



MORTGAGE FRAUD:

BROKEN TRUST

BY RON REINHOLD

Bankrupt victim home buyers and outrageously false income statements, a certain mortgage scam is now on the Calgary scene, mortgage investigator says

ON MAY 14, 2008, we had a strange inquiry come into our private investigation firm. A lady was helping a friend sort out what appeared to be a shady real estate deal. Once we got the story straight, we learned the friend was conned into investing in a “foreign workers employment agency”. Soon, unknown to her, she became an owner of two houses, both with hugely inflated mortgages. Soon after meeting this client, we became aware of very similar scenarios here in Calgary. Today, we spend about two thirds of our time investigating mortgage fraud on behalf of almost 30 clients. We have now heard of literally over a hundred similar stories.

The typical mortgage fraud scenario here in Calgary is shockingly similar in many of our files. The scam starts by having a property investor “criminal” obtain properties through builders, other investors or foreclosure sales. Then, usually by word of mouth, the criminal puts out words that he needs people to take on these properties. Sometimes the criminal hires a “salesperson” whose job it is to find “victim buyers” for a commission. Somehow or other a “victim buyer” or “straw buyer” is recruited.

The “victim buyers” are often new immigrants, university students, perhaps people that someone has known through church or previous employment situations. The “victim buyers” usually are vulnerable, unsophisticated investors, often with a relatively low income. For the scheme to work, the “victim buyers” can’t have any credit problems. The “victim buyers” are people who can really use the \$5,000 cash

inducement that the criminal provides to victims. Over a period of time, often six months or so, the criminal manages to win the trust of the “victim buyer”.

The criminal then arranges mortgage financing either through a mortgage broker, or directly at a bank where he may have some contacts. Usually, the mortgage broker or the bank personnel have only marginal, if any, direct contact with “victim buyer”. The incentive for the mortgage broker or the mortgage specialist at the bank is that this criminal has “lots of deals”. A law office is engaged, usually at a sole lawyer practice, or a law office where the lawyer does not have a lot of “hands on” dealings with the real estate files. The details of the property conveying are usually completed by a real estate paralegal.

The criminal fraudulently qualifies the “victim buyer” for a huge CMHC insured mortgage, often anywhere from \$40,000 to \$300,000 more than the property is worth. Even though to qualify for the CMHC insured mortgage the buyer is supposed to live in the house, the criminal knows there is no intention of having the “victim buyer” live in the house.

How the “victim buyers” are qualified for the mortgage is outrageous – in one of our files, a night manager of a fast food restaurant, making \$28,000 a year, suddenly had in his file a Revenue Canada Income Statement with his name, and “pasted” information showing \$90,000 of income. In another case, a 20 year old “victim buyer” who worked as a server for a pizza place,



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