

# REAL ESTATE SCAMS


Real estate frauds often occur in situations where the true owner's identity is stolen (ID theft) for sale or mortgage purposes, or the value of a property is exaggerated (flips).

## Identity theft

When a client uses fake ID to assume the identity of existing property owners or uses a Notice of Change to become a director or officer or corporate owner for the purpose of committing fraud, this is identity theft. Once identity has been stolen, the fraudster sells or mortgages the property, or discharges a mortgage from title, then gets a new mortgage from another lender.



# FRAUD WATCH



The background of the lower half of the page is a complex digital visualization. It features several vertical columns of glowing blue numbers, resembling a data stream or a server rack. In the foreground, there are various glowing elements: a large, semi-transparent exclamation mark on the left, a glowing blue circle with a red vertical line through its center, a glowing green circle with a white vertical line through its center, and a glowing pink area that looks like a stylized map or a data plot. The overall color palette is dominated by blues, greens, and pinks, with a futuristic, high-tech aesthetic.

If you aren't completely sure a matter is legitimate, terminate the retainer.  
If you've been asked to do something that seems irregular, ask questions.  
If it looks too easy or sounds too good to be true, it probably is.

## SIGNS that your client may be a fraudster

- Property owned by same person or family for several years
- Property may be mortgage free or may be subject to an institutional first mortgage and may have lots of equity, one or more recently discharged mortgages, or recent transfers. (Always request a PIN printout with full history of deleted instruments)
- Client is in a hurry and may discourage house inspection or appraisal
- Transaction closes, funds are withdrawn quickly and client disappears
- New client for you and/or new referral source if any, or no referral source
- Funds directed to parties with no apparent connection to borrower, property or transaction
- Client changes instructions regarding amounts or payees just before closing, or fails to bring in funds as promised
- Client does not care about property, price, mortgage interest rate, legal and/or brokerage fees
- Client does not appear familiar with property
- Client won't permit contact with prior lawyer or have a valid explanation why they are not using them
- Other party appears to control the client
- Client advises funds were paid privately. No funds pass through a lawyer's trust account
- One spouse or business partner mortgaging equity in property owned by both
- Client contact is only by email or text
- Client says title insurance for new mortgage is not required
- Client pushes for fast closing

## SIGNS that the transaction is fraudulent

- Repeat, recent transfers, mortgages, or discharges on a single property or for a single client
- New referral source sending lots of business
- Use of Power of Attorney and/or funds directed to the Attorney instead of borrower
- Power of Attorney is not executed correctly
- Rental, Airbnb, and vacant properties are especially vulnerable
- Property listing expired without sale (i.e., sale may be unregistered)

- Recent registrations and discharges of private mortgages
- Property has been mortgage free, or subject only to an institutional first mortgage, but owner now registering a large mortgage in favour of private lender
- Property area and/or client residence is distant from your office
- Deposit not held by agent or lawyer
- Deposit is higher than normal and is paid directly to the vendor
- Small deposit relative to price
- May target long time owners or deceased, ill, or elderly who may be less alert to signs their identity is being stolen
- Rush deals, sometimes with promise of more
- Amendment to Agreement of Purchase and Sale reducing price, deposit, or adding creditors
- Sale is presented as a "private agreement" – no agent involved, or named agent has no knowledge of transaction
- Municipality or utility companies have no knowledge of client's ownership
- Client paying little or nothing from own funds
- Unusual adjustments in favour of vendor, or large vendor take-back mortgage
- Use of counter cheques

## TIPS to help verify ID

- Is the person smiling in their ID photo? Smiling isn't allowed in government ID.
- Compare the images on the different pieces of ID – they shouldn't be the exact same image.
- Verify the date on the IDs. Does the person look like they've aged if the ID was from some time ago? If two pieces of ID are many years apart but the image doesn't reflect whether the person has aged, ask questions.
- Does the minister on the ID match who was in office at the time the ID was issued?
- Does the same picture appear on two different types of ID issued years apart?
- Is the signature similar to your client's?
- Is the client's name spelled differently in different types of documents/ID?

## TIP

Advise lenders of recent activity on title, amendments to purchase price and significant changes in value in advance of closing.



If you suspect fraud, call LAWPRO at 1-800-410-1013 or 416-598-5899 and forward any suspicious emails and documents received to [fraudinfo@lawpro.ca](mailto:fraudinfo@lawpro.ca). Visit [AvoidAclaim.com](http://AvoidAclaim.com) and click on "All Fraud Warnings" for a list of confirmed fraudsters.

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