

Consumer Protection- Canadian Bankers Association

Fraud and Security

What is real estate fraud?

There are many different types of real estate fraud, but the two that consumers should be aware of are mortgage fraud and title fraud.

- Mortgage fraud occurs when an individual intentionally provides inaccurate, fraudulent or incomplete information to a lender in order to secure a mortgage that they might not otherwise be granted. This could include anything from an individual claiming to have a higher income than they actually have to providing falsified proof of identification or a falsified appraisal of the property.
- Title fraud occurs when a fraudster assumes the identity of an individual homeowner and then uses that false identity to pose as the homeowner. They could then assume the title on the home, sell the property or obtain a mortgage on that property or other properties in the homeowner's name.

How big a problem is mortgage fraud in Canada?

Mortgage fraud is a crime that the banking industry, police, governments and other organizations involved in real estate transactions take very seriously. Although there is no central organization that collects statistics nationally there are some indications that the number of incidents is increasing.

While even a single incident is one too many, it is important to put the issue into perspective. There are hundreds of billions of dollars in mortgages held by millions of Canadian homeowners and in the vast majority of cases these mortgages are perfectly normal.

What is my bank doing to protect me from real estate fraud?

The banks work constantly to protect you from fraud. All banks have fraud and security teams working around the clock to ensure that security measures are constantly being enhanced, technology is being upgraded, and that the banking industry assists police in investigations to help catch the criminals and put them behind bars.

In addition, the banks and the Canadian Bankers Association are involved in real estate fraud task forces across the country. These task forces bring together lenders, police, government, real estate groups, the legal profession and other groups to look closely at real estate fraud to determine what changes can be made, individually and collectively, to prevent fraud and protect Canadians. This work is ongoing but, to date, significant changes have been made to directly prevent some instances of real estate fraud from occurring.

How do I protect myself from becoming a victim of mortgage fraud?

Protect your personal information from identity thieves:

Do not give out personal information on the phone, through mail or over the Internet unless you have initiated the contact or know with whom you're dealing.

If it sounds too good to be true, it probably is - before you reveal any personal information, find out how it will be used and if it will be shared.

Pay attention to your billing cycles. Follow up with creditors if your bills don't arrive on time.

Guard your mail. Deposit outgoing mail in post office collection boxes or at your local post office. Promptly remove mail from your mailbox after delivery. Ensure mail is forwarded or re-routed if you move or change your mailing address.

Minimize the identification information and number of cards you carry.

Keep items with personal information in a safe place. An identity thief will pick through your garbage or recycling bins. Be sure to tear or shred receipts, copies of credit applications, insurance forms, physician statements and credit offers you get in the mail.

Give your Social Insurance Number (SIN) only when absolutely necessary. Ask to use other types of identification when possible.

Don't carry your SIN card; leave it in a secure place.

Check your credit report regularly to ensure there are no discrepancies

Reviewing your credit report can help you find out if someone has opened unauthorized financial accounts in your name. There are three credit reporting agencies in Canada: [Equifax Canada](#), [Northern Credit Bureaus Inc.](#) and [TransUnion Canada](#). You can request free copies of your credit report from credit reporting agencies by mail. Online versions of reports are also available for a small fee.

You can also conduct a property search at your province land registry office to ensure that the title to your home is in your name.

When the banks become victims of mortgage fraud, where do they turn to recover the funds?

In the event of a mortgage default, the property pledged as security would be sold by the lender, and this alone can sometimes cover any money lost through mortgage fraud.

If there is a shortfall after the property is sold, then a lender may turn to mortgage or title insurers to recoup losses. There are also a variety of professional errors and omissions funds set up by groups such as law societies and real estate associations to reimburse victims for losses if their members are involved in the crime. The bank may also sue the criminals themselves to recoup some or all of the losses.

Again, keep in mind that, in most cases, there is still a property that can be sold, so the banks may only turn to insurance or funds to cover the difference between the amount of the mortgage and the amount they received for the sale of the property, not the entire amount of the mortgage.

If banks are recouping their mortgage fraud losses from mortgage insurance provided by the Canada Mortgage and Housing Corporation (CMHC), a crown corporation, then do taxpayers pay for the losses?

The CMHC insurance program is completely self-funded and CMHC competes with other insurers for mortgage insurance business. The Canadian treasury and Canadian taxpayers do not suffer any losses as a result of mortgage fraud or any other mortgage defaults. In fact, in 2003, CMHC announced a 15% reduction in premiums for mortgage loan insurance.

How do the banks assist the police when it comes to investigating cases of mortgage fraud?

It is in all of our best interests to combat mortgage fraud. The banks cooperate fully with police to ensure that homeowners are protected, criminals are brought to justice and that effective measures are put in place to fight and reduce mortgage fraud in Canada.

The banks conduct their own internal investigations and will provide their findings to police. They will also help in any way that they can, within the law, with police investigations into mortgage fraud. This could include providing documents and other information that they have obtained or testifying in court.

The banks and the CBA also sit on task forces and working groups with police, governments, real estate groups, the legal profession, other financial institutions and other stakeholders that look at mortgage fraud and related issues. To commit mortgage fraud, a number of parties need to be working together and they vary the methods used to commit this crime. By sharing information, we can all constantly be taking steps to change practices and close any gaps that may exist in the system.

Do bank customers ultimately pay for mortgage fraud losses through higher service fees?

No. There is no direct correlation between fraud losses and service fees – that's not how banks operate. There are, of course, many costs of doing business for a bank, including losses associated with fraud. Others would be such things as credit loan losses, operating expenses, wages, technology and rent. In the end, if these costs of doing business go up, then revenues and earnings go down. Mortgage fraud losses are an unfortunate cost of doing business and banks are working aggressively to decrease those losses.

It is also important to note that, in general, monthly service fees have remained relatively stable over the past few years.