

LA County epicenter of mortgage fraud

CRIME: Area is first in nation for reports of home-loan scams.

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As more Americans lost their homes to foreclosure last month than at any time in history, Los Angeles County has become the "national epicenter of mortgage fraud," federal officials said Thursday.

The Los Angeles area now ranks No. 1 in the nation in the number of mortgage fraud reports made since 2008, officials said during Los Angeles Mortgage Fraud Summit.

Tony West, assistant attorney general at the U.S. Department of Justice in Washington, D.C., said 1.7 million American homeowners received foreclosure notices in the first half of this year and the number of properties banks have taken back hit an all-time high last month.

"The situation in California has been particularly dire and by any measure California is among the two or three states most affected by mortgage fraud," West said.

In the state, banks filed nearly 350,000 foreclosure notices from January to early August, West said. In the county, more than 400,000 homeowners have negative equity - meaning they owe more on their mortgages than their homes are worth, West said.

"That is the third-highest rate in the entire country and those seeking to take advantage of these hard economic times are striking the community," West said.

West was among numerous members of the national Financial Fraud Enforcement Task Force that met at the U.S. Attorney's Office in downtown Los Angeles. The task force was established by President Obama in November 2009 to investigate and prosecute financial crimes, including a variety of mortgage fraud schemes.

"(This summit) is particularly timely because our region is now a national epicenter of mortgage fraud," said Andr Birotte Jr., the U.S. attorney for California's Central District. "In the last month alone, my office has indicted two dozen defendants for their involvement in mortgage and real estate fraud, and has pursued civil remedies in other mortgage fraud cases."

On Thursday, U.S. Attorney's Office announced a federal grand jury indicted Downey resident Juan Rangel, 46, on a series of fraud charges for allegedly running a Ponzi scheme that took more than \$11 million from more than 300 victims, and a mortgage fraud scheme that preyed on homeowners by stealing the equity from their homes and secretly taking title to their properties.

His co-defendant, Javier Juanchi, 42, of Sherman Oaks, a vice president at Commerce-based Financial Plus Investments, was arrested and charged only in relation to the mortgage fraud part of the scheme, prosecutors said.

"The homeowner victims were facing foreclosure and were promised help, but instead Rangel and his associates took control of the victims' homes and sold the properties without their knowledge," Birotte said.

Steven Martinez, assistant director of the FBI office in Los Angeles, said tens of thousands of homeowners in the region have been victimized and the types of schemes are constantly changing. These include short sale, property flipping, builder buyout, foreclosure rescue, false appraisal and other schemes, Martinez said.

To learn how to avoid becoming a victim of mortgage fraud and obtain information on where to get free mortgage counseling services, log onto www.preventloanscams.org or StopFraud.gov.