



# MORTGAGE FRAUD PREVENTION GUIDE

What Every Canadian Mortgage Broker Should Know

*A Streamlined Guide for Mortgage Fraud Awareness & Prevention*

Provided by  **NAS** Nationwide  
Appraisal Services

# WHY FRAUD PREVENTION MONTH MATTERS

Fraud Prevention in Canada, now in its 22nd year, led by the Competition Bureau, the RCMP, and the Canadian Anti-Fraud Centre (CAFC). This year's theme, "Fraud: The Hidden Game," reflects how today's fraud schemes operate quietly, under the radar, and at scale.

For mortgage brokers and lenders, this is more than an awareness campaign. It's a call to sharpen the defences that protect your business, your clients, and the integrity of Canada's lending ecosystem.

## IMPORTANT NOTICE

This guide is provided for informational and reference purposes only and does not constitute legal, compliance, or regulatory advice. It is made available to brokers as a general resource and does not override or supersede any information, guidance, or requirements provided by your brokerage or broker house. Brokers should always consult with their brokerage first regarding specific policies, procedures, and requirements that may apply to their situation.

## THE CURRENT LANDSCAPE

The scale of fraud in Canada has reached a critical threshold. According to the Canadian Anti-Fraud Centre (CAFC), Canadians lost over \$704 million to fraud in 2025 alone — with reported losses crossing \$2.4 billion since 2022. Researchers estimate only 5–10% of fraud incidents are ever reported, meaning the true scale is likely many times larger.

**\$704M+**

Lost to fraud in  
Canada in 2025  
(CAFC)

**\$2.4B+**

Total reported  
losses since  
2022

**1 IN 118**

Mortgage applications  
showing fraud  
indicators (Q4 2025)

**1 IN 43**

Investment property  
applications with  
fraud indicators

## THE CURRENT LANDSCAPE

Mortgage fraud risk indicators rose 1.5% year-over-year in Q4 2025. Identity fraud in mortgage applications increased 5.6% in 2024, building on a 12% rise in 2023. Investment property applications carry disproportionate risk — nearly three times the industry average. Ontario, Alberta, and Quebec continue to see the highest concentration of mortgage fraud activity in Canada.

According to Equifax Canada, first-party fraud — where individuals use their own identity to misrepresent their financial situation — climbed from 0.25% at end of 2024 to 0.33% by Q4 2025. Over 76% of fraudulent mortgage applications contain some form of financial misrepresentation, with employment letters, pay stubs, bank statements, tax slips, and down payment documents among the most commonly falsified.

**Cost to lenders:** Fraud attempts cost lenders an estimated 4.5 times the original transaction value in total losses when discovered post-funding. The reputational, legal, and financial exposure is significant.

## THE SIX CORE TYPES OF MORTGAGE FRAUD

Not all mortgage fraud looks the same. Understanding the distinct categories and how they are evolving helps brokers recognize patterns and respond appropriately.

### Application Fraud

The most common form involves falsifying information on a mortgage application — inflating income, misrepresenting employment, omitting debts, or fabricating documentation. Over 76% of fraudulent applications contain some form of financial misrepresentation. This type is NOT covered by title insurance.

### Value Fraud (Appraisal Fraud)

Fraudsters manipulate property valuations to support inflated mortgage amounts through collusion with unethical appraisers, selective comparables, or altered appraisal reports. Using an independent, certified AMC like NAS eliminates this risk by ensuring impartial valuations that Brokers & Lenders can trust and rely on.

## Straw Buyer Fraud

A person with strong credit is used to obtain a mortgage on behalf of another individual who would not qualify. The straw buyer may be willing or an identity theft victim. The actual purchaser controls the property and often defaults, leaving the lender exposed. NOT covered by title insurance.

## Title Fraud

Fraudsters use stolen or forged identity documents to pose as a property owner, then register a mortgage against the property or transfer title. The real owner may be unaware until a default notice arrives. Recent or unusual activity on title is a key indicator.

## Foreclosure Fraud

Homeowners in financial distress are misled into signing over title to a "rescuer" who then mortgages or sells the property. Brokers processing deals involving a distressed owner should proceed with heightened scrutiny.

## Occupancy Fraud

A borrower misrepresents intended use — claiming owner-occupied status to access lower rates when the true intent is to rent or invest. Signals include the buyer already residing at the subject property or purchasing an investment property without owning a primary residence.

**AI-Assisted Fraud:** *Fraudsters are increasingly using cloned voices, fabricated identification, and synthetic employment records to pass verification checks. AI-generated documents and deepfake identities are now a real and growing threat in Canadian mortgage applications. Defences designed for a pre-AI world need to evolve.*

**Note:** *Application Fraud, Value/Appraisal Fraud, and Straw Buyer Fraud are specifically excluded from standard title insurance policies. Brokers must independently identify and escalate these risks.*

# RED FLAGS BY TRANSACTION TYPE

The presence of one or more of these flags does not confirm fraud, but each warrants a closer look and thorough documentation of your review.

## Purchase Transactions

- Private Agreement of Purchase and Sale (not through MLS/agent)
- Buyer currently resides at the property being purchased
- High-ratio mortgage with unusual equity gift(s)
- Further deposits paid outside standard transaction timelines
- Power of Attorney being used by one or more parties
- Recent transfers of title immediately prior to closing
- Purchase of investment property where buyer has no primary residence
- Significant pressure to close quickly with incomplete documentation

## Refinance Transactions

- Funds to be used for debt not associated with the subject property
- Recent title transfer immediately prior to mortgage registration
- Equity gift(s) provided at time of refinancing
- Power of Attorney being used by the borrower
- Investment property with unclear or undocumented rental history
- Mortgage balance significantly lower than the registered amount on title
- Equity take-out on a recently purchased mortgage-free property
- Client unwilling to explain the purpose or destination of funds

## Private Lender Transactions

- Rush or time-pressured transaction with missing or unclear documentation
- Funds to be transferred to or from accounts outside Canada
- High-interest-rate private mortgage registered on a mortgage-free property
- Existing institutional mortgage on title with balance far below the registered amount
- Borrower unable or unwilling to meet in person or verify identity
- Identity documents appear altered, unclear, or inconsistent
- Large surge of referrals from a single new or unfamiliar source
- All communication limited to text or email — no verbal contact ever made
- Lender appears informal or disengaged about mortgage application details
- Employer address is a P.O. box or cannot be independently verified

# APPLICATION & DOCUMENTATION INDICATORS

Document-level fraud is often the hardest to spot but the most preventable with consistent verification habits, especially as AI-generated documents become increasingly difficult to detect visually.

## Mortgage Application

- Significant variations in handwriting across submitted documents
- Age and income appear inconsistent with each other
- Length of established credit inconsistent with applicant's stated age
- Employer address is a P.O. box or unverifiable by independent means
- Employment details differ between application form and credit bureau

## Assets & Down Payment

- Down payment sourced from funds not shown in bank statements
- Bank statement dates are unusual, non-consecutive, or out of sequence
- Deposits in statements do not align with reported income levels
- Pattern of loyalty to other institutions inconsistent with stated relationship
- Buyer claims to reside at the property being purchased

## Credit Bureau Indicators

- SIN discrepancies found within the mortgage file or across documents
- Address discrepancies between application, bureau report, and ID
- Liabilities on the credit report not disclosed on the application
- No credit history, or a "thin" file relative to the applicant's age
- All trade lines opened at the same time (suggests synthetic identity)
- Numerous recent credit inquiries across multiple lenders in a short window
- Employment discrepancies between application and credit bureau report
- Existing institutional mortgage balance on title far below the registered amount

# WHAT TO DO WHEN SOMETHING DOES NOT ADD UP

Spotting a red flag is only the first step. How you respond matters just as much. Follow this six-step framework consistently.

## **Step 1: Pause. Do Not Proceed.**

Stop processing the file. Do not close the transaction or submit the application while concerns remain unresolved. Document the exact flags you observed, with dates and sources.

## **Step 2: Verify Independently**

Cross-reference key claims with independent sources — call employers directly using numbers from official directories, not documents provided by the applicant. Confirm identity documents against government databases or qualified ID verification services. With AI-generated documents now in circulation, visual inspection alone is no longer sufficient.

## **Step 3: Consult Your Brokerage**

Escalate the concern to your compliance officer or supervising broker immediately. Do not attempt to resolve a potential fraud situation independently. Your brokerage has protocols and legal obligations that must be followed.

## **Step 3: Assess Your FINTRAC Obligations**

As a regulated mortgage broker, you may have mandatory reporting obligations under FINTRAC. Suspicious Transaction Reports (STRs) may be required if you have reasonable grounds to suspect money laundering or terrorist financing is involved.

### **Step 5: Decline or Report**

If concerns cannot be satisfactorily resolved, decline to process the application. If fraud is confirmed or strongly suspected, report it to your provincial regulator, the lender, and FINTRAC as appropriate. Protect the record of your decision.

### **Step 6: Document Everything**

Whether you proceed or decline, maintain thorough records of every verification step, every concern raised, and every decision made. This documentation is your primary defence in the event of a regulatory inquiry or legal action.

## **YOUR PROFESSIONAL OBLIGATIONS**

Under frameworks including Ontario's MBLAA and federally under PCMLTFA, financial professionals are required to verify borrower identities, confirm property ownership, validate supporting documents, and report suspected fraud. This isn't just regulatory compliance — it's risk management.

### **Know Your Client (KYC)**

Provincial licensing requirements and FINTRAC regulations require brokers to verify the identity of all clients using acceptable government-issued photo ID. This must be done in person where possible and documented thoroughly. With AI-generated identities becoming more convincing, the baseline KYC framework needs to evolve — layering biometric verification and database cross-checks adds critical depth.

### **FINTRAC Reporting**

Mortgage brokers are subject entities under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. You are required to report suspicious transactions, large cash transactions, and maintain an AML/ATF compliance program.

## Duty to Report Fraud

Most provincial regulators — including FSRA (Ontario), BCFSA (BC), and the AMF (Quebec) — require brokers to report known or suspected fraud. Failure to report can itself result in disciplinary action.

## Duty of Care to the Lender

Brokers owe a duty of care to lenders. Submitting an application containing inaccuracies — even unknowingly — can result in civil liability if due diligence was not performed to a reasonable professional standard.

## PROVINCIAL REGULATORS QUICK REFERENCE

Province / Scope	Regulator	Website
Ontario	Financial Services Regulatory Authority (FSRA)	<a href="http://fsrao.ca">fsrao.ca</a>
British Columbia	BC Financial Services Authority (BCFSA)	<a href="http://bcfsa.ca">bcfsa.ca</a>
Quebec	Autorite des marches financiers (AMF)	<a href="http://lautorite.gc.ca">lautorite.gc.ca</a>
Alberta	Real Estate Council of Alberta (RECA)	<a href="http://reca.ca">reca.ca</a>
All Provinces (Federal)	FINTRAC	<a href="http://fintrac-canafe.gc.ca">fintrac-canafe.gc.ca</a>

## HOW NAS SUPPORTS FRAUD PREVENTION

[Nationwide Appraisal Services \(NAS\)](#) <sup>7</sup> has been Canada's trusted appraisal management company since 1996, serving all major financial institutions and facilitating over \$12 trillion in mortgages. Our technology-driven platform automatically assigns appraisals to independent, vetted appraisers ensuring every valuation is impartial and audit-ready. From real-time market analytics to early risk detection, NAS gives brokers and lenders the tools they need to identify fraud before it reaches funding.

## RESOURCES

Organization	Relevance	Website
FINTRAC FINTRAC	Reporting obligations & AML compliance	<a href="http://fintrac-canafe.gc.ca">fintrac-canafe.gc.ca</a>
Competition Bureau Canada	Fraud Prevention Month resources	<a href="http://competitionbureau.gc.ca">competitionbureau.gc.ca</a>
Canadian Anti-Fraud Centre (CAFC)	Report fraud, national intelligence	<a href="http://antifraudcentre-centreantifraude.ca">antifraudcentre-centreantifraude.ca</a>
Mortgage Professionals Canada	Industry education and standards	<a href="http://mortgageproscan.ca">mortgageproscan.ca</a>
Canadian Mortgage Brokers Assoc.	Provincial chapters and advocacy	<a href="http://cmba-achc.ca">cmba-achc.ca</a>
Appraisal Institute of Canada	Certified appraiser directory	<a href="http://aicanada.ca">aicanada.ca</a>
Government of Canada	Canadian Anti-Fraud Centre	<a href="http://antifraudcentre-centreantifraude.ca">antifraudcentre-centreantifraude.ca</a>
Government of Canada	Fraud Prevention Month	<a href="http://canada.ca">canada.ca</a>
Royal Canadian Mounted Police	Cybercrime and Fraud Reporting	<a href="http://rcmp-grc.gc.ca">rcmp-grc.gc.ca</a>
Nationwide Appraisal Services	Independent AMC services across Canada	<a href="http://tngoc.com/nas">tngoc.com/nas</a>

## REPORT FRAUD — EVERY REPORT COUNTS

Encourage a culture of reporting within your organization. Every report contributes to a national intelligence picture that helps law enforcement connect the dots and disrupt fraud networks operating across Canada.

Canadian Anti-Fraud Centre: [antifraudcentre-centreantifraude.ca](https://antifraudcentre-centreantifraude.ca) ↗

Report Cybercrime and Fraud: [rcmp-grc.gc.ca](https://rcmp-grc.gc.ca) ↗ or call toll-free 1-888-495-8501

Fraud Prevention Month is the right moment to audit your processes, invest in your team's awareness, and ensure the tools you rely on are keeping pace with the threat. Fraud succeeds because it's designed to be invisible. Your defence shouldn't be.

**WWW.TNGOC.COM/NAS**

**NATIONWIDE APPRAISAL SERVICES · LAST UPDATED MARCH 2026**

*This guide is for informational purposes only and does not constitute legal, regulatory, or compliance advice. Statistics sourced from CAFC, Equifax Canada, and publicly available industry data as of Q4 2025. Verify all obligations with your provincial regulator, brokerage compliance team, and qualified legal counsel.*



# THANK YOU

We thank you for your continued support in  
Nationwide Appraisal Services.

[www.tngoc.com/nas](http://www.tngoc.com/nas)

*For more information about our appraisal services for mortgage professionals*



Last Updated April 2026