



## Protect Your Greatest Financial Asset from Real Estate Fraud

Every day, Canadians take steps to protect their largest investment – their home. Unfortunately, our homes are becoming vulnerable to an emerging type of crime – real estate fraud. Homeowners, unaware they have fallen prey to this silent crime, are shocked to discover they no longer hold legal title to their home.

Real estate title fraud is relatively easy to commit. Fraudsters pose as the legitimate owners of a home, they mortgage it and disappear with the money. The real owners are in for a nasty shock when their lender contacts them to collect on the falsified mortgage.

In most cases, the legitimate owner has no idea that a fraudster has changed ownership of their property.



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Canadian Association of Accredited Mortgage Professionals  
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# Common Types of Fraud

The two general motivations for real estate fraud are Fraud for Shelter and Fraud for Profit.

## 1. Fraud for Shelter

Fraud for shelter occurs when a borrower does not qualify for a mortgage or may only qualify for a mortgage that carries a higher interest rate. In these cases borrowers may be motivated to make false statements on the mortgage application and provide falsified documents in order to obtain a mortgage.

Some borrowers may think that making false statements and falsifying documents is not a serious matter, but the *Criminal Code* clearly states that obtaining funds, including mortgages, by providing false information is a crime.

## 2. Fraud for Profit

Two common types of real estate fraud for profit are Fraud by Forgery and Fraud by Identity Theft/Impersonation.

### a) Fraud by Forgery

A fraudster registers forged documents that transfer the property from an innocent victim to the fraudster or an accomplice. This allows the fraudster, who now appears to be the real owner of a mortgage-free property, to obtain a new mortgage against the property.

Once the mortgage loan is arranged and the money advanced, the fraudster takes off with the funds and often never makes a single mortgage payment. The mortgage then goes into default and the lender begins foreclosure/default proceedings. Once informed of the proceedings, the original owners of the property – who were never involved in the fraud – must take legal steps to regain ownership of their property.

### b) Identity Theft and Impersonation

Fraud by theft or impersonation occurs when a fraudster impersonates the real homeowner to obtain financing on the homeowner's property. The fraudster produces false identity documents when he or she signs the mortgage documents. The funds are eventually advanced to the fraudster, who takes off with the money. The mortgage then goes into default and the lender commences foreclosure or other legal proceedings. At this point, the original owners of the property who were never involved in the fraud will deny that they arranged the fraudulent mortgage. They must then try to prove that fraudsters impersonated them and take legal steps to regain ownership of their property.

## Protecting Yourself from Real Estate Fraud

An important step in protecting yourself from real estate fraud is safeguarding personal information.

- Safeguard personal information until you know who you are dealing with, how it will be used and if it will be shared with anyone.
- Keep personal information confidential when on the phone or Internet until you know who you are dealing with.
- Carry minimal information or identification in your wallet.
- Inspect your credit reports on a regular basis. These can be provided free of charge by the credit reporting agencies. If you notice anything suspicious, contact the credit bureau with your concerns. Visit the websites listed at the end of this brochure for credit bureau information.
- Inspect your financial or bank statements regularly for inconsistencies or unknown charges.
- Protect the integrity of your mail. Make deliveries to and from the mail slots in person. Access your mail at regular intervals, ideally every day.
- Destroy financial or personal identification documents rather than simply throwing them away.
- Destroy any unsolicited credit card applications that you may receive.

Stay alert for other signs of identity theft or real estate fraud, such as:

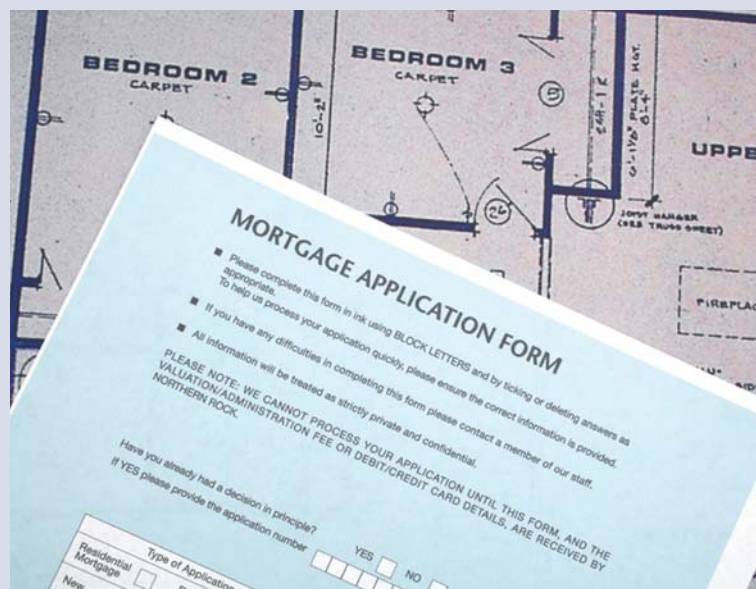
- Failing to receive bills or other mail. Follow up with creditors if your bills don't arrive on time. A missing bill could mean an identity thief has taken over your account and changed your billing address to cover their tracks.
- Receiving credit cards that you didn't apply for.
- Failing to receive credit cards you did apply for.

- Being denied credit or being offered less favourable credit terms, like a higher interest rate, for no apparent reason.
- Getting calls or letters from debt collectors or businesses about merchandise or services you didn't buy.
- Being approached with an offer to make quick money in real estate.
- Being offered money or other incentives to use your credit information to apply for a mortgage or other credit.
- Being approached by someone who suggests that you list your house for sale for substantially more than its market value.

## Protect Yourself from Real Estate Fraud when Purchasing/Refinancing a Home

- Rely on the experience of a trusted real estate expert who is licensed to work in your area. Choose someone who can provide trusted referrals and check on them!
- Consult local public websites on real estate listings in the area where the property is located. Compare the prices of properties similar to the one you are considering.
- Determine the sales history of the property - when did it sell and for how much? For more information consult your legal advisor or realtor.
- Consider having the property inspected and appraised.
- Determine if any party to the transaction (other than the vendor) has a financial or ownership interest in the property.
- Request copies of permits and receipts if there are claims of renovations or upgrades.
- When a deposit is required, ensure that the funds are held in either a lawyer's/notary's or a real estate trust account and not directly by the seller.

- Be suspicious when:
  - Someone encourages you to include false information on your mortgage application. Providing false information to obtain a mortgage loan is illegal.
  - Someone encourages you to sign incomplete or blank applications.
  - Someone encourages you to apply for a mortgage amount that is significantly higher than the property value or price on the offer to purchase.
- Check that the mortgage approval or commitment includes terms and conditions acceptable to you.
- Know and understand the terms of the mortgage you are signing. Check that the address, interest rate, and other terms and conditions are as previously agreed.
- Know and understand what you are signing. If you have questions, **ASK**. If you are still suspicious, **DO NOT SIGN** the documents.
- Consider getting independent legal advice from your own lawyer if you are asked to use a lawyer other than your own. For example, the seller may want you to use their lawyer to complete the property transaction.
- Check the "statement of affairs" and the "cost of borrowing disclosure" and understand any additional fees or where the funds are going. Ask questions if you are not sure of any charges or fees.



# Are You a Victim of Real Estate Fraud?

If you think your identity may have been stolen or believe you are a victim of real estate fraud:

- File a report with your local police and/or the police in the community where the identity theft took place. Keep a copy in case your creditors need proof of the crime.
- Contact Phonebusters at 1-888-495-8501 and/or visit their website ([www.phonebusters.com](http://www.phonebusters.com)) to download a copy of the identity theft statement. It's a helpful tool for communicating with credit bureau reporting agencies, creditors and police.
- Contact the fraud departments of each of the major credit bureaus. Tell them to flag your file with a fraud alert. Also ask them to include a statement that creditors must get your permission before opening any new accounts in your name.
  - Ask the credit bureaus for copies of your credit reports. Credit bureaus must give you a free copy of your report if it is inaccurate due to fraud. Review your reports carefully to make sure no additional fraudulent accounts have been opened in your name or changes made to your existing accounts without your knowledge. In a few months, order new copies of your reports to check that corrections and changes have been made, and to make sure there is no new fraudulent activity.
  - The two main credit bureaus you need to contact are Equifax and Trans Union:
    1. Equifax 514-493-2314 \ 1-800-465-7166 [www.equifax.com/EFX\\_Canada](http://www.equifax.com/EFX_Canada)
    2. Trans Union 905-525-0262 \ 866-525-0262 [www.tuc.ca/TUCorp/home.asp](http://www.tuc.ca/TUCorp/home.asp)
- If any accounts have been tampered with or opened fraudulently, you must also contact the creditors. Ask to speak with someone in the security or fraud department. Follow up with them in writing.
- If you believe someone may be using your SIN, please visit the Government of Canada website at: [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)
- Visit the fraud prevention section on the Canadian Association of Accredited Mortgage Professionals website at: [http://www.caamp.org/fraud\\_intro.htm](http://www.caamp.org/fraud_intro.htm)
- Visit the fraud prevention section on the Independent Mortgage Brokers Association of Ontario website at: [www.imba.ca](http://www.imba.ca)
- Visit the fraud prevention section on the Alberta Mortgage Brokers Association website at: [www.amba.ca](http://www.amba.ca)
- Visit the fraud prevention section on the Mortgage Brokers Association of British Columbia website at: [www.mba.bc.ca](http://www.mba.bc.ca)



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