

Appendix C – Mortgage Fraud

In recent years, the number of new mortgage fraud claims reported to ALIA has dropped significantly. This is due in part to increased awareness about mortgage fraud in the legal profession and among lenders. This awareness was earned the hard way as a wave of mortgage fraud claims hit Alberta's lawyer indemnity program following the collapse of the real estate boom in 2008, costing the indemnity program millions of dollars. Lawyers were typically caught in these mortgage fraud schemes because they were not paying attention to their practices and, in some cases, were relying on rogue paralegals who were part of the fraud.

ALIA has now resolved almost all the mortgage fraud claims arising out of the real estate boom of 2008. To combat mortgage fraud, ALIA and the Law Society of Alberta are facilitating the following:

- continuously evolving internal risk management processes to identify potential high-risk lawyers and/or conduct patterns on a proactive basis to mitigate negative impacts;
- providing information to lawyers through ALIA Alerts, ALI Advisory communications, and Law Society publications on emerging mortgage fraud risks;
- reviewing the Rules and Code of Conduct and other Law Society related guidelines on an ongoing basis to determine what changes may be needed to clarify the lawyer's proper role in real estate transactions; and
- monitoring best practices in other jurisdictions.

Because a large portion of mortgage fraud involves misrepresentations about the identity, credentials or standing of various individuals in the mortgage loan process, the Law Society continues to assess whether lawyers are complying with the [Client Identification and Verification Requirements](#) to guard against misrepresentation.

Given the decrease in mortgage fraud claims, these efforts to stop mortgage fraud appear to be having an effect. However, fraudsters will never give up trying to find new ways to reintroduce mortgage fraud in the future. ALIA encourages all lawyers to remain vigilant against fraud when handling all client matters, including real estate deals.

To learn more about how to avoid mortgage fraud, ALIA suggests that you review these pages on its website:

[Real Estate and Mortgage Fraud](#)

[Top 5 Ways to Avoid Falling into the Mortgage Fraud Trap](#)