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Financial Services Regulatory Authority of Ontario
Submitted via website portal

Re: Proposed Guidance on Detecting and Preventing Mortgage Fraud

On behalf of Chicago Title Insurance Company Canada (CTI), we appreciate this opportunity to provide feedback on FSRA's Proposed Guidance: Detecting and Preventing Mortgage Fraud.

As recent media coverage has made clear, mortgage fraud is a serious and growing threat to Ontario homeowners. The recent rise of "true owner impersonation" schemes - where fraudsters are impersonating true homeowners, refinancing or even selling their homes, and absconding with the mortgage or sale proceeds - is particularly alarming. We believe all players in the real estate market have a responsibility to combat these frauds.

As such, we are pleased to see in the Proposed Guidance a number of measures that improve the ability of FSRA's licensees to detect and prevent these frauds, including requirements to:

- Compare the borrower's signature and information across documents to confirm consistency;
- Cross check information provided in the mortgage application against the credit report (if available) or other supporting documentation and address any inconsistencies;
- Compare legal names on ID to other documents that connect the borrower to the property, such as property tax and/or utility bills.

Although these are important measures that will better enable licensees to detect red flags for fraud and, consequently, help to prevent some potentially fraudulent transactions from closing, we are concerned that that these new measures do not go far enough to effectively tackle true-owner impersonation frauds.

Unfortunately, fraudsters have become so adept at manufacturing fraudulent government IDs, that these documents can no longer be solely relied upon to verify a person's true identity. As such, the identification verification requirement as currently proposed in the Guidance will not be sufficient to stop these frauds.

Accordingly, in the attached document, we have proposed some amendments that we believe would serve to strengthen the Proposed Guidance and better address these frauds. In particular, we



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recommend that FSRA requires its licensees to use a multi-factor authentication (MFA) process for verifying the identity of their clients.

MFA is an identity verification method that uses multiple data points (factors) to authenticate a person's identity. MFA is already commonly used in a number of contexts, including to secure a user's computer and smart devices against unauthorized access - for example, when accessing online bank accounts, websites, applications, etc.

By using multiple data points to verify a person's identity, MFA is highly effective in detecting these impersonation frauds before any money exchanges hands. We therefore strongly believe that by making the use of MFA mandatory, FSRA licensees will be much better protected against the risk of unwittingly facilitating fraud, and Ontario homeowners will similarly be protected against the risk of these serious and devastating crimes.

Thank you for this opportunity to provide our recommendations as part of this important process to improve fraud protection in Ontario's real estate market. We invite you to follow up with us directly if we can be of any further assistance. Please feel free to contact John Rider at jrider@ctt.com.

Sincerely,

John V. Rider, LL.B.
Senior Vice President, Retail and Commercial Title Insurance
Chicago Title Insurance Company Canada

Att: Submission on FSRA's Draft Guidance on Preventing Mortgage Fraud