

Attention Assignment Desk / Real Estate Editors

REAL ESTATE FRAUD PACKS A PUNCH

\$32.5 million claim settlement in British Columbia brings renewed attention to how devastating real estate fraud can be for unsuspecting victims

Vancouver, BC, February 21 – Real estate industry insiders now peg the average case of real estate fraud at \$300,000, meaning years of personal and financial repercussions for those who fall victim.

Wayne Proctor, Director Pacific Region, First Canadian Title, said the growing incidence of real estate fraud over the past five years has resulted in immeasurable damage to people's finances and personal lives. The company, Canada's leading title insurer, estimates the average case of real estate fraud to be in the range of \$300,000. In comparison, the RCMP estimates the average credit card fraud case in Canada to average around \$1,200.

"Falling victim to real estate title fraud can mean you are suddenly faced with the possibility of losing the single-biggest investment of your life," said Proctor. "While still devastating, other forms of fraud pale in comparison."

The Law Society of British Columbia, after four years of investigations, recently approved \$32.5 million in payments to cover a multimillion-dollar real estate fraud case involving Vancouver lawyer Martin Wirick. The high-profile case involved transactions between 1998 and 2002 and affected hundreds of victims in the scheme. Because of this case, BC lawyers contribute to a special compensation fund to reimburse members of the public for losses associated with fraud and lawyer-related issues.

"Owning a home provides much needed financial security for many Canadians. Unfortunately, criminals have found a way to capitalize on the financial security of others through title fraud," said Susan Leslie, VP Claims and Underwriting, First Canadian Title. "It can be devastating for victims in terms of dollars."

According to the Quebec Association of Real Estate Agents and Brokers, mortgage fraud amounts to an estimated \$1.5 billion a year, and even though cities like Vancouver, Toronto and Edmonton and are hotbeds for this criminal activity, all Canadian homeowners are at risk. In 2000 real estate title fraud claims accounted for only 6 per cent of total dollars paid in claims at First Canadian Title. By 2005, that number reached 33 per cent.

A basic real estate title fraud scam can be simple: a fraudster targets a house, forges a transfer deed, registers in his own name, forges a discharge of the existing mortgage and borrows against the clear title. And unlike credit card fraud, where banks allow victims to suspend payment until an investigation takes place, there is no protection when a mortgage is fraudulently charged against a property. Title insurance is one way to buy peace of mind.

"The onus is on the homeowner to prove the crime and it can be very costly – financially and emotionally – to restore your title," said Proctor. "For a one-time premium, title insurance is one effective and inexpensive way to ensure your property is protected. It covers all legal expenses related to restoring a title and is available to existing home owners long after they have purchased their properties."

The surge in real estate title fraud and identity theft cases in recent years has prompted First Canadian Title to embark on an awareness campaign to educate consumers as well as the legal, law enforcement and lending communities. The result has been a renewed sense of industry collaboration and increased awareness among consumers. Also, the need for increased diligence and implementing strict prevention measures when it comes to reviewing real estate transactions has not been lost on First Canadian Title.

“Last year alone, our underwriting department prevented approximately \$19 million in what we believe to be fraud claims,” said Leslie. “We’re simply becoming better at recognizing the tell-tale signs when something is not right.”

According to Proctor, there are several indicators that serve as warning signs to real estate professionals for potentially fraudulent activity during a purchase or refinance transaction. These include:

- Inquiries and established credit are inconsistent with age, income or profession
- Instructions that funds be paid to an unrelated third party individual
- Counter cheque presented for deposit or identification instead of a personalized cheque
- Employment information provided cannot be verified
- Client(s) will only provide a cellular number for contact purposes

About First Canadian Title

First Canadian Title is Canada’s leading provider of title insurance for residential and commercial real estate transactions and other related products and services. Established in 1991, First Canadian Title pioneered the concept of title insurance in Canada, and now issue hundreds of thousands of new policies each year. As a member of the First American Family of Companies, First Canadian Title’s financial strength, stability and commitment to service excellence are second to none in the industry. Based in Oakville, Ontario, First Canadian Title employs more than 1,000 people from coast to coast. Customers include more than 11,000 lawyers and notaries nationwide, every major Canadian chartered bank, other lending institutions, real estate professionals, mortgage brokers, and builders. For more information about First Canadian Title, please visit www.firstcanadiantitle.com.

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For more information please contact:

Alex Mangiola
416-462-0199 ext. 21
alex@pilotpmr.com

Alison Bagley
416-462-0199 ext. 24
alison@pilotpmr.com