



**DEPARTMENT  
OF  
REAL ESTATE  
FORUM**

**BARBARA BIGBY**  
**Acting Real Estate Commissioner**  
**September 21, 2011**





# Today's Agenda

- **Introductions and Opening Remarks**
- **Operations Report**
- **Fraud, *The Beat Goes On***
- **Enforcement Cases**
- **Audit Cases**
- **Open Forum**
- **Closing Remarks**





# DRE Headlines ....

- **Criminal and Civil Prosecutions**
- **Regulator Interactions**
- **Unlicensed Activity Trials**
- **Potential Western States  
Regulator Consortium**
- **New Housing Projects Emerging**
- **Expanding Presence**





# OPERATIONS REPORT



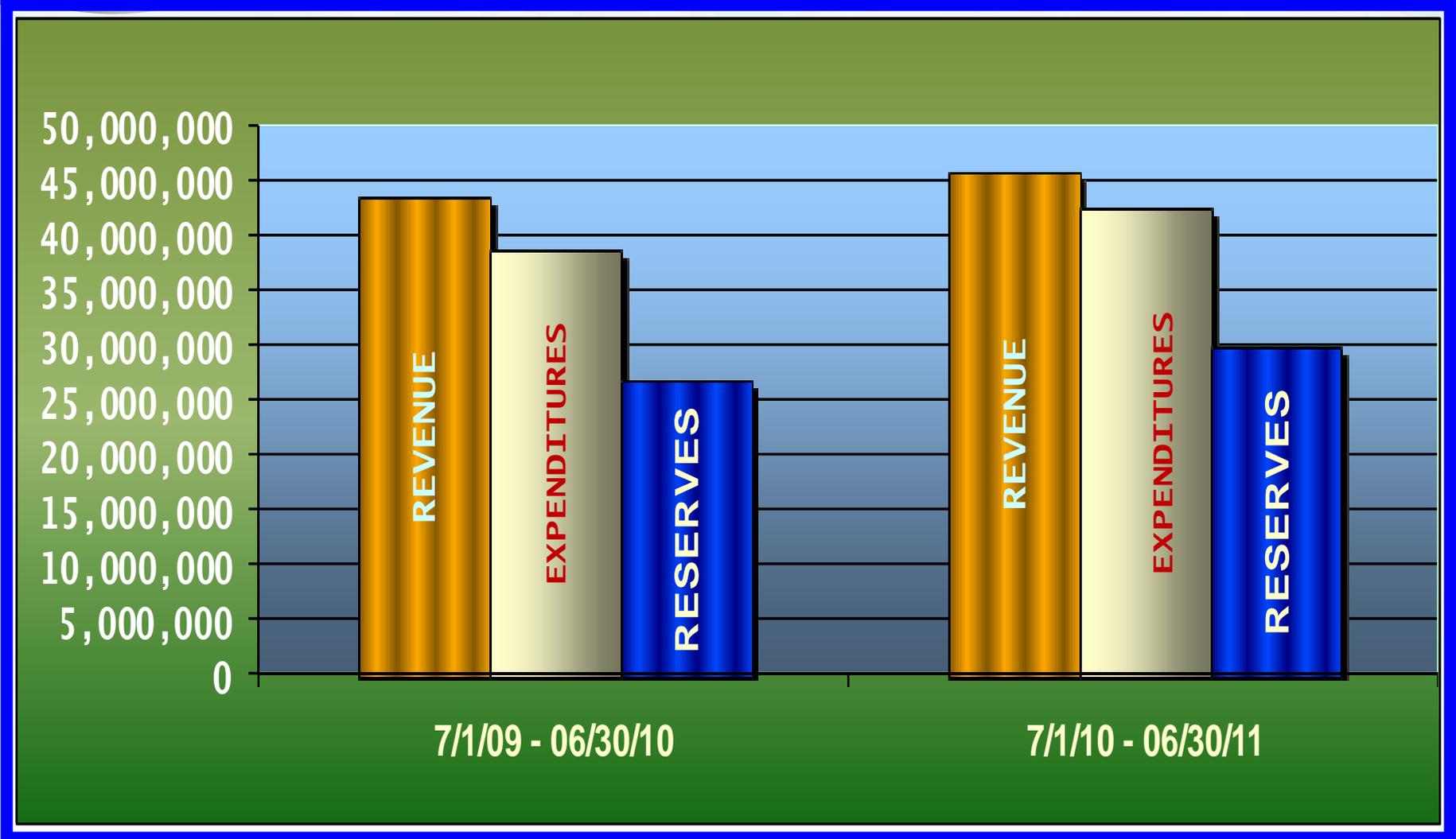


# Financial Statistics

MONTH	REVENUE	NET EXPENDITURES	RESERVES
07/31/2010	\$4,263,802	\$1,896,282	\$29,345,949
08/31/2010	\$5,316,310	\$1,844,415	\$32,817,844
09/30/2010	\$5,131,610	\$1,953,565	\$35,995,889
10/31/2010	\$3,219,981	\$4,234,249	\$34,981,621
11/30/2010	\$3,239,760	\$3,713,300	\$34,508,081
12/31/2010	\$3,939,688	\$4,195,556	\$34,252,213
01/31/2011	\$3,382,573	\$4,764,338	\$32,870,448
02/28/2011	\$3,311,341	\$3,749,786	\$32,432,003
03/31/2011	\$4,091,909	\$3,404,450	\$33,119,462
04/30/2011	\$3,515,876	\$2,368,866	\$34,267,487
05/31/2011	\$3,216,594	\$2,712,931	\$34,770,090
06/30/2011	\$3,418,098	\$7,996,775	\$31,882,236

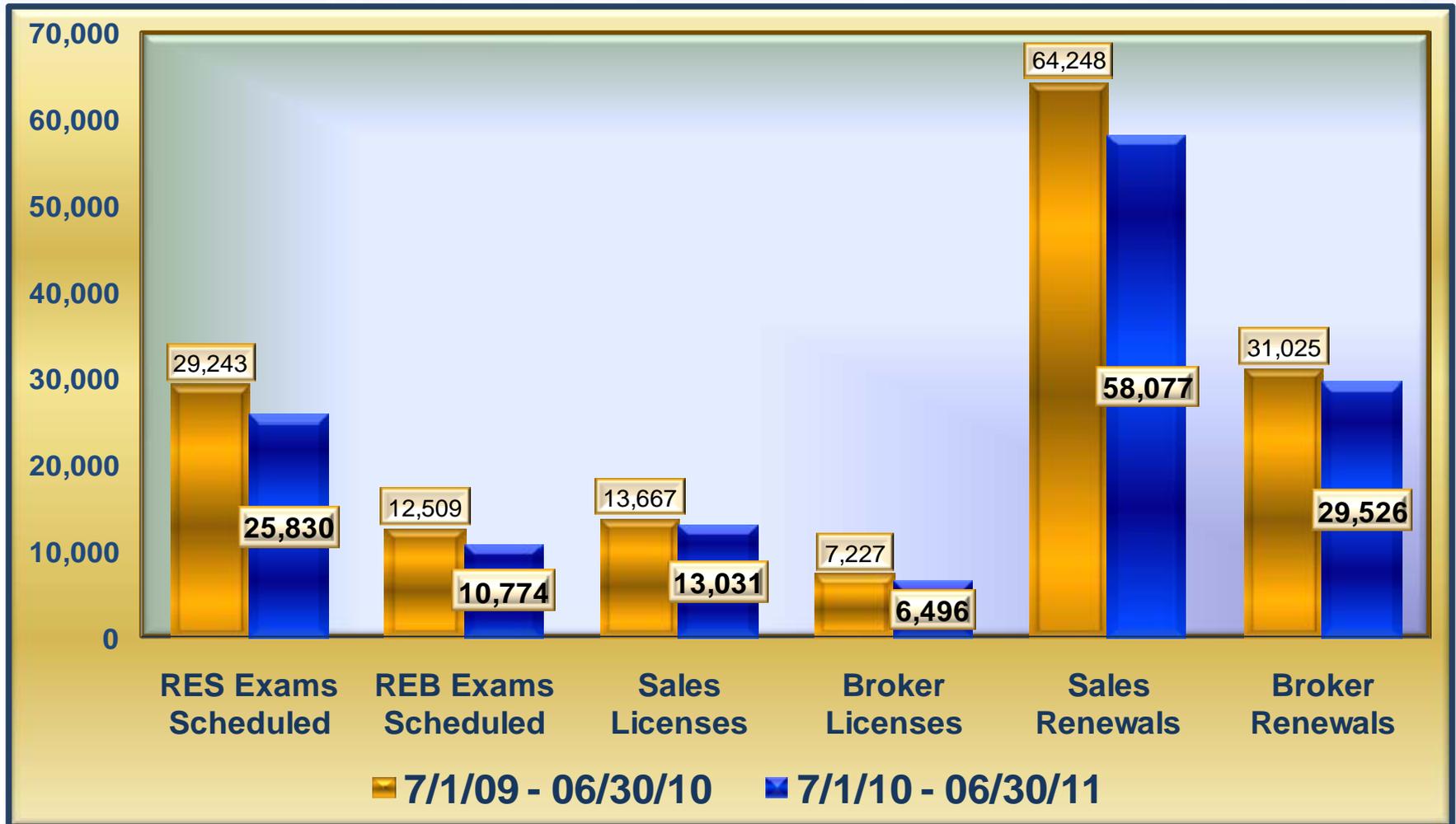


# FY Comparisons





# Licensing Workload



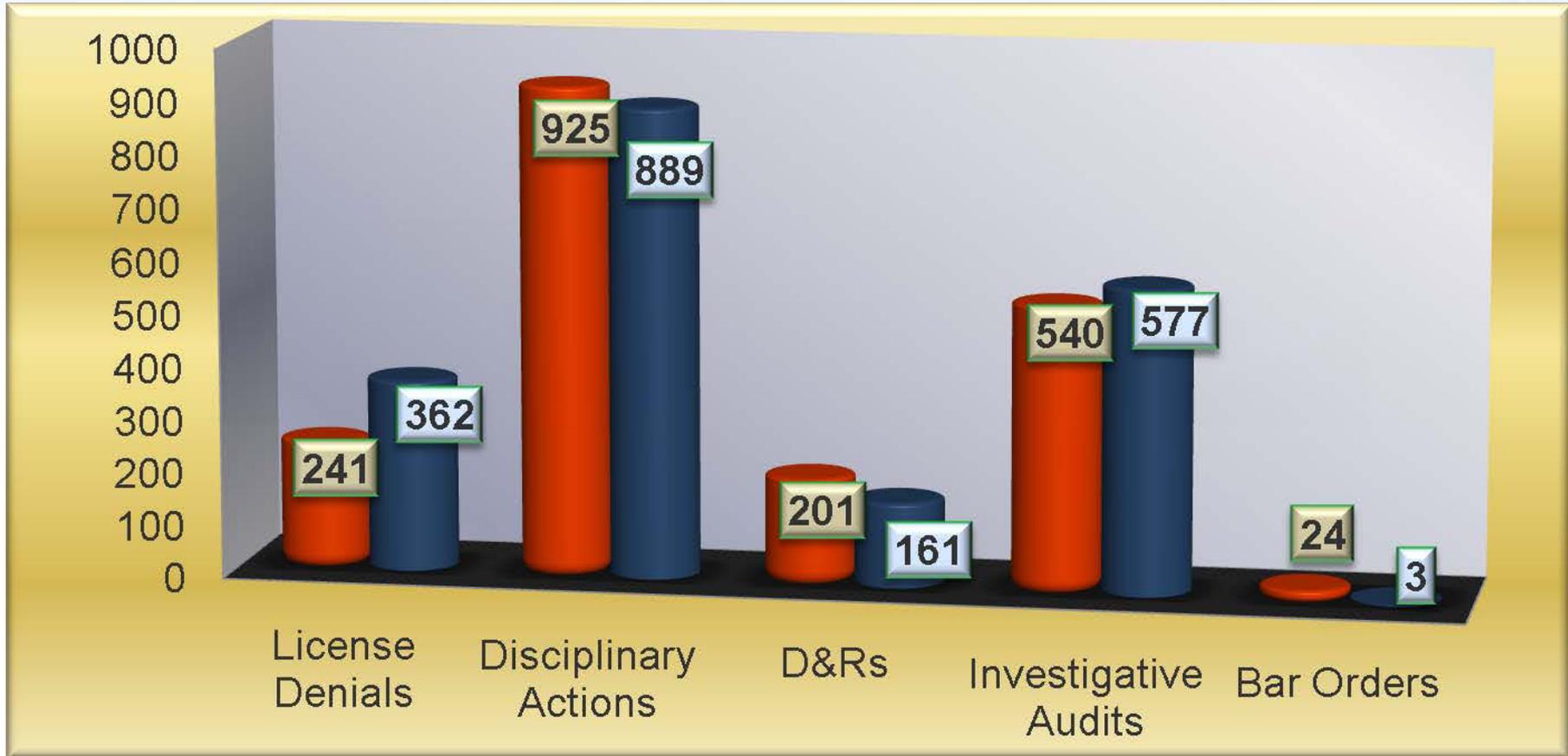


# License Population





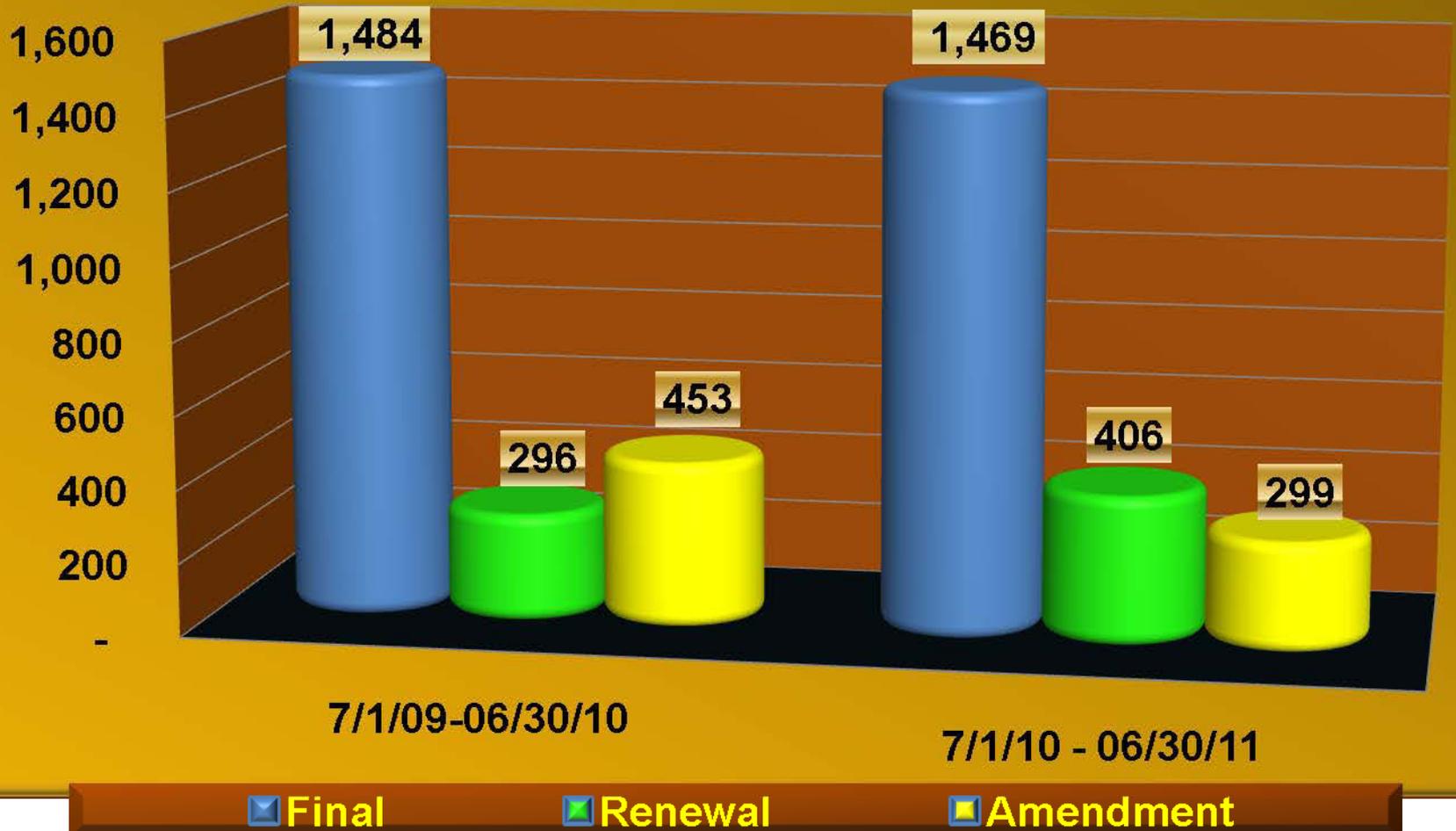
# Enforcement Activities FY 10/11 vs. FY 09/10



■ 7/1/10-6/30/11   ■ 7/1/09-6/30/10



# Subdivision Comparison





# LA Region Exam Center





# **FRAUD**

***THE BEAT GOES ON.....***



**WAYNE BELL**  
**CHIEF LEGAL**  
**COUNSEL**



Department  
of  
Real Estate

‘The Road to Ruin’

**BILL MORAN**

ASSISTANT COMMISSIONER,  
ENFORCEMENT

# INVESTIGATION

- **Vision Quest 21, Inc**
- **Century 21 Su Casa**
- **Mariposa Mortgage**
- **Bic D. Pho**



# THE ROAD TO RUIN



**MONOPOLY**  
**HOUSING BUST EDITION**

ALL NEW TOKENS!

BONUS! INCLUDES DAVID LEREAH MOTIVATIONAL TAPE!

Community Chest  
HELOC APPROVED  
YOU'RE RICH!

PAST DUE NOTICE

 <b>GO</b> DIRECTLY TO FORECLOSURE	<b>FAILED FLIP</b>  SELL HUMMER	<b>PROPERTY TAX</b>  HOCK YOUR RING	<b>CANCELED CONDO</b>  RAMEN, YUM!	<b>STATED INCOME</b>  WINK WINK NUDGE NUDGE	<b>ARM RESET</b> 	<b>PRICE CRASH</b>  BUT... SUZANNE RESEARCHED THIS!?! 	<b>SHORT SALE</b>
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# STRAW BUYERS

STRAW BUYER PURCHASES  
FALSIFIED EMPLOYMENT AND  
INCOME INFORMATION

DEFRAUDED STRAW BUYERS  
INTO BELIEVING THEY WERE  
ONLY CO-SIGNING FOR THE  
PURCHASE

CASH BACK AT CLOSE OF  
ESCROW



# Real Estate & Loan Fees



Real Estate Commissions

Loan Origination Fees

Processing Fees

Cash Back at COE

# LICENSE REVOCATIONS

VISION QUEST INC.  
MARIPOSA MORTGAGE  
BIC D. PHO  
ROBERT WARDEN  
PETER SANCHEZ  
EDDIE BURNIAS  
ROBERT ATENCIO  
JOHN NUYEN  
GLORIA ALVAREZ  
NATRIA MAXWELL  
FELIPE NERI



# THE GREAT PAPER CHASE

“Evidentiary Issues”

Lenders Out of  
Business

Locating Loan Files

Custodian of Records

Testimony



# BAR ORDER



BAR ORDER



# CARL RENOWITZKY UNLICENSED

1999 Desist and Refrain Order

2010 Desist and Refrain Order

CAA International

United Investments





Deed Property to CAA  
International

Negotiate Short Sale

Save Credit

Rent to Own





LOADING VIDEO



04:46 / 04:46



SHARE





# SHORT SALE TRANSACTIONS

## DRE Issues:

- Unlicensed Negotiators
- Advance Fees
- Property Flips and Double Escrows
- Hidden Surcharges



# PROPERTY FLIPS



- Scheme to Defraud Lenders.
- Falsified Broker Price Opinions.
- Straw Buyer (individuals, LLC's, etc).
- Failure to advise lender that a higher offer exists.
- Double Escrow/Quick Turnover for Profit

# DRE STRATEGY

- \* FULL ADMINISTRATIVE PROSECUTION
- \* FULL CRIMINAL AND CIVIL PROSECUTION
- \* CONSUMER AWARENESS



# MAXIMIZE CONSUMER PROTECTION



ENLIST SUPPORT FROM LOCAL ASSOCIATIONS

BE AWARE OF THE PROBLEM

SPREAD THE WORD IN YOUR COMMUNITY

LOG ON; LOOK EM UP & CHECK EM OUT





# Department of Real Estate

*Serving Californians Since 1917*

# Audit Case

## September 21, 2011



# **TRUST FUNDS? WHAT TRUST FUNDS?!!**

Dan Sandri  
Chief of Audits  
Department of Real Estate

# The Complaint:

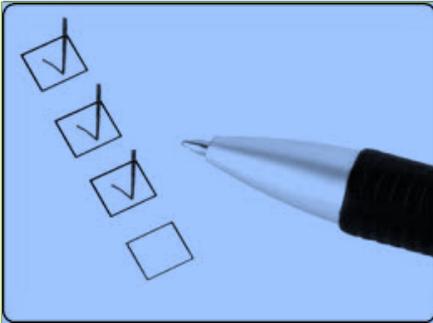
- Complaint received from an escrow officer said that a *former* escrow officer embezzled escrow trust funds.
- Complaint said corporate broker used 2 unlicensed fictitious business names in escrow operations.



# The Corporation:



- Shares owned evenly by 2 Salespersons
- Resale and Broker Escrow Activity:
  - 114 escrows (\$63 million) during period 5/06-4/07 – under former escrow officer
  - 30 escrows (\$33 million) during 11/07-10/08 under new escrow officer

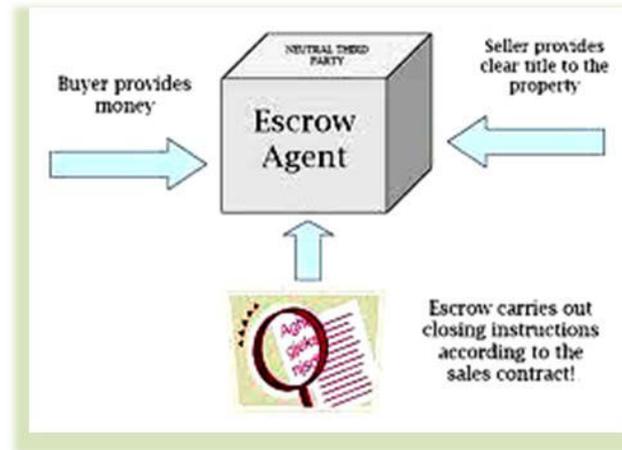


# The Audit:

- **3 accounts used for escrow trust funds:**

- **Trust Account #1**
- **Bank Account #1**
- **Trust Account #2**

- **Signatories were RES Owner #1, RES Owner #2, Des. Officer, unlicensed, unbonded Escrow Officers**



# The Audit:



- Audit confirmed presence of a large trust fund shortage in Trust Account #1, as follows:

- **\$885,073** as of **3/30/07** due to overdrawn escrows (\$657,350) and embezzlement (\$227,708) and bank charge (\$15).



# The Audit:



**Two interesting aspects of this case:**

- 1. Cause of Shortage – how the shortage came to be**
- 2. Restitution Collected – what happened when money to cure the shortage came in**



# The Audit - Shortage:

**\$885,073 shortage as of 3/30/07 due to:**

**1. Overdrawn escrows: \$657,350**

- In one escrow, \$561,953 was disbursed 1.5 months before money to cover was received.
- Other negative escrow involved property co-owned by former escrow officer and boyfriend.



# The Audit – Shortage (cont):

**\$885,073 shortage as of 3/30/07 due to:**

2. Bank Charges: \$15

**AND...**

3. Embezzlement: \$227,708

Former escrow officer, an unlicensed, unbonded signer on Trust Account #1, stole money over 6 years via checks written to herself and other related people/ entities.



# The Audit – Shortage (cont):

## Among recipients of disbursements from former escrow officer:

- Former Escrow Officer: \$38,661
- Deceased Grandmother: 82,399
- Boyfriend: 37,355
- Mortgage company that made loan to escrow officer: 25,554
- Credit card company: 5,000



# The Designated Officer Takes Action!

- **By end of April 2007, much of negative escrow balances had been made whole.**
- **Designated Officer discovered the embezzlement in March or April, 2007 (1 yr after signing on as D.O.).**
- **D.O. and RES Owners confronted former escrow officer in meeting.**



# The Designated Officer Takes Action!

## Other Steps Taken By D.O.:

- Fired former escrow officer and hired new escrow officer;
- Secured agreement of RES owners to allow full investigation;
- Researched causes of shortage;
- Hired consultant to identify shortage causes.



# The Designated Officer Takes Action!



## Other Steps Taken By D.O.:

- Former escrow officer's mother agrees in meeting to pay \$225,000 as restitution.
- Boyfriend agrees to repay over \$104,000 in stolen trust funds.



# The Designated Officer...



- Collects cashier's checks of \$150,000 and \$75,000 from former escrow officer's mother AND, DESPITE ADVICE FROM THE CONSULTANT AND NEW ESCROW OFFICER, AND FACT THAT SHORTAGE REMAINS IN TRUST ACCOUNT #1...
- Deposits the \$225,000 to the company business account and spends it!
- FAILS!

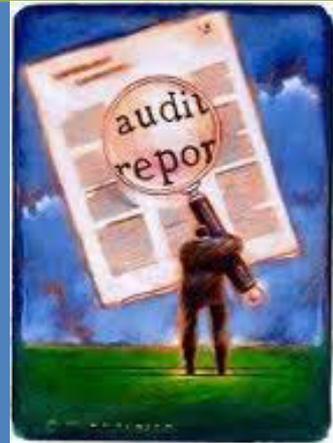


# The Result:



- By taking the \$225,000 and spending it, the D.O. mishandled and used trust funds.
- The money was spent on: office rent, agent commissions, salaries of owners, new escrow officer salary, consultant fee, and on D.O. fees and salary of over \$7,000.
- The D.O. did not obtain permission of owners of the funds to use their money.
- The D.O. argued with auditor, consultants and escrow officer that funds were not trust funds.

# The Result:



- **The corporation and D.O. were cited for:**
  - **trust fund shortages, mishandling and commingling;**
  - **improper account setup and signatories;**
  - **many record keeping violations;**
  - **improper escrow accountings;**
  - **use of unregistered fictitious business names in conducting escrow activity;**
  - **and other violations.**

# The Result:



- After an Accusation filing and hearing, the licenses of the corporation and D.O. were Revoked.
- D.O. continued to unsuccessfully argue in hearing and in writ filed in Superior Court that the \$225,000 received to correct shortage was not trust funds, and that D.O. was treated unfairly.





*Q&A*

**OPEN FORUM**

*OPEN FORUM*



*THANK YOU!*



*Next Meeting - January 20, 2012  
Indian Wells*