

# Mortgage Fraud & Identity Theft

## Did You Know?

One in 10 mortgage applications will have some element of fraud.

## What is Fraud?

Mortgage fraud is commonly defined as the deliberate use of misstatements, misrepresentations or omissions to fund, purchase or secure a loan.



*Source: Criminal Intelligence Service of Canada, "Mortgage Fraud & Organized Crime in Canada", November 2007*

# Types of Mortgage Fraud



## Red Flags: Employment Letter

- Job position is vague
- Boiler rooms in place to field verification calls
- Employer's address presented as PO Box
- Look for errors in the letter that may include:
  - Typos
  - Differing Fonts
  - No employment start date
  - Start date is a weekend
  - Note the signature on the letter, date written and position of author



## Red Flags: Pay Stub

- Pay date is a weekend
- Payroll deductions do not reconcile
- Paystub is not from a recognized service provider
- Limited number of deductions
- Statutory deductions are incorrect



## Red Flags: Notice of Assessment



- Alignment of the columns
- Irregularities in the fonts
- Line 150 and Line 6150
- Know your NOA forms:
  - T-451- Direct Deposit, Nil Balance or Taxes Owing
  - T-452 - Only issued when borrower receives an actual cheque from CRA

## Red Flags: Bank Statement

- Limited number of transactions
- Mismatched fonts
- Information appears to be altered
- Method which funds are deposited
- No bank service charges and/or no interest paid



## Who Loses in Fraud for Shelter?

### 1. Borrower loses the most!

- Loss of privilege of homeownership
- Financial hardship
- Credit reputation will suffer due to court registered judgments for the loss
- Potential bankruptcy

### 2. Lender and Mortgage Insurer

- Administrative completion costs
- Claim costs

### 3. Mortgage Professional

- Reputation

## Tools To Stop Fraud For Shelter

- Salary Wizard <http://salarywizard.monster.ca>
- Check that the employer on the bureau matches the application, letter, paystub, T4
- Reverse search phone numbers
- Verify employment via phone
- Web search: phone number, websites, maps

Trust your instincts:  
If a deal doesn't make sense - keep looking!

# Fraud to Commit Other Fraudulent Activities

The top three criminal activities linked with mortgage fraud:

- 1) Marijuana Grow-Ops
- 2) Clandestine Drug Labs
- 3) Money Laundering



Source: Calgary Alberta Mortgage Real Estate News, 2007

## Types of Fraud Schemes

- **Straw Buyer** - Participant in a fraud scheme whose personal profile is used to conceal the actual owner or cover for a transaction.
- **Foreclosure Rescue** - Homeowner who is deceived into transferring title on the understanding that they will remain and even repurchase over time.
- **Equity Theft** - Forging a deed transfer then applying a new mortgage with all proceeds going to the fraudsters. Homeowners in the dark until mortgage defaults and an eviction notice is issued.
- **Oklahoma Flips** - Property is refinanced or resold after purchase for an artificially inflated value.

## Types of Fraud Schemes

- **Affinity Fraud** - Fraudsters target certain ethnic, professional or religious groups.
- **Chunking** - Multiple closings with several lenders; deals all close at the same time.
- **Air Loans** - This is a non-existent property loan, fraudster invents borrowers and properties, establishes accounts for payments. Scheme facilitated by boiler rooms.
- **Equity Skimming** - Straw buyer, false income, false credit reports, to obtain a mortgage loan. The “investor” does not make any mortgage payments and rents the property until the lender foreclosure takes place several months later.

## Why ID Theft is so Easy

- 6 in 10 Canadians carry their SIN card with them at all times
- 1 in 3 do not shred personal documents before tossing them in the garbage
- 60% do not review their credit report at least once a year
- Ease and availability of forged docs on the internet

## Tools to Help Protect Your Borrowers

- Title Insurance policy can protect borrowers from title fraud
- ID Theft Insurance is available
- Carry minimal information in your wallet
- Inspect your credit reports
- Inspect your bank statements
- Destroy all personal information that is not required



## Contact Us



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