



Fraud Prevention

Fraud: Detect It. Prevent It.

At Stewart Title we've issued millions of title insurance policies for all types of real estate transactions across Canada. After dealing with this many transactions, we've been exposed to a wide variety of attempted fraud schemes, some successful and some prevented.

Drawing from this experience, we've developed a variety of measures to help reduce the likelihood of a successful fraud attempt on lenders and property owners, thereby protecting their financial interests as well as the trust and reputation of Canadian legal professionals.

How Stewart Title Helps

Underwriting & Verification Teams



In scenarios when a transaction requires additional review, our Underwriting and Verification Teams are here to analyze the relevant details and assess the insurability of the transaction. Their analysis is greatly assisted by the timeliness and thoroughness of the information that you provide.

Fraud Prevention Process



Designed to quickly identify deals that contain possible indicators of fraud, our Fraud Prevention Process features questions asked during the policy ordering process, highlighting areas that require further information or supporting documentation before the file can be processed.

The few minutes spent answering these questions could be the difference in avoiding fraudulent transactions, thereby preserving your professional reputation and saving the substantial time and costs brought on from the scrutiny of your practice's involvement in facilitating a fraud.

A System That Works

We are proud to say that these practices help prevent **tens of millions of dollars** in fraudulent and suspicious transactions from proceeding each year!

From Our Files:

While examining a parcel of mortgage free vacant land, our Verification Team uncovered and prevented a potential \$400,000 mortgage fraud. The privately refinanced mortgage transaction was flagged for additional review and required further documentation to verify the identity of the borrower.

After completing a driver's licence check, it was revealed that the licence originally presented as ID was not valid. Additionally, the borrower indicated that the funds were to be used to pay debts, despite there being no evidence of any debts. Typically when a private mortgage is obtained to pay debts, the credit rating of the borrower is poor, there are tax arrears, and the title contains liens and other encumbrances.

Fraud Prevented:

After further examination, it was conclusively determined that the true owner of the property was being impersonated. Our Verification Team worked with the real estate professionals involved and prevented a potential mortgage title fraud and an innocent person's identity from being misused.



Protect Yourself



Tips for Avoiding Fraud

Preventing fraud is a significant goal for all parties involved in real estate transactions. When legal professionals take a leading role in achieving this goal, they solidify their position in the real estate process by demonstrating that they are an irreplaceable part of the transaction.

Common characteristics found in fraudulent transactions:

- ▶ Sale or mortgage proceeds are directed to parties **not** connected with the transaction
- ▶ Large deposits paid directly to the vendor
- ▶ Property is mortgage free
- ▶ Power of Attorney is being used
- ▶ Lack of government issued photo ID
- ▶ Stated age of borrower is inconsistent with their appearance
- ▶ Signatures on provided ID do not match signatures on other documents
- ▶ Agreement of Purchase and Sale has no handwritten alterations or multiple versions
- ▶ Multiple spellings of borrower's name
- ▶ Stated reason for obtaining a mortgage does not make sense (e.g., "debt consolidation" when there are no debts owed)
- ▶ Pressure is exerted to close the transaction
- ▶ A relative or friend is exerting pressure on elderly titleholder
- ▶ Non-titled party appears to be the directing mind of the transaction
- ▶ The client is overly anxious for funds
- ▶ The lawyer on the other side of the transaction has changed several times prior to closing
- ▶ Pattern of recent transfers or discharges



Private Lender Transactions: Did You Know?

Did you know that private lender transactions have the most significant risk of fraud?

Generally, private lender loans are easier to obtain, feature shorter terms and higher interest rates. However, because fraudsters have no intention of paying back the mortgage, they are not concerned by these high rates and other fees.

Don't Be Duped!

From our experience, we know that frauds involving private lenders will typically contain some of the following characteristics:

- ▶ Mortgage free property
- ▶ Loan has a significantly higher interest rate than institutional rates
- ▶ Unverifiable reasons for requesting money (e.g., "investments", "debt consolidation" or "starting a business")
- ▶ Borrowers have owned the property for a long time, may be elderly
- ▶ Power of Attorney is used
- ▶ A request was made for proceeds to be made payable to a third party OR have attempted to negotiate the funds at a cheque cashing establishment that is not a bank

Proceeds of the insured mortgage should only be made payable to:

- ▶ the registered title holders;
- ▶ the prior registered encumbrancers; or
- ▶ other approved parties (included in Stewart Title's private lender exception).



Sending any mortgage proceeds to an unpermitted third party is considered a potential fraud attempt!

Please refer to our private lender exception requirements

If your files contain known fraud indicators or seem suspicious in any way, contact our Underwriting Team.

888.667.5151 | underwriting.canada@stewart.com

Title Insurance for Added Protection

Whether it's a house, condominium or cottage, title insurance from Stewart Title can provide protection to homeowners and lenders for risks that reach beyond the scope of a traditional lawyer's/notary's opinion.

Coverage includes:

- ▶ Protection for owners for losses resulting from fraud, forgery, duress, incapacity or impersonation and forgery after the Policy Date of an instrument by which someone else claims an interest in, or fraudulently places a mortgage on the owner's title.
- ▶ Protection for owners from losses incurred as a result of title defects or other covered matters that exist at the time the property was purchased, but are unknown at that time.
- ▶ Protection for lenders against loss in priority and from the invalidity or unenforceability of the insured mortgage on title; as well as from forgery after the Policy Date of any assignment, release, discharge, postponement or modification of the insured mortgage.

Policies are purchased for a one-time premium. Coverage is valid for the entire time the homeowner owns the property, and for the lender, as long as the insured mortgage remains on the property.

Contact us for more information.



Stewart Title Guaranty Company
888.667.5151
stewart.ca

This brochure is intended to provide information that is of a general nature. Please refer to the policy for full coverage details. Sample policies are available upon request. The confidentiality and protection of personal information is important to Stewart Title. To view our privacy policy, visit www.stewart.ca/privacy.

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