

Title Fraud – What Realtors® Need to Know

As incidents of mortgage fraud and title theft gain greater prominence in the media, the real estate industry as a whole is facing a challenge that, if left unresolved, could make real estate look less like a good investment, and more like a risk for many consumers.

Types of real estate fraud

There are four primary types of real estate fraud of which realtors need to be aware:

- **Identity Theft** involves either forgery or impersonation: for example, a fraudster may change title to different name illicitly, or just impersonate the current registered owner. This type of fraud is usually aimed at getting mortgage proceeds on property the fraudster does not own. It could also involve an attempt to sell: in this case, it is often a tenanted property rented by the fraudster or accomplice. In the corporate setting, a fraudster may make up a fake Minute Book and pretend to be an officer of property owned by corporation.
- **Power of Attorney Fraud** can also involve an identity theft – for example, pretending to be a relative & using a forged power of attorney. In other cases, it is a genuine power of attorney that is used improperly.
- **Equity Theft** most often involves one spouse scooping value from property through mortgage—this is a variation on identity theft.
- **Value Fraud** occurs when a fraudster makes property look like it is worth more than it is, in most cases in an attempt to get mortgage proceeds.

What can Realtors® do to protect themselves?

As the “front-line” professional in a real estate transaction, realtors often act as the gatekeeper, controlling access to the property, and facilitating the transaction. In this role, Realtors may be susceptible to becoming dupes in fraud schemes, or being impersonated by fraudsters. As such, it is important that Realtors take steps to protect themselves, such as:

- **Be aware of red flags:** if a deal is “too good to be true”, if a client is willing to pay a commission for doing nothing, or if the property is too active in market having come out of nowhere.
- **Follow ‘gut instinct’:** if the client’s actions don’t pass the “smell test”, for example, if she doesn’t actually care much about seeing the property or the price, if the client doesn’t seem to suit the property, or if the client isn’t worried about securing a mortgage or having a home inspection conducted.
- **Know your client:** check identification, and be sure to confirm referral sources. If a referral source is strange or doesn’t check out, this should be a red flag. In cases involving a power of attorney, consider if and how well you know the family, and whether the explanation for invoking the power of attorney is reasonable?
- **Be aware of access to the property:** if access to the property is limited, subject to unusual restrictions, or if the seller refuses to post sign, the agent should take extra steps to confirm the veracity of the client’s claims.
- **Unusual financial provisions:** if the client requires unusual financial provisions in the Agreement of Purchase and Sale, for example, credits on schedule, or fees and payments being made to the vendor without substance (as opposed to lower purchase price). Also consider the source of the deposit: is it a counter cheque, cash, money order or from someone else? Did the buyer pay the deposit directly to the vendor? Is there another unusual deposit arrangement?
- **Subscribe to GeoWarehouse:** GeoWarehouse allows you to verify the history of trades on the property. Consider whether they are happening too quickly, or if mortgages are being discharged right before approaching you.
- **Be cautious with rental properties, too:** in cases where the property is being rented out, a tenant paying all of the rent up-front and in cash can be an indicator of fraud.
- **Work with other professionals who are being equally careful:** Know and trust the other professionals with whom you’re working. This helps to protect your interests and reputation, and allows you to be confident your clients are receiving the highest standard of professional service.