Appraisal Institute of Canada
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MORTGAGE FRAUD. Red Flags for Valuation Professionals.

CONSIDER OCCUPANCY FRAUD

- Find out who's living in the home, the owner or a tenant?
- If a tenant is the occupant, how long has the tenant been there?
- If vacant, how long has the unit been vacant?

These questions also apply to commercial tenants.

- How long did the commercial tenant lease the space and why is the space now vacant?
- Who is the tenant – is it just a store front for something else?
- Interview the owner to get details on the property.
- Sometimes the client asks that the appraiser not speak to the owner. Ask why?
- Is the owner aware that his/her property is being refinanced?
- The client does not want a full appraisal, just a drive-by and no property photos, and is vague about the applicant or the occupant.

SALES AND LISTING HISTORY OF THE SUBJECT

- Look for an appraisal that reports a pending sale – has it closed?
- Some fraudsters report false transactions at inflated valuations in an attempt to influence the appraiser and the valuation.
- The purchase price is higher than the list price.
- The selling price appears high in comparison to the neighbourhood value range.
- The previous sale price of the subject property was substantially lower within a short time frame.
- The property changed ownership several times over a short period of time with price increases on each sale.
- In reviewing listings, offers to purchase, etc., the parties are "undisclosed," identified as "Care of Listing Broker," or "nominee."
- The property was listed for a very short period of time (i.e. 24-48 hours) or the listing was cancelled prior to the sale (therefore the true sale price is unknown).
- All or many units in a building are sold at the same time with coinciding possession dates.

IDENTITY THEFT – PROTECT YOUR SIGNATURE AND YOUR DESIGNATION

We've all heard of identity theft. Unfortunately, it also happens within our offices. A colleague today can be a competitor tomorrow.

- Members are reminded to protect their signatures, especially their digital signature, and to password-protect their systems, data and files.
- Protect your designation and your credentials. Under CUSPAP, any AIC member who signs any report must identify their designation or membership status (AACI, CRA or AIC Candidate Member).

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WORTH KNOWING

MISREPRESENTED INFORMATION

The client

- Requests that the appraiser keep everything confidential and not approach others involved in the transaction for information.
- Withholds key and relevant information.
- Wants "once renovated/as if complete" value but does not provide specifications or details on work to be completed.

CLIENT-APPRAISER RELATIONSHIP

The client

- Ordering the appraisal indicates the property value expected.
- Is a new client and mentions that s/he has not been happy with the services of other appraisal companies and would like you to do their appraisal work from now on.
- Tries to influence the appraiser with the explicit or implicit promise of additional work if the current appraisal value meets their request.
- Gives the appraiser select information in an attempt to influence them.

PREVENTING APPRAISAL AND MORTGAGE FRAUD

- Know the borrower, the client and the intended users.
- Know the market you're working in, economic trends, buyers' profiles.
- Research and validate the data, do the cross-reference checks.
- Look for signs of data manipulation, misrepresentation and /or inconsistency of information.
- Be wary of requests for quick turnarounds. Take the time to do your research, to analyze the data and to rationalize your analysis and final market value.