



TIP SHEET: MORTGAGE FRAUD RED FLAGS REGARDING PROPERTY VALUE

Mortgage fraud is an industry-wide concern and can occur at any step of the mortgage transaction. As fraudsters continue to find ways to commit fraud throughout the process, mortgage brokerage professionals play a key role in identifying red flags. The following information describes the red flags mortgage brokerage professionals are likely to encounter in their practice based on their discussion with the borrower and the documentation provided. This Tip Sheet is provided to help you identify the red flags related to the value of the property.

- Alternate methods of funding are offered for property purchase such as a vendor take-back mortgage or other equity arrangements
- Sweat equity arrangements are part of the transaction
- Vendor take-back mortgage or sweat equity arrangements are not referenced in the purchase contract
- Chattels – personal property used as deposit or as partial payment for the property
- Renovation value is included in the sale price of the property
- Purchase contract makes reference to tenant, tenant rights, or tenant notice but the borrower is applying for a high-ratio mortgage
- Property has illegal/non-conforming suite(s)
- Property has residential and commercial components not reflected in financing arrangements
- Commercial property has residential type financing or loan to value ratios
- Property is corporate owned but has a high-ratio mortgage
- Purchase price of the property is the same or higher than the list price or asking price
- List price or purchase price of the property is unusually high for the neighbourhood
- Property is listed after recently selling for a much lower price
- Property ownership has changed several times in a short period with price increases on each change
- Appraisals have been provided by the parties to the transaction