

Measures that can protect homeowners, buyers from becoming victims of title fraud

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Alarming incidents of title fraud making headlines in recent weeks are a reminder for advisors to help their clients be vigilant about these and other financial scams.

With title fraud, criminals use fake identification and bank accounts to impersonate a homeowner to sell a property. Victims include homeowners, many of whom are often targeted while away for extended periods, and buyers who purchase the property from the fraudster.

While experts say title fraud is extremely rare, it has been on the rise since the pandemic. As a result, advisors have been fielding more questions from clients about how to protect themselves.

Maili Wong, senior wealth advisor and senior portfolio manager with The Wong Group at Wellington-Altus Private Wealth Inc. in Vancouver, advises her clients to take preventative measures to try to avoid being victimized.

“With title fraud, anything you can do to make it more difficult for the fraudsters to bypass you and move on to someone else is better,” she says.

For example, Ms. Wong says having even a small mortgage with a Canadian bank, even if you don’t need one, could provide one level of protection as financial institutions often have very stringent security protocols.

“That could be helpful in addition to some of the more generic advice that we give to clients, such as safeguarding and protecting their personal identification, passwords and documents,” she says.

Ms. Wong says advisors can also help protect clients by getting to know them better, including where they live and their marital status, and keeping that information updated in their profiles.

“As financial advisors, we’re often seen as part of a client’s circle of trust. ... So, it helps us spot [issues] when something seems weird,” Ms. Wong says.

She cites the example of a request for funds the firm received from a fraudster pretending to be the boyfriend of a single female client. The man said the money was going toward an apartment they were allegedly buying in New York. The request seemed off, Ms. Wong says, as she knew the client was single.

“It turned out this was a complete fraud as we suspected,” she says, adding that fraudsters are getting increasingly clever at attempting to infiltrate people’s lives.

Advisors can also help clients find experienced real estate professionals, Ms. Wong says, including sales agents and lawyers who should be able to spot any inconsistencies in a property transaction.

Getting educated about title fraud

Advisors might also recommend clients buy title insurance, which protects them from financial loss that can result from defects in a title to a property including fraud, says Marilyn Abate, partner, risk consulting, forensic and financial crimes at KPMG in Canada.

“Title insurance is a critical layer of protection, but prevention is still the best way to mitigate against this,” she says.

Ms. Abate also encourages advisors to get educated about title fraud and, in turn, share that information with clients.

The recent attention around title fraud prompted Rona Birenbaum, certified financial planner and founder of Toronto-based Caring for Clients, to include more information on title insurance in her latest newsletter.

She also adds that clients could put a lock on their mailboxes to protect them from mail theft that could lead to title fraud.

“It’s a small but useful deterrence,” she says.

Other tips Ms. Birenbaum shares include shredding documents with personal information and checking credit card and bank transactions regularly for any

strange activity. An example could be if a regular mortgage payment doesn't come out from a bank account or a property tax notice doesn't arrive in the mail as expected.

The B.C. Financial Services Authority (BCFSA) recently put out a notice with tips for real estate professionals, which can also apply to financial advisors, including getting to know more about clients including where they work, how long they've lived in their property and other relevant personal information.

The BCFSA also points out watching for a few red flags in a potential real estate transaction, including refusals to publicly list or advertise the property, purchasing an empty or abandoned property, unusual e-mail address formats, or a seller willing to accept much less than market value.

'The crime evolves'

Ron Usher, general counsel and practice advisor for The Society of Notaries Public of British Columbia, says financial advisors should have a good idea of their client's overall assets, including real estate holdings.

While advisors don't have direct access to land title information, he says they can help clients ensure they have clear documentation of their land holdings.

"They'll want to advise them to see a local professional as the systems vary across the country," he says.

Mr. Usher says land title systems provide some guarantee and assurance of their title ownership. For homeowners who want to buy title insurance, he says advisors can help to ensure they're getting the right coverage for their needs.

Having a mortgage on the property can provide some level of protection, Mr. Usher says, but it isn't foolproof.

"There is no one strategy that's perfect here. The crime evolves," he says. For instance, given rising real estate values over the years, he notes that some fraudsters don't mind paying off a mortgage with the sale proceeds.

Mr. Usher says title fraud cases are few and far between – and difficult to pull off. Still, they should be discussed between advisors and clients for information purposes and as a preventative measure.

“The key here is to take care of things of value like you always would,” he says, “and that includes your property.”

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