

Campaign warns of mortgage fraud: 'An incredibly growing industry'

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Real estate fraud is an "incredibly growing industry" that is costing Canadians hundreds of millions -- if not billions -- of dollars each year.

And according to First Canadian Title, one of the country's largest title insurers, the spring home selling season can be a breeding ground for real estate scams that often average as much as \$300,000 per case, causing industry officials to suggest real estate fraud is costing Canadians between \$300 million and \$1.5 billion each year.

With that in mind, First Canadian Title and the Consumers Council of Canada kicked off a public awareness campaign in Calgary Thursday, warning homeowners of the growing danger in this area.

Bill Huzar, president of the Consumers Council of Canada, said the real issue is there are so many different varieties of fraud but "this is one that is really hurtful because when the ordinary Canadian makes their biggest investment probably, the most expensive item they ever buy is their home.

"The most difficult thing to understand is that people who are most at risk are people who have lived in their homes a long time, have increased equity because they've paid their mortgage down and now they're feeling really good.

And that's the prime target," said Huzar.

"It's an incredibly growing industry."

In a super-charged real estate market like Calgary where the value of homes has risen so dramatically in the past year, so has the risk of becoming a victim of real estate fraud, added Huzar.

Susan Lawrence, a victim of real estate fraud in Toronto, said police have told her that this type of crime is easy and "is more lucrative and safer than dealing drugs."

"The message is to be vigilant. Check your records. Check that you own your house," said Lawrence. "If you've got any equity in it whatsoever, get title insurance because you won't be stuck with legal bills of tens of thousands of dollars in fighting to get your house back."

Lawrence put her house up for sale in the fall of 2005. Thieves stole the house in November and she discovered the theft in February 2006. Thieves took out a fraudulent mortgage on her home for almost \$300,000.

"A girl posed as me. Said she was selling the house. Sold it to another fraudster. The fraudster had all kinds of fake ID. . . . Then they went to the bank and got a mortgage for \$300,000 and disappeared with the money," she said.

Mortgage fraud can occur with individuals fabricating their qualifications for a mortgage when buying a house. There is also mortgage fraud for profit when someone intentionally defrauds a lender or a homeowner of their interest in a property through identity theft.

Ownership of a property is transferred fraudulently from the rightful owner to the criminal, who then sells or mortgages that interest and makes off with the funds.

Julia Jones, assistant vice-president, western region, First Canadian Title, said in 2006 the company started a process of underwriting title insurance policies to detect fraud in an attempt to prevent it. "We prevented \$20 million of suspected fraud, mortgages, and transactions in one year which involved 52 properties," said Jones. "That gives you a pretty good idea that there are some serious concerns.

"As consumers, they need to protect their identity. That's really important. . . . It's important to do a credit search on yourself every once in awhile to make sure there's no unusual activity. We recommend you even do a title search of your property from time to time to make sure there's no unusual activity. And then, although title insurance doesn't prevent fraud, it certainly can help you if you are a victim."

Ron Esch, executive vice-president of the Calgary Real Estate Board, agrees mortgage fraud is a problem.

"Mortgage fraud is big money. Every mortgage that they rip off is probably a couple of hundred thousand dollars.

We're not talking chump change here," said Esch.

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How Does Title Fraud Occur?

When title fraud occurs, a fraudster has typically done the following:

- Forged the property transfer deed;
- Registered the title in his or her name;
- Forged a discharge of the home's existing mortgage; and
- Borrowed against the clear title.

Source: First Canadian Title

Illustration:

• Colour Photo: Matt Vanderlinde, Calgary Herald / Bill Huzar, president of the Consumers Council of Canada, left, and Julia Jones, right, assistant vice-president of First Canadian Title, stand beside a mock realty sign with fraud victim Susan Lawrence to raise awareness of real estate fraud.