

Stealing the Home from under you - the growing problem of Title Fraud

Imagine this. A Canadian homeowner – a successful professional with a lovely home in a nice neighbourhood – arrives home after work one day to find a “For Sale” sign on his lawn. Imagining that it may be a practical joke, he asks his wife if she’s unhappy with the house! But his wife has no idea why the sign is there, or who put it up. It turns out that the couple are the victims of title fraud – a crime that’s on a worrisome rise here in Canada.

How is it possible? While there are several variations on the crime, the basics are usually the same. The fraudster will target a home and falsify legal documents to create a convincing paper trail to “prove” their ownership of the home. They then proceed to mortgage the home and disappear with the money. Often, the rightful owners will have no idea what’s going on until a financial institution tracks them down to demand payments on a loan they never knew existed.

In some cases, the fraudsters have actually stolen their identity: an especially difficult twist for the homeowner, who must also clear his/her name. The easy access to electronic data – on both people and property – may be contributing to the rise in title fraud, which is costing homeowners and financial institutions millions of dollars each year. And though it’s a serious challenge to the lenders, it can be financially devastating to the homeowner.

Fortunately, Canadians have access to some protection against title fraud. A growing number of Canadian homeowners are purchasing “title insurance”: a product which offers some specific protections against title fraud and other potential pitfalls:

- A new survey shows a minor zoning violation that will require a variance – a process which will delay the close of the sale. Title insurance may allow the sale to close on time.
- Several months after moving in, a new owner discovers that the heating ducts were cut off in an amateur renovation, done without permits. Title insurance could cover the cost of the repair and related expenses.
- An older property has the lenders worried: though there’s no evidence of any problem, there is no survey for the property, and no record of permits for water or septic. Title insurance may provide lenders with the confidence to proceed with the mortgage.

Not surprising, title insurance is gaining support among both lenders and lawyers, who see the value of this kind of increased homeowner protection. Although some protection exists through your lawyer’s “errors and omissions” insurance – and the Land Registry has an assurance fund in place that may be helpful – homeowners have learned the hard way that accessing these monies can take time, legal hire, and money (potentially a lot) on their part.

On the other hand, title insurance – available at a modest, one-time cost – gives you immediate payout on a wide range of title problems. Best of all, title protection insurance is not limited to new purchasers only – it’s now available to current homeowners as well. In case you’re wondering, the couple in the story above – which is based on one of the case files of Canada’s leading title insurance company – did eventually regain title to their house. But it’s a cautionary tale. Next time you talk to your Broker, ask about title insurance.

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