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State agencies warn about short-sale mortgage fraud

Sacramento Business Journal - by [Mark Anderson](#) Staff writer

The California Department of Real Estate and the Department of Financial Institutions are warning lenders and brokers of an uptick in short-sale mortgage fraud activity.

Some of the concerns are subtle and related to “legal and ethical minefields,” and some of the issues are outright fraud, according to a release by the Department of Real Estate.

The most recent concerns are about the growth of short-sale negotiators requiring buyers to pay their fee. The state regulators are reminding real estate professionals that any fee must go through escrow. Any fee outside of escrow may be considered a license violation and/or mortgage fraud. Some short-sale negotiators are seeking their fees outside of escrow by not including their documents in the loan file. That is not allowed. And many people offering to work as negotiators are not licensed.

The regulators are also warning consumers that in nearly all cases, a short-sale negotiator must be a California licensed real estate broker.

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