

Title fraud 101

Or, how I learned to stop worrying and love title insurance.

By [Jody White](#) | Online only, 10/06/11



“Here’s your new health card,” said the smiling, super-friendly lady at the government service counter the other day. “Remember to keep it in a safe place and immediately report it if it’s lost or stolen.”

My health card excursion got me thinking about identity theft, as a lost piece of ID (or even mail) can result in a whole lot of financial trouble. It’s a growing problem in Canada, and is often just the first in a string of crimes against the victim as their information is sold and re-sold on the black market. One kind of fraud that perhaps doesn’t get the attention it deserves is title fraud. While it’s generally accepted that the threat is miniscule compared to other types of fraud, its impact is among the severest of all.

Title fraud is when someone steals your identity and uses it to either sell your house out from underneath you or take out a second mortgage on the property and waltz away with the money. You remain blissfully unaware until a) the bank starts calling you about late mortgage payments, or b) a bunch of strangers appear and demand to know what you’re doing in *their* house.

People have lost their homes over this, and the laws dictating who is responsible for losses vary across the country. In many cases, the homeowner is left holding the bag.

I was discussing the problem with my editor when he mentioned that an acquaintance of his deliberately extended the life of his mortgage to protect himself from title fraud.

He figures that if his bank still has a financial interest in his house it will exercise greater due diligence in the event that he (or an imposter) tries to take out a second mortgage on the property.

My initial thought was *baloney*. Mortgage or no mortgage, a thief is a thief. If he can get even \$100 out of a scam, he will. So I looked into this title fraud protection strategy and was surprised at what I learned.

“I’ve heard of this technique, absolutely,” says Nawar Naji, a Toronto-based mortgage broker. “Fraudsters like to go after homes that are free and clear of mortgages as it increases the potential payoff.”

Another anti-fraud strategy is to take out a secured line of credit on the home once the mortgage is paid off, which works along the same lines as the extended mortgage, he explains.

I spoke to my real estate rep, who confirmed Naji’s remarks but cautioned that it can happen to any property. However, he says that for two reasons fraudsters do tend to go after homes that are free and clear: The potential payoff is bigger, and such homes are typically owned by seniors who are less savvy about identity theft and may take longer to realize something is amiss.

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So how do you protect yourself from title fraud? According to real estate lawyer Bob Aaron, the easiest way is to buy title insurance. Both new home buyers and current homeowners can purchase it, and it protects you from losses due to fraudulent activity. “Extending the life of your mortgage is silly,” he says. “You’re just wasting money on a bank, and it will do nothing to protect you.”

In addition to title fraud, title insurance protects you from other losses resulting from title defects that may have been missed when the home was purchased, such as unpaid liens and construction costs.

As title fraud is only possible by stealing someone’s identity, it’s a good idea to take stock of your personal identification habits. For example, what do you do with your bank and credit card statements? If you’re not shredding them after doing a line-by-line review of transactions, you’re leaving would-be ID thieves an open window into your personal finances.

Premiums for title insurance run from \$350 to \$1000. It’s too bad this product is even necessary, but for knowing the place you come home to each day is still yours, it’s a small price to pay.

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