



**DEPARTMENT OF REAL ESTATE
CONSUMER FRAUD ALERT AND WARNING
PRE-PAID RENTAL LISTING SERVICES (PRLS)**

By Phillip Ihde, Managing Deputy Commissioner IV

The California Department of Real Estate (DRE) is issuing this alert and fraud warning because of the growing number of scams being perpetrated against consumers seeking to rent homes and apartments by persons offering rental lists for a fee and businesses operating Prepaid Rental Listing Service (PRLS) companies.

As a result of the current economic climate, a significant number of consumers have the need to move into residential rental properties due to income and/or credit issues, foreclosures, short sales, or some other inability to own homes or maintain homeownership. Moreover, some existing renters are forced to look for alternative rental space due to foreclosure of their existing rental properties. These realities have created an environment perfect for PRLS scams.

As the name suggests, a PRLS company offers a list of available rentals in exchange for an upfront fee. A typical scam involves the promise of a list of available rentals in a location and price range desired by the prospective tenant; however, the prospective tenant must pay an upfront fee in order to obtain the list. The list paid for by the prospective tenant, however, often proves fruitless or useless and the list provider refuses to give a refund to the victim.

When looking for a rental, a PRLS may seem attractive and, if it is legitimate, licensed, and in full compliance with the law (see sections 10167 to 10167.17 of the California Business and Professions Code), a PRLS can be a resource for a renter seeking housing opportunities. PRLS service providers charge varying fees for lists of rentals. Paying a fee to avoid the hassle of sifting through hundreds of ads displayed online can appear to be a good deal on the surface. However, it is important for consumers to be aware of common problems associated with the PRLS industry.

COMMON ISSUES

Each year, the DRE receives complaints against PRLS providers for false advertising issues, lists of rentals that are not available as suggested, refund problems, and more. In some cases:

- Potential renters find that the properties featured in listings are not for rent, have already been rented to someone, or do not exist;
- The landlord may actually be renting out the space, but may be unaware that his or her property is featured through the PRLS service;
- PRLS companies compile listings from newspapers, online classified sites and real estate websites with no regard to whether the properties are still available, the rental prices have changed, or that the details are factually correct;

- Other prospective renters have found that the listing service, after the consumers have paid for the list(s), cannot provide rental properties that meet their (the consumers') desired specifications and qualities;
- The company fails to provide refunds as specified in its contract.

To avoid these common problems, consumers should familiarize themselves with their rights as consumers and the requirements of PRLS operators.

LICENSING

Anyone conducting business as a PRLS in California ***must be licensed*** by the DRE as a real estate broker or maintain a Prepaid Rental Listing Service license issued by the DRE. Those companies operating under a PRLS license must maintain a \$10,000 bond or cash deposit.

- Checking the company out through the DRE's website before doing business with the company is critical, and will let the consumer know if the company is properly licensed and if there has been any disciplinary action taken.
- Even if the PRLS is licensed by the DRE, consumers are well advised to check on the PRLS with the Better Business Bureau in the geographic area in which the PRLS operates.
- See what information is provided by the company by doing a Google, Yahoo or Yelp search on the Internet.
- If the PRLS company is not licensed, consumers should not use that company, and report the company to the DRE, and should find an alternative DRE-licensed PRLS option or some other avenue for their rental hunt.

CONTRACTS

To avoid being scammed by untrustworthy businesses, consumers must read all PRLS contracts closely and carefully. Before any PRLS company accepts a fee for rental listings:

- It must provide a contract stating the amount of the fee and specify what services will be performed in exchange for the fee;
- The contract must include a description of the kind of rental unit the consumer wants to find;
- Even if the contract is signed electronically, consumers can and should still request a printed copy of the contract. This must be provided within five working days of a request;
- Consumers need to ensure that the contract specifies what sort of rental listings will be provided. For instance, if a consumer is looking for a specific number of bedrooms, a maximum rent amount, or listings in a specific area, this must be written into the contract;
- The contract must state an expiration date of no more than 90 days from the date it is signed;

- The PRLS company must also disclose small claims court remedies available to you should any issues arise.

If the PRLS company fails to provide the specified features, this is one of several conditions that would form a basis for the customer to receive a refund. Prospective renters using a PRLS must carefully review the refund section of the contract. It is important to understand what rights you have should a refund be requested.

REFUNDS

California law entitles customers of PRLS services certain rights regarding refunds.

- Within five days: If a consumer has not received three “available” rental listings meeting all property specifications listed in the contract within five days of signing the contract, he or she is entitled to a full refund. To receive the refund, the consumer must deliver or send via certified mail a written request within ten days after the five-day period expires.
- Within the term of the contract: If the service does not locate a rental for a consumer or if the PRLS consumer finds housing on his or her own within the time-frame of the contract, that consumer is entitled to a refund of all fees paid except for \$50. To obtain a refund under these circumstances, a consumer must submit a request for a refund within ten days of the expiration date of the contract through certified mail or in-person.
- If the service failed to locate a rental property for a consumer, the consumer needs to provide documentation proving that the consumer has not moved and still resides at the same address.
- If the PRLS consumer found housing without the services of the PRLS, the consumer must include documentation of their new address. If documentation cannot be provided, a statement of the facts should be prepared and submitted to the PRLS.

If a refund is not issued:

- A court of law can award up to \$1,000 for damages, and the quickest way to obtain a judgment *is through a Small Claims Court*.

ALTERNATIVES

Should consumers wish to pursue other avenues when seeking a new rental, they should consider the following services:

1. **Real Estate Brokers:** A licensed real estate broker or salesperson working under a broker may know of properties currently for rent. As with any real estate service, check the license of the individual or entity (through the DRE) before doing business.
2. **Property Management Companies:** Property management companies are often hired by homeowners and apartment owners to manage homes and commercial properties which are available for rent. These companies may often manage several sites, making it convenient to view listings of different sizes, prices and locations through a single property manager. These companies must also be licensed through the DRE.

WARNING SIGNS!

- The PRLS company only accepts cash (credit cards allow for disputing charges);
- Guarantees the prospective tenant will get a rental in his or her price range and desired location;
- The list of rentals is handwritten and not computer generated;
- The company does not provide property management or owner contact information for a prospective renter to schedule an appointment to visit the property;
- The company asks the consumer to contact them instead of the property manager or owner if there is an interest. (Typically, a PRLS company will provide you rental property addresses and property manager or owner information so that direct contact can be made by the client).
- Company representatives use only first names (note that last names may be omitted and first names are often changed to avoid detection of law enforcement or from being sued);
- The company has only been in business a few months (some PRLS companies open, quickly close, and move around a lot to avoid customers seeking refunds).

CONCLUSION

It is unlawful for any person to engage in the business of a PRLS unless licensed by the DRE in that capacity or unless licensed as a real estate broker. A licensed PRLS who follows the rules will have a cash deposit or a bond in place to reimburse consumer losses.

However, consumers must first obtain a "Small Claims" Court judgment against the business or individual and then make a claim to DRE for payment out of the cash deposit or bond.

Consumers should be advised that the DRE's Consumer Recovery Account is not available as a remedial source for any PRLS losses since PRLS activity is not considered to be "real estate licensed activity".

Finally, if a consumer has been scammed by a PRLS, or a PRLS has failed to follow California law, you should report the PRLS to the DRE, to the Better Business Bureau, your local Police and/or Sheriff's Department, and to such police agencies where the PRLS business is located (if different from where you reside).

No matter the route, DRE always encourages consumers to research companies thoroughly before doing business. Consumers are encouraged to log on to DRE's web site (www.dre.ca.gov) to verify a license, and further diligence should be undertaken to check out the individual or company via a Better Business Bureau, and through an Internet Google and/or Yahoo or Yelp or similar search. In addition, consumers should request references from the PRLS, and get all agreements in writing.