



**WARNING!
FRAUD**



**WARNING!
SURCHARGES**



**WARNING!
SCAMS**



**WARNING!
STRAW
BUYERS**



BEWARE OF SHORT SALE FRAUD

Attorney General Edmund G. Brown Jr. joined the CALIFORNIA DEPARTMENT OF REAL ESTATE and the State Bar of California to warn homeowners about an alarming rise in short sale fraud across California in a field "rife with scam artists." [June 2010]

A short sale is an arrangement in which a homeowner sells his or her home for less than the outstanding mortgage, with the consent of the lender.

"While short sales can provide homeowners with a last-ditch alternative to foreclosure, this market is rife with scam artists," Brown said. "Homeowners and buyers, agents, and lenders should beware of short sale negotiators who operate without licenses, use straw buyers or charge illegal fees."

With so many homeowners now considering short sales, an entire industry of so-called short sale negotiators has emerged. These individuals solicit homeowners by promising to expedite the process and help coax lenders into taking part in the transaction.

**HOMEOWNERS
Buyers! Lenders!
Agents!
BEWARE**

Before working with -- or paying -- any short sale negotiator, homeowners should consider the following red flags:

No license

With limited exceptions, only licensed real estate agents or attorneys can engage in short sale negotiations with a homeowner's lender.

Up-front fees

Licensed real estate agents wishing to collect up-front fees from homeowners for short sale transactions must first submit an advance fee contract to the Department of Real Estate and receive a no-objection letter.

Surcharges

With many distressed properties listed well below market value, negotiators and agents are charging potential buyers thousands of dollars in surcharges and hidden fees just to place an offer on a home. These illegal fees are frequently not disclosed and are paid outside escrow.

Straw buyers and house flipping

In this scheme, short sale negotiators misrepresent the market value of a property to a homeowner's lender by only submitting offers on the property

from an affiliated straw buyer. After the home is purchased below market value, the fraudsters immediately flip it and pocket the difference.

Negotiator Titles?

Short sale negotiators and agents use a number of titles including debt negotiator, debt resolution expert, loss mitigation practitioner, foreclosure rescue negotiator, short sale processor, short sale coordinator and short sale expeditor.

Homeowners can also learn more about avoiding mortgage and real estate fraud by visiting the Department of Real Estate website at: http://www.dre.ca.gov/cons_alerts.html. A complaint form can be accessed online at: http://www.dre.ca.gov/frm_consumer.html.

Homeowners can file a complaint against a lawyer, a legal specialist or a company purporting to operate as a law firm with the State Bar by calling 1-800-843-9053 or visiting: www.calbar.ca.gov.

Homeowners can learn more about the federal government's Home Affordable Foreclosure Alternatives Program by visiting: <http://makinghomeaffordable.gov/hafa.html>.

For more information on Brown's work against loan - modification fraud, visit: <http://ag.ca.gov/loanmod>.



Charmaine and Karen

951-757-0757 • 951-757-4952

Email: CharmaineandKaren@gmail.com

Website: CharmaineandKaren.com



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#01809145