

Short Sale Undisclosed Payments may be illegal



In a short sale transaction, undisclosed payments, particularly those paid outside of escrow, may constitute illegal activity under RESPA (Real Estate Settlement Procedures Act), licensing and/or loan fraud laws. An agent's participation in any "scheme" could be subject to license revocation by the Department of Real Estate or other disciplinary action.

For Example:

A short sale senior lender authorizes a payment of \$5,000 to eliminate a junior lien; however, the junior lender demands that the buyer makes an additional payment of \$4,000 outside of escrow. Concealing this additional payment from a federally-insured senior lender could constitute loan fraud and non-disclosure on the HUD-1 Settlement Statement may violate RESPA. Other laws and regulations may also be in violation depending on the circumstances.



Our clients and real estate agents are always encouraged to file any complaints regarding fraudulent activities to the proper authorities such as:

Attorney General's Office

California Department of Justice
Phone: (800) 952-5225
<http://ad.ca.gov/consumers/mailform.html>

Department of Housing and Urban Development (HUD)

HUD Office of Inspector
General Hotline (GFI)
Phone: (800) 347-3735
<http://ad.ca.gov/consumers/mailform.html>

Federal Bureau of Investigation (FBI)

Phone: (202) 324-3000
<https://tips.fbi.gov>