



Protect Yourself from Real Estate Fraud

Real estate fraud

In Canada, real estate fraud is not as common as other types of fraud (such as debit or credit card fraud). But for the victims, the financial loss can represent a significant loss – since it can mean, in the worst case scenario, losing their home. It is important to know that real estate fraud exists, how it happens and how you can protect yourself against it.

There are various types of real estate fraud. Two types of real estate fraud that may result in financial loss for consumers include title fraud and foreclosure fraud. Read on for more information on each type.

Title fraud

When you buy a home, you buy the title to the property. The lawyer registers you as the owner of the property in the provincial land registry system.

Title fraud starts with identity theft, which occurs when your personal information is collected and used by someone identifying himself or herself as you. There are many ways criminals can steal your identity without your knowledge – including:

- dumpster diving,
- mail box theft,
- phishing, or
- computer hacking

They then use your identity to assume the title of the property and sell the home or get a new mortgage. For example, if you already own a home, a criminal could fraudulently discharge your current mortgage, transfer the title, secure a larger mortgage and put the home under his or her own name.

Once the money from the sale or new mortgage is advanced, the criminal can leave with the money. You might not be aware of the fraud taking place until after it has been committed. You may find out once the mortgage lender contacts you about mortgage payments you have not made, or someone knocks at your door claiming to be the new owner of the house.

If you no longer have a mortgage on your home, or if you rent out your home to someone else, you might be a target for title fraud because in these circumstances it may be easier for the criminal to use your property title to get a new mortgage or to sell your home.

Foreclosure fraud

Foreclosure is the legal process where a mortgage lender takes possession of a consumer's home and sells it to cover the mortgage debt the consumer has incurred but has been unable to pay.

In the scenario where a consumer is having difficulty making mortgage payments and facing the possibility of foreclosure, a criminal will take advantage of the situation by offering the homeowner a loan to cover expenses and consolidate loans, in exchange for up-front fees and an agreement to transfer the property title to the criminal. However, in contrast to real debt consolidation programs, the criminal will keep all the payments made by the owner and ignore bills and taxes.

The criminal could also sell the house or re-mortgage it and leave with the money. In the end, the homeowner will lose the home and still be in debt.

Protect your house from real estate fraud

Because most real estate fraud involves some kind of identity theft, to protect your home from real estate fraud, you should protect yourself against identity fraud first. Read FCAC's tip sheet, *Protect Yourself from Identity Fraud*.

You can take other actions specifically to protect yourself against real estate fraud.

- Contact your mortgage lender first if you are having difficulty making your mortgage payments.
- Consult your lawyer if you wish to give another person a right to deal with your personal assets, and make sure you cancel this right if you don't need it anymore.
- Consult your provincial land registry office to ensure that the title of your home is in your name.

- Check your credit report regularly to make sure the information is accurate. You can get a credit report for free by mailing your request to one of the two credit reporting agencies, Equifax Canada and TransUnion Canada.
- Consider getting title insurance. Title insurance covers losses related to title fraud and legal expenses to restore a title. There are two types of title insurance:
 - **lender title insurance**, which protects the lender until the mortgage has been paid off, and
 - **individual title insurance**, which protects the homeowner from losses as long as he or she owns the home, even if there is no mortgage.

Things to do if you are victim of real estate fraud

As soon as you discover that you might be victim of real estate fraud, you should:

- contact Phonebusters, a national anti-fraud call centre, at 1-888-495-8501 or info@phonebusters.com,
- report the situation to the police, and record the police report number,
- report the fraud to the two credit-reporting agencies, Equifax Canada and TransUnion Canada,
- contact your provincial land registry office as soon as possible. Find out what laws may exist in your province to protect you if you are a victim of real estate fraud.
- Contact your financial institution. Keep all of the documents that provide evidence of the fraud. Record the name of the person you spoke to at the bank, as well as the date and time you called and when you became aware that you are a victim of fraud.

For more information

For more information on real estate fraud:

- The Canadian Association of Accredited Mortgage Professionals (CAAMP) www.mortgageconsumer.org/meloncms/media/fraud-brochure-for-consumers.pdf

