

## **Arizona Land Scams and How to Avoid Them –**

### **An Important Warning!**

Arizona is one of several states that have a long history of land scams. There is a lot of excellent and profitable investment land for sale in Arizona, but if you are considering buying land in this state, you really need to know about land scams so you can avoid getting caught in one.

Arizona is not the only state that has been plagued with land scammers. Many other states in the USA have been hit by land real estate fraud, including: Florida, West Texas, New Mexico, Montana, Rhode Island, Georgia and Nevada. As a matter of fact, a telemarketing land scam ringleader who had committed real estate fraud in at least 41 states, Theodore Thomas, was recently arrested and sentenced to prison in 2013.<sup>(1)</sup> Places that are particularly attractive to land-scam artists are large areas where there is a lot of vacant land, and where county governments are small and not well equipped to crack down on scammers. That's why Arizona has often been targeted for real estate fraud and land scams.

I am a real estate agent in Northwestern Arizona who specializes in land sales. Our area of the state has had some famous land scams, so this is something I am very familiar with. I occasionally hear sad stories of people who bought into these land scams. Some of these scams are very old, and years later when the owners or their heirs try to sell the land, they find out how worthless the land really is. Often these "neighborhoods" or "subdivisions" have not ever been developed as they have been promised and do not have any water, power or other utilities. They may not even have any accessible dirt roads to the property.

Land scams in Arizona go back to the beginning of the state's history, and early mining days, but the majority of scams were perpetrated during the state's fastest growth periods. In some ways you can say that Arizona is a state that has been built on land fraud. The explosive growth of Phoenix and the Arizona desert came shortly after air conditioning made the hot dry desert climate hospitable. In the 1950's through the 1970's Arizona's population grew exponentially. With the massive growth during this period land fraud was rampant and even tied to the mob. It didn't help that there was a lagging government infrastructure that was unable to police the situation for many years.

By 1950, over 105,000 people lived within Phoenix (almost doubling the population from 1940) and thousands more lived in surrounding communities. The 1950s growth was spurred on by advances in air conditioning, which allowed both homes and businesses to offset the extreme heat experienced in Phoenix and the surrounding areas during its long summers. There was more new construction in Phoenix in 1959 alone than during the period of more than thirty years from 1914 to 1946. <sup>(3)</sup>

One of Arizona's most famous scammers, Ned Warren, sold useless property all over the state with empty promises of great things to come back in the 60's and 70's. Ned eventually died in prison, convicted of other unrelated charges.

Also in the 60's and 70's it was common for scammers to set up sales kiosks in big cities all over the world to sell this "prime property" to unsuspecting buyers and investors. Not only did these scammers sell land to unsuspecting buyers that was totally undeveloped, misrepresenting the development as up-and-coming "neighborhoods" and "communities," but the worst of these scammers would sell the same piece of land over and over again to several buyers.

In some cases, the scammed landowners have redeemed their property, forming HOA's to help to bring the development closer to what it was originally billed as, making formerly worthless property into nice communities, such as Verde Village in Cottonwood AZ and Valle Vista in Kingman AZ (2).

But land scams are still going on today and buyers and investors need to be alert to them. A worker at the Arizona Department of Real Estate, the agency who monitors real estate agents and developers in the state, said in a recent interview, "it's a huge problem. We actually don't even have enough staff to address it."

One problem is old fashioned telemarketer "land investment" scams. Often they will send unsuspecting buyers a card asking them to call in and claim their prize because they have won land or something related. Of course, they always want money up front, and usually try to get the buyer's credit card information.

But with the rise of the internet, many land scams have gone "high-tech" and are sold on the web and auction websites like eBay to unsuspecting buyers, especially those who are out of the area and unable to visit the property. Often these lots being sold are advertised with photos showing running water, green trees and green grass — things that simply don't exist in that particular isolated desert location. They will also show pictures of "near-by" Las Vegas or the Grand Canyon, which can be hundreds of miles away.

There are also common online scams where the "seller" copies and advertises a legitimate listing of land for sale, and when contacted, sends the buyer to a bogus escrow website to deposit their money, and then once the money has been handed over, neither the fake seller nor the escrow company is ever heard from again.

Online sites say they just provide the place to advertise properties. They don't monitor what properties are being sold. Sites like eBay, the world's largest auction marketplace, which lists and auctions properties in its real estate section, really just facilitate connections between people. Legally eBay can't sell real estate, and the actual transaction happens directly between the buyer and seller. This is why it is important for land buyers and potential land investors to be careful and educate themselves.

On the other hand, there is a lot of great land that can be developed for sale in our area, as well as these other states. Most online land auctions are legitimate. Many people have gotten rich buying, selling and investing in Arizona land. You just have to know what to look for and what to avoid.

There is nothing illegal about selling "worthless" or undeveloped land to someone who is willing to pay for it. The key is to tell them what they're getting. If you are selling land, be honest about your property. Let potential buyers know about what utilities are (or are not) available, and what kind of access there is to the property. Use actual photos of the land. Explain real distances to nearby cities. Let people know if there are issues like flood zones and washes on the property.

If you are a buyer, you need to become an expert at "due diligence." If you can, try to find a Realtor who specializes in land sales to help you make your purchase. Unfortunately most real estate agents are not experienced in land sales and are not likely to help you much with your research. If you read the sales contract from Arizona Association of Realtors, it is the buyer's responsibility, not the agent's, to research the property before you buy it. A good agent can help you with this, and should at least have a list of experts who you can contact for in-depth research, such as appraisers, flood zone experts, utility companies, etc. But often even the listing agent doesn't do any of this research, so if you are purchasing land, you really need to know what you are doing.

As an informed buyer, some of the most important things you need to check are:

1. Water. This is a big deal in the desert. In Mohave County you can drill a well for domestic purposes on property that is less than 5 acres. But check with a well drilling company to find out how deep the water table is in your area. It may cost you \$20K or more, depending on how deep they have to go.

Some areas have city water or a local source. Find out how close it is to your property and how much it costs to connect to it. Also some properties share a well with neighbors, a way to save on the costs of drilling.

If you find some good land with no water, don't immediately dismiss it. Although properties with water access are more valuable, there is a whole culture in Northern Arizona that lives on "Water Haul." Some people actually prefer it. Water haul is where water is delivered, by the owner themselves or by a delivery service, to tanks set up on the property. These tanks will be connected to the home with a pressure tank and pump, similar to a well. The costs for water delivery can vary from only a couple of dollars to fill a tank, if you haul it yourself, to very costly if you live far from town and hire someone else to do this. So the costs for water haul delivery are also something you will want to research.

Some areas in the high desert do well on rainwater harvesting and water collection systems. In these areas a good system with large tanks can usually supply a home with water from rainstorm to rainstorm.

## 2. Power

Some lots have power right up to the property line. Like water, these are usually more valuable. Some properties are close to power and the price varies greatly on how much it costs to bring the power directly to the property.

A warning-- just because you see power lines nearby does not mean that it will be inexpensive to get the power to your land. In our area private property is interspersed with state and BLM Federal land. Sometimes the Federal Government doesn't allow their property to be crossed with power lines, and the price to go around this land can be prohibitive.

Like water, don't totally dismiss property that doesn't have any power to the land. There is a whole culture in our area that live "off the grid" without any power from the power company. These people often live well with one or several alternative power sources, such as generators, solar power, and wind power. Wood or pellet stoves are often used as heat sources in the winter.

Some other issues a potential buyer needs to check into are:

- What is the road access, if any? Can you get there with a car or do you need a 4WD?
- Is anyone else living in the area or has anyone developed property nearby?
- Is the property in a flood zone?
- Are there washes and dry river beds on the land that can fill up quickly in a storm?
- Is anyone using the property for an easement (legally or illegally)?
- Does the previous owner have any liens or owe any taxes on the property?
- Are there any title issues with the land?
- What kind of phone service is available? Can you get cell service there?
- Are there any problems with pests or wild animals in the area?
- How close is the nearest town for groceries, gas and other necessary items?
- Is your property close to areas where people go hunting?

More advice on how to avoid losing your money to a land scam artist:

- Be extra careful with any direct owner sales you find on the internet.
- Insist upon getting all information about the land sale before you agree to buy a parcel.
- Always insist on inspecting property in person before you make a commitment to buy.
- Do research – does the person who is selling it really own it? Is it usable land?
- Call real estate agents in the community where the property is for sale to get more information.
- Call the county deeds office to be sure that the parcel really exists and that the seller is the owner.
- Contact the tax assessment office in the community where the land is located and ask about current land values.
- Call the county or state consumer protection office where the land is located and ask about a history of complaints filed against the sales agent or real estate developer.
- Refuse to be pressured to make an immediate decision. Resist high pressure sales tactics-- the sales agent pushes you to buy the land, saying its value is "guaranteed" to increase. Do not allow "warnings" about competition from other buyers or rising prices to change your mind.
- Don't ever send any money for earnest deposit or property purchase by Western Union. They don't verify the recipients of money very well. Only transfer money to a real bank account via a bank wire transfer. Better yet, use an escrow company and/or a lawyer to assist with the transaction.
- Be wary of fake online escrow companies. Insist on using an escrow or title company you know and trust
- Approach every telemarketing contact with caution, regardless of how that contact is made. Fraudulent telemarketers contact their targets by phone, in advertising or via direct mail.
- Refuse to provide your credit card or checking account information to anyone over the phone.
- Refuse to send cash by messenger or overnight mail.

- Throw away postcards or letters informing you that you have won a contest or prize, especially if you never entered any contests. If these communications ask you to fill out certain types of information, they are more likely to be scams.
- Listen for the following clues to telephone telemarketing rip-offs.
  - "You've been especially selected to receive this land offer."
  - "You must send money immediately."
  - "This is a low risk investment."
  - "You need to make up your mind right away."
- Practice several defensive techniques when you receive a telemarketing call or letter.
- Don't provide your Social Security number, checking account or credit card information to anyone who calls.
- Contact the Better Business Bureau (BBB), the state consumer protection agency or state Attorney General's office before you agree to buy any land from any company.

In general, land prices in Northern Arizona are at an all-time low. You can make a lot of money in land investment, if you know what you are doing. And if you don't know what you are doing, you can lose a lot.

I am in the process of writing a book called, *"Real Estate Investment Secrets of the Wealthy-- A Beginner's Guide to Real Estate Land Investment"* to educate readers with in-depth information on what a land buyer needs to know before making a good investment property purchase, how to make educated decisions, and how to go about finding the needed information. If you have signed up for my email list at <http://Arizona-Investment-Property.com> you will get first notice about my book launch, where I will give the book away free in e-book format for the first 5 days. I will also be releasing the book in paperback format soon as well, for those who would prefer a hands-on classic book version.

If you are not currently on our mailing list, you are missing out on hearing about the latest information and education for land investors, as well as other special offers. Go now to <http://Arizona-Investment-Property.com>

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