

## Theft Rings Scam Dealers Out of Vehicles

Donna Harris

Automotive News

February 26, 2007 - 12:01 am

It was an auto dealer's dream: an auto brokerage that referred dozens of buyers with six-figure incomes and top credit scores to Atlanta dealerships.

The brokerage "seemed like a good customer," says a dealer who did business with the company, Xquisite Empire Inc. The transactions "involved real numbers on real people with real credit," says the dealer, who asked not to be identified.

Just one catch: Xquisite Empire was a theft ring, prosecutors say.

Here's how they describe the alleged scheme:

Xquisite paid straw purchasers with good credit "a commission" to buy cars and trucks and put the vehicles in their names.

The buyers turned over the vehicles to the brokers, who resold or subleased them on the black market. Straw buyers were told the brokerage would make the loan payments.

When the payments stopped, lenders couldn't repossess the long-gone vehicles. Because the straw buyers got their loans by falsely representing that they would keep the vehicles in their possession, they committed fraud, prosecutors say.

In some cases, dealerships lost financing profits or were forced to repurchase finance contracts from lenders.

Last June, federal prosecutors in Atlanta charged 20 people with fraud in connection with Xquisite Empire's activities. Automakers, financial institutions and law enforcement agencies say such schemes are becoming more frequent, involving hundreds of vehicles and millions of dollars. They warn dealers to beware.

"This is happening all across the country," says Calvin Washington, manager of fraud control for DaimlerChrysler Financial Services.

Washington says he has seen 25 such cases in the past five years. The subterfuge involved in the schemes makes it tough to catch the thieves and recover the vehicles, he says.

Pete Pierce, senior deputy district attorney in Orange County, Calif., said he and a colleague have dozens of auto theft cases pending. At least half involve fraud such as identity theft or straw buyers, he says.

"Given modern anti-theft devices, cars are becoming more difficult to steal," Pierce told Automotive News. "This is the wave of the future."

Officials say the theft rings make straw purchases in rapid succession at multiple dealerships. The sales initially pass as legitimate because of the straw buyers' good credit. The buyers seek to work quickly, before multiple credit checks show up on their records.