



# Securitization Bulletin

Corpfinance International Limited

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## Burns' Briefs

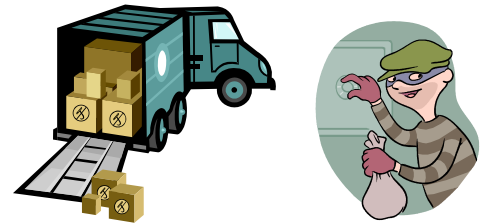
It was only a matter of time until fraud spread to the real estate market in the form of **title fraud**. Apparently, real estate title fraud is widespread across Canada. Real estate industry insiders estimate that the average case of real estate fraud involves \$300,000. In comparison, the RCMP estimates that the average credit card fraud case in Canada is \$1,200. Industry insiders estimate that real estate fraud costs Canadians between \$300 million and \$1.5 billion each year.

How does it happen you might well ask? Well, a fraudster registers forged documents transferring the property of an innocent victim to his or her name, then registers a forged discharge of the existing mortgage and then obtains a new mortgage against the property and makes off with the money without making payments. The mortgage then goes into default and the lender commences foreclosure proceedings. The "owners" of the property deny their involvement but they lose.

You will be surprised to learn that there is a glaring defect in Ontario law which may be the case in other jurisdictions. Currently, the law provides that fraudulent property transactions based on bogus mortgages, land transfers and powers of attorney are considered lawful as soon as they are registered under the land titles system.

This is very surprising given that laws usually make sense. It is important that laws make sense because we are all deemed to know the law. You

would think (as I did) that it would be the "new" mortgage company which would be out the money. There is a principle in law that you cannot take good title from a thief. I would dazzle you with the Latin proverb if I could remember it, but it should be up to the "new" mortgage company to do its due diligence. However, I have spoken to several of my friends who specialize in real estate law and they tell me that they have been advising their clients to obtain title insurance as **this is a real problem**.



Last week Tory MPP Joe Tascona introduced a private members bill aimed at protecting homeowners from real estate fraud. Government Services Minister Gerry Phillips has also announced that the Government plans to introduce a bill this fall to cure this legal defect.

We will track the progress of the legislation. However, if in the interim, you want more information on title insurance and its relatively low cost then please do not hesitate to contact CFI's own **Rob Sampson** at **416-364-6191 ext.237**. Best wishes to you and your Family for a Happy Thanksgiving.

## Rozmin's Corner

It would be a lot more interesting if I told you about the two and a half weeks I spent traveling and visiting family in India last month than talking about the cooling economy which is a continuation of last month. But as amazing and culturally diverse as my home county is with more languages than fingers and toes combined, it functions without a language barrier since apparently the only one that seems to work there is the good ole Rupee (\$).

Back in North America the trend still remains the

same from last month – falling commodity prices, cooling housing market, weaker consumer confidence - the big debate is whether the U.S. will skirt this trend with a soft landing or face a recession. Even China which seemed unstoppable has switched gears responding to government measures discouraging over-building and over-investments. The Feds are inclined to pull off the reverse trend with a soft landing which would encourage a lowering of the short term interest rates by early 2007. The Bank of Canada is expected to maintain its stance of no rate changes for this year, lowering rates early next year

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