



## Coverage for Real Estate Title Fraud

Incidents of real estate title fraud are all too common in Canada and homeowners and lenders are proving to be irresistible targets for fraud artists. The role of legal professionals and title insurance companies has become even more critical in the fight to detect and prevent title fraud.

Homeowners and lenders can protect themselves by obtaining a title insurance policy from Stewart Title. The coverage provided in residential title insurance policies helps protect both innocent homeowners and lenders who might otherwise face huge financial losses resulting from title fraud.

### How Real Estate Fraud Occurs

Legal ownership in property is evidenced by the title to the property being placed into your name. You obtain title when the vendor of the property signs transfer documents (a deed) transferring the ownership of the property to you. Once this occurs, the government land registration records will reflect you as the owner and anyone searching those records will also recognize you as the owner.

#### *A Typical Example*

1. A fraud artist steals the identity of the legitimate owner of the property.
2. The fraud artist uses this stolen identity to obtain mortgage financing through a bank or financial institution.
3. The fraud artist makes no payment on the mortgage, resulting in the unsuspecting homeowner receiving notices from the bank or financial institution demanding payment.
4. The unsuspecting homeowner is then faced with the stressful and costly burden of proving that he/she has been the victim of mortgage fraud and should not be required to repay the fraudulent mortgage.

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Real estate fraud can take several forms, but a common denominator is that the fraudsters are sophisticated and thanks to modern technology, are armed with the appropriate documentation and necessary knowledge of the real estate process to enable them to perpetrate these major crimes. Thieves often target properties that are mortgage free and where owners have a good credit rating. This allows them to apply for a significant mortgage.

### **The Role of Title Insurance**

Generally, the losses resulting from real estate title fraud are catastrophic with homeowners paying thousands of dollars in legal fees to defend their title, and lenders often losing the full amount of their mortgage. Title insurance can protect both homeowners and lenders against losses resulting from most forms of real estate title fraud via the following policies:

#### ***Residential Owner Policy***

Provides coverage against losses arising 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.

#### ***Residential Loan Policy***

Provides coverage against losses arising from the insured mortgage not having the expected priority and from the invalidity or unenforceability of the insured mortgage on title. It also provides coverage for losses arising from forgery after the Policy Date of any assignment, release, discharge, postponement or modification of the insured mortgage.

#### ***Residential Existing Homeowner Policy***

Provides coverage to those homeowners who already own their home and did not obtain the protection of title insurance when they first purchased their home. The Policy Date is the date of registration of the original transfer document (deed) to the existing owner. Search requirements are minimal for this type of policy.

Title insurance is purchased for a one-time premium and coverage is valid for the entire time the homeowner owns the home and for the lender, as long as the mortgage remains outstanding.

Homeowners should contact their lawyer/notary who can arrange to obtain a policy directly from Stewart Title.

**Contact us for additional information.**

#### **Canadian Head Office (Toronto)**

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