

# ILLEGAL SUBDIVISION RED FLAGS

## ARIZONA DEPARTMENT OF REAL ESTATE

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Consumers, taxpayers and reputable developers are harmed by a common concern - illegal subdivision activity. Unsuspecting buyers discover water and utilities are unavailable contrary to what they are told; communities struggle with substandard roads unusable by school buses or emergency vehicles; and legal developers must compete with an illegal subdivider who gains unfair advantages by not disclosing important information to buyers nor makes the necessary investments to ensure proper infrastructure.

Often, people think this type of activity is limited to rural areas where oversight is more difficult. But, with the tremendous growth across Arizona, we are also finding illegal subdivisions just outside of and within town and city limits.

ADRE's mission is to protect the public. Our existing subdivision laws are designed to:

- Protect consumers from fraud and misrepresentation.
- Ensure full disclosure of property characteristics to buyers.
- Ensure residential developments have adequate and safe streets, utilities and other infrastructure.

### **ILLEGAL SUBDIVISION RED FLAGS INCLUDE:**

- Earnest monies paid in cash
- Monies paid out of escrow
- Double escrows
- Short time between transactions
- Same last names in transactions
- Transfers from individuals to company to individuals
- Use of same address for different transactions
- Use of the same Notary in several transactions
- Use of same surveyor
- Use of same Real Estate Agent
- Agreements of sale, purchase contracts or Deeds of Trust, etc., with lot release provisions
- Numerous transactions involving the same parties, usually in the same geographical area
- Carry backs-seller financed
- Unusually low down payments
- Several lot splits in short period of time involving the Original large parcel
- An individual is referred by one escrow company to another for additional splits

These "Red Flags" do not necessarily mean you are dealing with an illegal subdivision. However, many illegal subdivisions do have more than one of these items. If you recognize any of these "Red Flags" when you are showing property, please:

1. Ask questions of the seller
2. Look closer into the property
3. Protect your client
4. Contact the Department with any questions.

For more information on how to identify illegal subdivisions, contact the Investigations Division at 602.771.7730 or [investigations@azre.gov](mailto:investigations@azre.gov).