

## Foreclosed homes are drophouse favorites

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That empty foreclosed home down the street today could be tomorrow's drophouse.

The largest concentrations of Valley drophouses are in the same west Phoenix and Mesa neighborhoods that have the largest share of foreclosures, a comparison of drophouse and foreclosure data shows.

In addition, of the 41 Valley drophouses investigated for violence in the past year, 12, or nearly 30 percent, were in foreclosure when they were raided.

The patterns show that wherever homeowners are in financial distress, "coyotes" are probably lurking.

The weakening housing market and tighter border security make perfect conditions for drophouses to flourish in Arizona -- more than 600 have been raided in the Valley since 2005. Illegal immigrants have to rely on professional smugglers to get them into the country. Smugglers hunt for rental homes in metropolitan Phoenix to stash immigrants long enough for payments to arrive, then release them to go on their way.

In a battered housing market, more homeowners are desperate to rent their properties, sometimes to stave off foreclosure.

Last October, for instance, 34-year-old Karla Solano was one of those feeling desperate. She owned three investment properties and had lost her job as a mortgage-loan officer. Home values were falling, and her bank was preparing to foreclose on a south Phoenix house she owned. It had been vacant for a month.

Solano put a for-rent sign in front of the four-bedroom home. Days later, three men looking like construction workers said they were interested. She asked for cash to avoid being burned by a bad renter. They paid \$1,300 and seemed honest.

Four days later, police got an anonymous tip and raided the house. They found 20 illegal immigrants. One said he had been punched and kicked and told at gunpoint that he would be dumped in the desert if he didn't pay a \$2,500 extortion fee. The coyote eventually was convicted.

Solano said it was an ugly experience. Police grilled her for information and asked for paperwork. She was not a suspect in the case. She feared the smugglers might come back.

"Maybe they thought we called the police and could come looking for us," she said.

Two months after the raid, the bank took the house.

A trend emerges

Investigators say they have seen an increasing connection between drophouses and foreclosures in the past year.

A year ago, they noticed a small flurry of drophouses in newer subdivisions on the outskirts of the Valley. These were the same areas where buyers were getting overextended and beginning to lose their homes.

More recently, foreclosures and drophouses have been showing up in higher concentrations in traditional urban immigrant neighborhoods, such as Maryvale and Mesa.

Landlords have repeated the same story to federal agents and Phoenix detectives: They rushed to rent their homes to be able to make mortgage payments and stave off foreclosure.

As households slip into deeper financial distress, more properties will be rented as a place to keep illegal immigrants, drophouse investigators say.

The housing crisis also is stoking a rise in rental homes, offering smugglers more choices. The number of rental properties registered with the Maricopa County Assessor's Office rose 27 percent, to 20,836, from the year ending in August 2007 to the year ending in August 2008. Tens of thousands of other rental properties go unregistered.

"There will be more rental availabilities, and it will lead to more drophouses because those people renting out their properties are going to be almost as desperate as the people crossing the border," said Assistant Special Agent in Charge Patricia Schmidt of U.S. Immigration and Customs Enforcement.

'They appeared honest'

Martin Garcia Robles needed only a week to rent out his medium-size south Peoria bungalow in March. Garcia met his tenants, his first ever, at the doorstep when he handed them the key.

"I never saw the people until I rented to them," the 53-year-old electrician said. "They appeared honest."

The couple with nice shoes and four young children handed Garcia \$2,200 in cash for rent and deposit. They signed a contract, but Garcia never checked the identity of his tenants or knew where they worked. He said he took the risk because "I was in a hurry," needing the money to make house payments. Three days later, ICE agents raided the home on West Royal Palm Road and found 18 frightened illegal immigrants. Authorities went to the house after an immigrant escaped and reported that smugglers had held a gun to his head and demanded \$2,500.

Garcia was lucky. Only the smoke detectors were damaged. Typical drophouses are trashed by the time authorities raid them, investigators say.

"Most (smugglers) are opportunists. They see a for-rent sign or an advertisement," ICE Special Agent Armando Garcia said. "Ninety percent of the time, the owners don't want to rent to coyotes. Most usually are unaware of what's going on until we go in and kick in the door."

The next time Martin Garcia rented, he was more careful. His tenants provided Social Security, bank-account and ID numbers, although they moved out two months later.

Other landlords also felt trapped by their economic conditions.

"We could no longer pay the house. We were in such a hurry to rent it because we didn't want to be behind on the payments," Noelia Castaneda wrote to the Arizona Department of Real Estate, which has been sending questionnaires to drophouse owners. "If we had known (the renters were smugglers)," she added, "we wouldn't have rented the house to them. We made a huge mistake in not writing a contract."

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Ways to avoid the drophouse trap

Federal investigators say there are some simple steps property owners can take to avoid being duped by phony tenants. The costs of ignoring the warning signs can be high because drophouse operators are known to trash many of the houses they use. Agents' recommendations to landlords:

- \* Do background checks on all new tenants. Drophouse renters usually use a fake ID and a fake car registration. If the information is missing or doesn't add up, don't rent.
- \* Keep the power, water and garbage bills in your name. Drophouses often cut utilities because they need a house only to store people. If people are renting but not using services, it's a sign of trouble.
- \* Check on the house at least at the start of each month, more often if possible. Coyotes often abandon a rental property when payments are due. The house they rent will often be altered to conceal and lock up the occupants. Look for boarded windows, trash and extra locks.
- \* Get well-acquainted with your neighbors. Typically, police learn of a drophouse only after occupants flee. But neighbors also harbor unreported suspicions when they see large vans late at night, hear noises or see different people than the original renters.

-- Sean Holstege

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See Sidebar: "Drophouse landlords are rarely prosecuted"