

Short Sale Scam Uncovered in Southern California

A short sale scam has been uncovered in Southern California recently. A real estate company and its broker owned escrow company have been accused of taking part in a long –running scam swindling many victims. Homes were fraudulently listed for sale as short sale properties. Unsuspecting buyers opened escrows and deposited funds into escrow awaiting short sale lender approval. After much time passed, the buyers were unable to contact the real estate company or escrow division. Attached is an article from the Long Beach Press Telegram dated December 29, 2016. Since that time, many more victims have been discovered.

This scam points out the importance of using a reputable escrow company. In addition, it is recommended that buyers not place money into escrow prior to receiving short sale lender approval. Paragraph 3 of the CAR Short Sale Addendum has language that establishes the default to be that the buyer will place the deposit into escrow only upon short sale lender written approval. While this default can be changed to require the buyer to put a deposit into escrow within 3 days of acceptance of the offer between buyer and seller, buyers should carefully consider whether it is wise to tie up funds in escrow prior to written short sale lender approval.

See the attached article for more information on the short sale scam mentioned above.

Long Beach Press Telegram (<http://www.presstelegram.com>)

Police arrest Cerritos man suspected of taking \$500K in 'escrow fee scam'

By Courtney Tompkins, Long Beach Press Telegram

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Investigators are looking for more victims of a Cerritos man who is accused of taking part in a long-running "escrow fee scam" that swindled nearly \$500,000 from at least 32 victims.

Los Angeles County Sheriff's deputies arrested Mario Gonzalez, a broker at MCR Escrow Division, in the 1800 block of Studebaker Road on Thursday, according to a press release.

Gonzalez, 45, is suspected of participating in an "Escrow Fee Scam" that purportedly began in 2014 and involved homes that were fraudulently listed as short-sale properties, investigators in the fraud and cyber crimes bureau said. The alleged scheme required victims to pay escrow fees to secure a property after they submitted a bid, but the sales were never finalized nor were the fees returned to the victims, the release said.

Investigators say they need the public's help identifying other potential victims. Anyone with information about the crime is encouraged to contact Detective Keith Clark at 562-946-7217. Information can also be submitted anonymously by calling "Crime Stoppers" at 800-222-TIPS (8477) or submitting a tip online at www.lacrimestoppers.org.

Gonzalez is currently being held in lieu of a \$70,000 bail at the Norwalk Sheriff Station.

URL: <http://www.presstelegram.com/general-news/20161229/police-arrest-cerritos-man-suspected-of-taking-500k-in-escrow-fee-scam>

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