 100 of these loan files have defaulted, causing in excess of \$10 million in loss to Pierce Commercial Bank, secondary investors, and HUD/FHA. The indictment details multiple false statements included in loan documents regarding an applicant's employment, income, and intention to reside in the property.

The indictment alleges that PORTMANN committed mail fraud affecting a financial institution when sending various documents through the mail to support the scheme. PORTMANN and LIGHTFOOT are charged with counts of wire fraud stemming from the sale of these mortgages on the secondary market to financial institutions such as Wells Fargo, Countrywide, IndyMac and J.P. Morgan Chase.

PORTMANN is charged with bank embezzlement for billing Pierce Commercial Bank for advertising that never occurred. PORTMANN set up two companies, The Principles, LLC and WM1, LLC. Using these companies PORTMANN billed Pierce Commercial Bank more than \$150,000 for advertising that was never provided. PORTMANN used some of these funds to purchase a \$68,000 BMW. That purchase is the basis for the transactional money laundering count.

**Excerpt from Seattle Weekly Sept 19,2012**

[http://blogs.seattleweekly.com/dailyweekly/2012/09/last\\_time\\_we\\_checked\\_in.php](http://blogs.seattleweekly.com/dailyweekly/2012/09/last_time_we_checked_in.php)

Shawn Portmann pleads guilty to only two counts.

Accepting a plea bargain before U.S. District Court Judge Benjamin Settle yesterday, the 40-year old, dressed in a tan suit, presented a considerably more humble persona. Responding to the judge's questions about his frame of mind, he revealed that he has been going to a therapist for depression and anxiety. At other times, though, Portmann was very precise. He asked the judge to repeat his questions at time, paused to consider whether he was agreeing to the facts described in the plea agreement and corrected a minor point relating to when he hired an assistant. In the end, he pleaded guilty to just two counts: submitting false statements in loan applications, and conspiracy to do so. He thereby essentially admitted to making a bunch of stuff up on loan applications, and backing up his lies with phony documents. He gave unemployed borrowers fake jobs, created imaginary rental histories, and submitted copies of cashiers' checks purporting to show that borrowers' debts were paid when in fact the checks were never delivered. He was, in other words, a case study in the reasons behind the mortgage crash. The plea agreement cites only one Portmann mortgage that resulted in default, but a previous statement claimed there were at least 100 such ruinous loans. Portmann and prosecutors have agreed to jointly recommend a prison sentence of between 10 and 14 years, rather than the 50 plus years he could have faced had he been found guilty at a trial. Settle scheduled his sentencing for January 28, and allowed Portmann to remain out on bail in the mean time. An unusual aspect of this plea agreement, though, is that it is dependent on plea agreements of three other former Pierce Commercial officials: vice-president Sonja Lightfoot, who sold Portmann's loans to secondary lenders; Portmann's primary underwriter Jeanette Salsi; and loan processor Adam Voelker. Should any of the three back out of their agreements, Portmann is back to looking at 30 counts.

# According to the California Real Estate Fraud Report in ONE month!

[www.californiarealestatefraudreport.com](http://www.californiarealestatefraudreport.com)

The author of the blog, Monique Bryher, is a licensed real estate agent in Los Angeles and the author of a book on short sale fraud.

These are short synopses of the articles for the past month cover the range of fraud that has been covered. Here are cases that are being prosecuted just in the one month in California on all these types of fraud! You can go on the website and read what is happening this month. Over and over... the crimes even more egregious than the ones listed in the class.

## Prison Time for Convicted Escrow Officer

An escrow officer who facilitated the mortgage fraud crimes of two co-conspirators was sentenced to serve a prison term for just under 4 years. She was convicted on two counts of mail fraud. She was the operator of a mortgage company located in Chico, CA. She gave home purchasers cash kickbacks from a builder for purchasing their deliberately overpriced homes. Some of the overage was distributed to the homebuyers and the rest to the escrow officer, the co-conspirators. Straw buyers were involved in some of the purchases.

## Loan Modification Fraud

Eleven defendants have been indicted for allegedly running a loan modification fraud scheme that prosecutors say brought in \$7 million from the homeowner-victims in California mostly in Los Angeles or Orange County. They persuaded more than 4,000 homeowners in distress to pay them to “negotiate” loan modifications in 2008- 2009. They told homeowners that they were operating a “program sponsored by the U. S. Government” that could help homeowners.

## Loan officer and 4 others sentenced

A loan officer pleaded guilty in a mortgage fraud conspiracy in California has been sentenced to one year in Federal prison. One man found properties for purchase and gave fraudulent loan applications to a lender who reviewed the applications. The loan officer used straw borrowers for the loans using false bank statements and paystubs. The escrow company prepared false settlement statements. Once the loans were approved and funds wired to the escrow company, the escrow disbursed funds intended for the purported buyers to certain co-conspirators and others.

<http://www.fbi.gov/losangeles/press-releases/2011/six-los-angeles-county-residents-charged-in-4-million-mortgage-fraud-scheme>

[http://www.presstelegram.com/breakingnews/ci\\_21509534/gardena-mortgage-broker-gets-1-year-jail-fraud](http://www.presstelegram.com/breakingnews/ci_21509534/gardena-mortgage-broker-gets-1-year-jail-fraud)

## San Jose Woman arrested while out on bond

A woman out on bail set at \$10 million for felony charges for defrauding four victims was arrested again. She was wearing an electronic monitoring anklet was arrested a second time on charges of elder theft, forgery of deed documents, recording false instruments and grand theft. A police investigator traced her following a report by an elderly couple that somebody had forged real estate documents that transferred title out of their names. In the meantime, investigators with a different agency found an elderly couple had also had their property transferred to her. She defrauded an investor out of \$250,000 when she used the elderly couple’s home as collateral in order to secure the loan and then transferred title back to the lawful owners.

[http://www.mercurynews.com/campbell/ci\\_21484888/san-jose-woman-facing-fraud-trial-arrested-additional](http://www.mercurynews.com/campbell/ci_21484888/san-jose-woman-facing-fraud-trial-arrested-additional)

## Hollywood Actor charged in Mortgage Fraud

An actor and tax preparer have each pleaded guilty to conspiracy in a mortgage fraud scheme in 2005-2007 that allowed the actor to acquire title to four homes by falsifying income and bank statements. He used false documents to get mortgages and home equity line of credit. He admitted that he misrepresented his

financial status to the lenders and that he neglected to inform the lenders that he would be receiving kickbacks from the sellers after escrow closed. The homes went into foreclosure. Several other individuals were charged including a loan officer, real estate agents, bank branch manager and an escrow officer.

#### Man pleads guilty to Mortgage Elimination Fraud

A man who was a former real estate agent charged homeowners close to \$15,000 each promising that his company would somehow force banks to forgive the homeowners's mortgages. Approximately 200 distressed homeowners bought into this charade paying over \$2.5 million and many, including his own brother, lost their homes to foreclosure. He spoke at seminars to recruit distressed homeowners and to train salesperson how to do the same scheme. He pled guilty to mail fraud with respect to a mortgage. He faces up to 20 years in prison.

<http://www.justice.gov/usao/cac/Pressroom/2012/116.html>

#### Real Estate agent and wife

A real estate agent and his wife were charged with 20 counts of forgery, procuring and offering a false or forged instrument, identity theft and grand theft involving properties in California. They are accused of assuming the identity of unsuspecting victims, and their credit profiles to obtain homes and credit cards.

<http://www.pe.com/business/business-headlines/20120830-real-estate-charges-allege-real-estate-fraud.ece>

#### Man charged in forging and filing fraudulent grant deeds

A man was charged with 63 felony counts including filing false documents, forgery and identity theft. He was accused of defrauding banks and other financial firms by recording fraudulent grant deeds on 20 properties. He held himself out as the "authorized representative" of the banks that regained title to the foreclosed properties which had a combined value of \$4.5 million. After the grant deeds were forged, hard money loans were obtained defrauding lenders.

<http://www.pe.com/business/business-headlines/20120830-real-estate-charges-allege-real-estate-fraud.ece>

#### Developer with "brain damage" defense sentenced to prison

An attorney failed to convince a federal judge that his client should serve less time in prison because he suffered from "brain damage, bipolar disorder and mild schizophrenia" and committed his crimes on the advice of aliens and spirits. He had pleaded guilty to loan fraud and money laundering on April 2012. He submitted millions of dollars in loan application from straw buyers to purchase parcels from his development company. But they never made loan payments or down payments and the loan proceeds went to pay down one of his other loans. Six of the straw buyers were charged with and pled guilty to tax felonies to report as income the approximately \$50,000 they each received to be straw buyers.

[http://napavalleyregister.com/news/local/upvalley-developers-get-prison-for-bank-fraud/article\\_23db575c-f2e5-11e1-8951-001a4bcf887a.html](http://napavalleyregister.com/news/local/upvalley-developers-get-prison-for-bank-fraud/article_23db575c-f2e5-11e1-8951-001a4bcf887a.html)

#### Former Jailed politician pleads guilty to ID theft

A politician who went to prison 20 years ago in one of Arizona's most notorious public corruption cases has apparently been practicing real estate in San Diego County for almost 14 years using his son's clean record to get a license. He was a real estate broker with Coldwell Banker until April 2012. When he was a legislator, he took \$55,000 in a gym bag from a Phoenix police operative in a sting operation in 1990 and was sentenced to 5 years in prison. He got a real estate license using his son's information. His son has never been in real estate. In his promotional materials, he touted himself as a 2 for 1 package. "With Don, you get a great Realtor, and an attorney in one, with no extra charge to you," reads one of his profiles. Evidently you also get an ex con and a fraud at the same time. He did plead guilty to ID fraud.

<http://www.utsandiego.com/news/2012/aug/30/tp-lawmaker-turned-broker-pleads-guilty-to-id/>

# Regulation of Real Estate and Mortgage

The Department of Licensing for Real Estate is the department that deals with the licensing of Real Estate brokers, Managing Brokers and real estate firms. [www.dol.wa.gov/business/realestate](http://www.dol.wa.gov/business/realestate)

Lenders fall under the Department of Financial Institutions  
[www.dfi.wa.gov](http://www.dfi.wa.gov)

Escrow falls under the Escrow Registration Act.

## Resources

- Don't borrow Trouble Hotline
  - [www.ci.seattle.wa.us/housing/predatorylending](http://www.ci.seattle.wa.us/housing/predatorylending)
- Community Home Ownership Center (206) 587-5641
- Mortgage Default Counseling Services
  - Fremont Public Association (206) 694-6766
  - The Urban League of Seattle (206) 461-3792
- Legal assistance
  - King County Neighborhood Legal Clinics  
(206) 624-9365
- Department of Financial Institutions (800) 372-8303
- U.S. Housing and Urban Development (800) 877-0246
- WAHomeowners.com a resource sight for homeowners created by the Washington Association of Realtors

## Quiz for Real Estate Scams and Fraud

Complete answers on this form. Mail or scan with evaluation to Professional Direction. It is important to make sure the agent participated in the course material for clockhours.

1. We laugh when we get those crazy emails about getting a million dollars out of Nigeria, the Bahamas or Tahiti. The goal is to get the prospect to wire money in advance to help the process. That is one reason this scam is called \_\_\_\_\_
2. Homeowners selling their property can get emails offering to purchase the property for a much higher asking price. The scammer really wants the homeowner to open escrow and \_\_\_\_\_
3. One of the largest scams in the world is called the \_\_\_\_\_
4. A variation of the Nigerian scam is the attempt to buy something on Craigslist with a check that is \_\_\_\_\_
5. In a lease purchase transaction the renter seldom purchases \_\_\_\_\_ to verify that the landlord owns the property.
6. The owner of a property that is lease purchasing it to a future buyer can still encumber the property using up all or more of the equity.
7. Sometimes a con artists might run ads on Craigslist, for example, for a house available for lease purchase but they don't actually \_\_\_\_\_ the house.
8. A con artist sometimes targets homeowners with schemes because they are already behind in mortgage payments and facing \_\_\_\_\_
9. The only way to actually "save" a house from foreclosure is to \_\_\_\_\_
10. A foreclosure specialist is not a licensed profession in Washington State. True / False
11. Foreclosure rescue schemes include those where the con artist offers to lease purchase the house and \_\_\_\_\_ back to the homeowner.
12. Foreclosure specialists offer \_\_\_\_\_ deals to homeowners who are behind on their mortgages.
13. When a buyer makes an offer on a house in a short sale... and then resells the property to another buyer PRIOR to closing this is referred to as a \_\_\_\_\_
14. A prospective buyer in a transaction to purchase a property does not own the property until closing and therefore cannot put it up for \_\_\_\_\_ on the internet to an unsuspecting buyer.
15. Two real estate agents in this state \_\_\_\_\_ were convicted for short sale flopping.
16. According to a study by CoreLogic, short sales resold the same day averaged a \_\_\_\_\_ % gain.

17. Sometimes creepy con artists break into a vacant house and list it for \_\_\_\_\_ enticing prospect with a low rent.
18. A seller might find their property on the market for \_\_\_\_\_ along with an application on Craigslist by a scammer.
19. Prospective tenants have been known to send scammers checks for down payments and rent to scammers that do not \_\_\_\_\_ the house.
20. Sometimes con artists open a new email using the name of the \_\_\_\_\_ of a house so that prospects think they own the house.
21. A scheme convincing homeowners that their mortgage can disappear is called \_\_\_\_\_
22. Mortgage elimination is often accomplished by recording false documents on the property in the \_\_\_\_\_
23. No legal documents or plans can just eliminate a \_\_\_\_\_
24. Filing a "satisfaction of \_\_\_\_\_" does not actually pay off a mortgage leaving a property free and clear on the records.
25. There are companies on the internet that can \_\_\_\_\_ a bank account to a buyer.
26. In an asset rental scheme, the borrower DOES/ DOES NOT have access to a bank account that is "rented."
27. There are companies that for a fee will \_\_\_\_\_ that you have a job and earn an income from a certain company.
28. In an asset rental scheme the borrower actually \_\_\_\_\_ but does not have ability to use the funds.
29. A buyer that technically does not exist except on paper is commonly called a \_\_\_\_\_
30. Filling out a loan application with false information is a \_\_\_\_\_ crime.
31. People that allow their names to be used on lender applications sometimes get \_\_\_\_\_ a fee by the con artist.
32. A straw buyer is often used when a con artist wants to basically steal money from a \_\_\_\_\_
33. Completing a BPO on a bank owned property on a value that is not in line with the market could be \_\_\_\_\_
34. Poor valuations on foreclosed properties harm values for \_\_\_\_\_
35. Whenever a borrower is not honest on a loan application that constitutes \_\_\_\_\_
36. A fraudulent loan application often crosses state lines and become \_\_\_\_\_ fraud which is a federal crime.
37. Writing "Owner Occupied" on a loan application when the borrower does not intend to reside in the house is \_\_\_\_\_
38. One of the largest real estate fraud cases to hit Washington State involved a company that specialized in \_\_\_\_\_
39. One loan officer in \_\_\_\_\_ County would create phantom jobs to qualify borrowers.
40. If you have a question about fraud or want to report some suspicious real estate activity, contact the \_\_\_\_\_
41. Lenders fall under this department \_\_\_\_\_

Name \_\_\_\_\_ Signature \_\_\_\_\_

Date Completed \_\_\_\_\_

**You must attach to the Evaluation along with tuition to get clockhours. Scan and email to [clockhours@gmail.com](mailto:clockhours@gmail.com)**

**Professional Direction 13148 Holmes Pt Dr NE, Kirkland, WA 98034**

## Quiz for Real Estate Scams

You must attach the Evaluation to this Answer Sheet to receive clockhours.

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I attest that I have read the materials and have answered the questions. The mandatory evaluation is attached!

Print Name \_\_\_\_\_ Company \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_



# Mandatory Evaluation

Did you read the material in the booklet on this date? YES / NO  
 Did you complete the quiz and attach answer sheet? YES / NO  
 Did you enclose Tuition (\$30 for 3 clockhours) YES / NO  
 Did you fill out and sign this form? YES / NO

Paid by Check or Visa/MC # \_\_\_\_\_ exp \_\_\_/\_\_\_/\_\_\_ print clearly Payment link on front of website.

Why did you choose to take this course? Topic? Time? Cost? Ease? Other?

A "clock hour" is 50 minutes. This 3 hour class should take about 2 hrs 30 min. How long did it take to complete the course? \_\_\_\_\_

	No	Yes
Will the material you learned improve your performance?	<input type="checkbox"/>	<input type="checkbox"/>
Were the course materials easy to follow?	<input type="checkbox"/>	<input type="checkbox"/>
Were the course materials relevant to your profession?	<input type="checkbox"/>	<input type="checkbox"/>
Were your objectives met by attending the class?	<input type="checkbox"/>	<input type="checkbox"/>

What are 3 things that you learned from the course?

1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

## Real Estate Scams and Fraud

Print Name CLEARLY	Signature	Company
Address	City Zip Code	Phone
	Email	
License Renewal Date		Date class taken

*Thanks for taking this class! I really appreciate the agents that take clockhours from my school! I am always working on my classes and writing new ones!*

**Professional Direction, 13148 Holmes Pt Dr NE, Kirkland, WA 98034 email: clockhours@gmail.com**

**www.clockhours.com**