

## FRAUD ALERT: LLC IDENTITY THEFT



A new type of identity theft is occurring in California: the hijacking of legitimate LLCs.

Identity thieves are now masquerading as LLC real property owners to get hard money cash out loans. They then disappear with the money.

### **How they do it:**

- They file fraudulent annual Statements of Information (SI) with the Secretary of State (SOS) and modify the existing SI via the SOS website. The SOS does not verify identities or double-check the information, so this is easy to do from an overseas location.
- They apply for a hard money loan (usually on clear vacant land) by emailing a fraudulent operating agreement and impersonating a managing member.
- They get the money and disappear.

### **Red flags for this fraud include:**

- Free and clear property

- Vacant land
- Cash out hard money brokered loan
- Loan broker/lender never meets with principals
- Latest Secretary of State Statement of Information not executed by last managing member shown on the previous filing
- LLC operating agreement not executed at time of incorporation or purchase of property
- Loan documents emailed to borrower instead of delivered by title company-approved notary service

**Concerned? One option is to scrutinize the LLC carefully, including:**

- A review of the entire SOS SI chain
- Comparison of the date of the operating agreement to dates of incorporation & property purchase
- Require [if practical] ... the lender & escrow to deal with the principals in person and not from afar

**More Details:**

Thieves are exploiting the hard money space due to the space's focus on the collateral, not the borrower, and the lenders' tendency to do the loan online and through email without ever meeting the borrower. This makes it possible for overseas counterfeiters to commit loan and title fraud.

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For more information please contact:



**Steven J. Kahn**  
 Tri-Valley Office  
 4309 Hacienda Drive, Suite 350  
 Pleasanton, CA 94588  
 D: +1.925.460.3362  
[steven.kahn@hogequenton.com](mailto:steven.kahn@hogequenton.com)

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- Steven J. Kahn