

## FRAUD ALERTS

**NOTE: Remember that the Lender is our Client as is the Buyer and thus we have an obligation to both. We cannot withhold material information from the Lender.**

- Is there a gift letter or a gift component?
- Be particularly vigilant about “gifts” between parties who are not closely related.
- If the Agreement of Purchase and Sale provides that we are holding the deposit, be sure to collect the entire deposit amount, particularly if the deposit amount is significant. The deposit should not be released until closing.
- Be vigilant about the possibility of a bogus Agreement of Purchase and Sale setting out an inflated purchase price. This can include two Agreements of Purchase and Sale, one of which is for the “benefit” of the Lender and the other of which discloses the real purchase price.
- Have we received instructions for certain allowances upon closing and which are not referenced in the Agreement of Purchase and Sale? If so, these must be disclosed to the Lender, if they are material.
- After the Agreement of Purchase and Sale is signed, have the parties agreed upon a reduced purchase price? If so, this must be disclosed to the Lender.
- Question the Buyer and the Lender any time the mortgage proceeds are approximately equal to or greater than the purchase price. While there may be a legitimate explanation (i.e. renovations to be carried out post-closing), appropriate questions should be asked of the Buyer and of the Lender.
- If the Buyer instructs us to make a payment to the Seller, other than adjusted purchase price disclosed in the Agreement of Purchase and Sale, this is a red flag.
- Has the Buyer instructed us to make payments to a third party at or after the time of closing? This is a red flag, unless the third parties are financial institutions or businesses or other parties to whom the Lender has directed us to make payment.
- Do the financing requirements stipulate that the unit must be “owner occupied”? If so, obtain an Affidavit or Statutory Declaration from the Buyer declaring that he/she will indeed be occupying the building in question as his/her personal residence, and explain to the Buyer the importance of the accuracy of this information.
- Does this transaction involve other parties who have recently or regularly been involved in property transactions with each other? This is a red flag.
- Has the property been flipped, or is it about to be flipped? These are red flags.
- Be particularly careful if dealing with a private (non-realtor) Long Term Agreement of Purchase and Sale/Rent to Own document. Among other inquiries, check to see if the Seller owned the property as of the date appearing on the Agreement of Purchase and Sale?
- If in doubt about the client, “Google”.
- Have we received instructions for a Vendor take-back mortgage or Promissory Note which is not referenced in the Agreement of Purchase and Sale?
- Are the closing funds coming from a source other than the client?

### IN GENERAL:

- Make sure that any **material** side agreement, concession, arrangement, or modification of terms or other understanding between the Buyer and Seller has been disclosed to the Lender: