

LAWPRO E-Alert:

Fraudsters using counterfeit bank drafts, ID of major banks on mortgage deals

Ontario real estate lawyers are warned to be on the lookout for a new fraud scheme targeting them. For the first time LAWPRO is seeing a counterfeit bank draft fraud scheme that targets real estate lawyers on mortgage deals. Furthermore, the new scenario may include the supposed fraudster using the identity of a major national financial institution as the actual lender in the transaction.

This new type of fraud works as follows: A new and previously unknown client or lender contact allegedly from a major bank will ask you to act on mortgage matter. The source of the referral will be unknown to you (i.e. a person you don't know or recognize). Shortly thereafter, you will receive mortgage instructions, and a legitimate looking bank draft drawn on a major bank. Loan amounts to date range from \$640,000 to \$685,000. Client will be in a rush to complete the deal.

Please be wary if you are handling a matter that appears the same or is similar to the one described above. We encourage lawyers and their staff to be extra careful when handling mortgage deals. Remember that these are very sophisticated frauds. The letters and other documents provided by the client and bank drafts received from the lender will look legitimate - but turn out to be counterfeit.

Watch for the red flags on this type of fraud:

- Client and/or lender contact are new to your firm
- Source of referral is unknown or not recognized
- Very large mortgage be placed on mortgage free property
- Client is in a rush to complete the deal.

It appears that the people behind this fraud have stolen the identity of the property owner, and that the property owner is unaware that this has happened. Use the title search, telephone book, Internet and other sources to cross-check client and bank names, addresses, phone numbers and other information in the documentation provided to you.

Protect yourself when dealing with the bank. Don't rely on oral confirmation from your bank at time of deposit that the bank draft is good. Don't disburse funds immediately - even if your client is pushing! Wait until the second bank-to-bank verification before issuing funds from your trust account. For branches in major centres this often will take one or two banking days, and for branches in more remote locales as long a 8-10 calendar days. See the **Show Me the Money** article for more information on funds transfers (Summer 2008 LAWPRO Magazine at <http://www.practicepro.ca/LAWPROMag/LawproMagArchive.asp>)

Please call LAWPRO at 1-800-410-1013 (416-598-5899) if you suspect you have completed or are acting on a matter that, based on this information, causes you concern.

If you have or come into the possession of a fraudulent cheque or bank draft, please

carefully place it in an envelope so that an attempt to recover fingerprints from it can be made.

Please read LAWPRO's new **Fraud Fact Sheet** at <http://www.practicepro.ca/practice/pdf/FraudInfoSheet.pdf> to learn more about the red flags to look out for on matters that are frauds. Or see the practicePRO Fraud page at <http://www.practicepro.ca/fraud> for information on fraud and how to avoid it.