



April 26, 2023

Financial Services Regulatory Authority of Ontario
Submitted via fsra.ca web portal

Re: Proposed Guidance: Detecting and Preventing Mortgage Fraud

On behalf of the Mortgage and Title Insurance Industry Association of Canada (MTIAC), 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 and one that we believe all players in the real estate market have a responsibility to combat.

That's why we are pleased to see in this draft guidance a number of measures that improve the ability of FSRA's licensees to detect and prevent these frauds, including requirements to: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;
- Verify the purpose of the mortgage;
- Verify the source of funds being used for the down payment; and
- Compare legal names on ID to other documents that connect the borrower to the property, such as property tax and/or utility bills.

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.

In addition to these updated requirements, we believe the FSRA should go even further in their efforts to shut criminals out of Ontario's real estate market. Accordingly, in the attached document, we propose several amendments that we believe would serve to strengthen the proposed guidelines, and which fall under the following broad themes:



1. Clarifying the forms and consequences of mortgage fraud

Under the current headings “Forms of mortgage fraud, and “Motivators for mortgage fraud”, we have proposed amendments to the headings themselves, intended to clarify that these sections articulate the consequences that these frauds can have for victims, as well as the forms they can take.

We have also recommended additional language highlighting the effects these crimes can have on those third party victims who are not FSRA licensees or involved in the transaction.

2. Duty to notify mortgage insurers of potential frauds

In addition to notifying potential lenders of applications that may contain false information, we recommend that mortgage insurers also be notified.

This is a particularly valuable step to take, as an applicant who fails to complete a fraudulent transaction with one broker or lender, may try again with another. By making mortgage insurers aware of the potential fraud, they will be better positioned to detect any re-attempts that come through other channels.

3. Mandatory use of multi-factor authentication (MFA)

Unfortunately, criminal organizations 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.

Accordingly, we recommend that FSRA require their licensees to employ 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 believe strongly 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 protections 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 Ed Steel, Executive Director of MTIAC at ed.steel@mtiac-acahtc.ca at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to be "JR", written in a cursive style.

John Rider
President and Board Chair
MTIAC

A handwritten signature in black ink, appearing to be "Ed Steel", written in a cursive style.

Ed Steel
Executive Director
MTIAC

Att: MTIAC's Proposed Amendments to FSRA Draft Guidance: Detecting and Preventing Mortgage Fraud