

## **Mortgage fraud hits \$1.5b a year: Easy to do, often lucrative, real estate agents say it is growing quickly across Canada**

Calgary Herald  
Saturday, March 18, 2006  
Page: C1 / FRONT  
Section: Calgary Business  
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Source: Calgary Herald

CALGARY -- Mortgage fraud has become a billion-dollar industry in Canada and a growing concern to the real estate and financial sectors.

Although difficult to put an exact number on, organizations such as the Quebec Association of Real Estate Agents and Brokers suggest the criminal activity amounts to an estimated \$1.5 billion a year across the country.

"We believe that only criminal prosecution of mortgage fraud will deter unscrupulous operators in the marketplace," said Bev Andre, chairwoman of the Real Estate Council of Alberta, "and that only through prosecution can those who commit fraud be made to bear its costs."

Ron Esch, executive vice-president of the Calgary Real Estate Board, calls mortgage fraud a "huge problem because it does involve a lot of money -- ill-gotten gains."

"It's relatively easy to commit mortgage fraud," said Esch. "Obviously you're doing a criminal act but it's a criminal act not that difficult to do."

In B.C., independent mortgage lender Gordon Altman gave an elderly White Rock man a \$250,000 mortgage against a \$500,000 house he said he planned to sell.

The man and his identification had already been verified by a lawyer who provided legal advice, and by a mortgage broker known to Altman.

It wasn't until Altman checked with the White Rock realtor who was handling the listing that he discovered the man didn't own the house and had fooled them all in a brazen scam.

When Altman told the realtor he held a mortgage against the property, she said that would have been impossible.

"She said 'There is no mortgage, and couldn't be because the owner is dead,' " Altman said in an interview.

Mortgage fraud occurs in two ways.

- The first involves individuals fabricating their qualifications for a mortgage when buying a house.
- The second involves fraud for profit -- a growing concern -- where someone intentionally defrauds a lender or a homeowner of their interest in a property.

The latter is often accomplished by 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.

The problem is becoming more prevalent as technology makes it easier to falsify documents and create identities, say experts in the field.

"It's huge," says Det. Robbie Robertson of the commercial crime unit with the Calgary Police Service. "I've been aware of it for over three years . . . There's a huge, huge effect of this."

For example, following a six-month investigation last fall, the police commercial crime unit in conjunction with Alberta Government Services charged Lloyd Lewis Mason, 33, of Calgary, with one count of fraud and one count of fraud in relation to making a false registration of title.

The case involved the unlawful transfer of a title to a property to another person without the knowledge of the true owner. That person then took out an almost \$110,000 mortgage on the property.

The fraud came to light when the true owner attempted to pay property taxes and the City of Calgary notified them that they no longer owned the property.

This was a case of identity theft where the object of the stolen identity was to fraudulently obtain mortgage money.

According to Alberta Justice, the accused was recently convicted and sentenced to four years in prison and ordered to make restitution of \$109,905.

Wayne Proctor, regional director, Pacific region for First Canadian Title (a title insurer), said the magnitude of the problem is a rough guess because most of the fraud victims are mortgage lenders and in a lot of cases they may suffer a loss and may not know it's mortgage fraud or not specifically identify it as mortgage fraud.

"The rough estimate of the problem that the **Canadian Institute of Mortgage Brokers and Lenders** made a few years ago was \$300 million," said Proctor. "But there's more recent estimates that would indicate it's probably closer to a billion dollars.

"In our discussions with regulators, with mortgage brokers and realtors and others connected to the real estate industry, it is pretty well a consensus that it is a growing problem. One of the reasons could be the awareness of potential fraudsters that this is a relatively easy fraud to commit. The payoff is very large as compared to other types of minor crime."

Esch said there needs to be more resources committed to the problem here and more "serious jail time" for those convicted of mortgage fraud.

"The problem won't go away until there are more checks and balances put in place," Esch said.

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Real estate fraud developments

- First Canadian Title estimates the average case of real estate fraud to be in the range of \$300,000 while in comparison the RCMP estimates the average credit-card fraud case in Canada to average about \$1,200.

- In 2000, real estate-title fraud claims accounted for only six per cent of total dollars paid in claims at First Canadian Title.

By 2005, that number reached 33 per cent.

- Law-enforcement officials and lenders believe that 10 to 15 per cent of all mortgage applications contain false information.

- According to the Quebec Association of Real Estate Agents and Brokers, mortgage fraud amounts to an estimated \$1.5 billion a year in Canada.

- The Real Estate Council of Alberta estimates there were about \$275 million in fraudulent mortgage loans in Alberta in the 2001-2002 fiscal year based on transactions investigated.

Source: First Canadian Title and Real Estate Council of Alberta