

# Learning English with CBC Radio – Living in Alberta



## First Time Home Buyers: Mortgage Fraud

by

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Alberta  Government

## Integration Enhancement

Topic:	First Time Home Buyers
Lesson:	Mortgage Fraud
CLB Level:	6
CLB Skills:	Reading, Writing,
Essential Skill(s):	Reading, Writing, Document Use, Thinking Skills (Finding Information), Digital Technology

<b>CLB Outcomes</b>	
Reading:	Learners will demonstrate reading comprehension of moderately complex texts on familiar topics. Learners will demonstrate the ability to guess the meaning of unknown terms, phrases or idioms from the context. Learners will demonstrate the ability to identify specific factual details and some implied meanings.
Writing:	Learners will demonstrate the ability to reduce a page of information to a summary.
<b>Language Skills</b>	
Grammar Focus:	Learners will demonstrate the ability to identify different parts of speech and use correct word forms in context.
Vocabulary:	<i>straw buyer, legally responsible, inflate, mastermind, perpetrated, investor, insider, pocket, outline, scheme, complex, on behalf, lend, whereby, accurate</i>
<b>Culture</b>	
Owning a home is a source of pride for a lot of people. Many people work hard to buy a home. Buying a home can be challenging for people who are not familiar with the system in Canada. It is important especially for new immigrants to be aware of mortgage fraud so that they are better prepared when the time comes to own a home.	

Websites:

[www.learnersdictionary.com](http://www.learnersdictionary.com)

[www.prowritingaid.com/collocation.aspx](http://www.prowritingaid.com/collocation.aspx)

[www.dictionary.com](http://www.dictionary.com)

## Introduction

Before you read, complete the first two columns of the KWL chart below:

K	W	L
What I <b>know</b> about mortgage fraud.	What I <b>want</b> to know about mortgage fraud.	What I <b>learned</b> about mortgage fraud.

## Pre-reading

### Mortgage Fraud

Buying a home is a very big purchase. A number of new immigrants to Canada work towards owning their own home someday. It is important to know about mortgage fraud as it affects a lot of people. One of the most common forms of mortgage fraud is fake loan applicants known as “straw buyers”. A straw buyer is someone who is offered a lot of money for the use of their name and credit information. Sometimes, straw buyers may not know that their names and credit information will be used on a mortgage application. If your information is used for a mortgage application, you are responsible for making the mortgage payments. This could happen if your identity has been stolen.

## Food for thought

1. Do you know what kind of information is needed in a mortgage application?
2. How could a person’s “stolen identity” be used in a mortgage application?
3. What could happen if mortgage payments are not made?
4. Do you know anyone who has been a victim of mortgage fraud or identity theft?

## Main Reading

Title: Mortgage Fraud

### Glossary<sup>1</sup>

1. Mortgage fraud is the crime of using dishonest methods to create an agreement in which a person borrows money to buy property (such as a house) and pays back the money over a period of years
2. Jurisdiction means the power or right to make decisions about the law, to arrest and punish criminals
3. Real Estate means property such as buildings and land
4. Real Estate agent is a person in the business of selling land and buildings
5. Appraiser refers to someone who says how much something is worth after he/she has carefully examined it : someone who gives an official opinion about the value of (something)

As you read the selection, use *context clues* to help you figure out the meaning of the following words that you will come across: *straw buyer, legally responsible, inflate, mastermind, perpetrated*

#### Reading Strategy Tip: Taking Notes

Taking notes as you read is an important skill to have. Notes can be written just as key words. Read the selection and write down the words or phrases you think are most important and will help you remember the information you read.

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<sup>1</sup> Definitions taken from [www.learnersdictionary.com](http://www.learnersdictionary.com)

The reading selection was taken from  
[http://www.servicealberta.gov.ab.ca/pdf/tipsheets/mortgage\\_fraud.pdf](http://www.servicealberta.gov.ab.ca/pdf/tipsheets/mortgage_fraud.pdf)

## **TYPES OF MORTGAGE FRAUD**

Mortgage Fraud can take many forms. Four major types are explained in this publication: mortgage fraud for housing, mortgage fraud for profit, mortgage fraud for title and mortgage foreclosure fraud. Understanding mortgage fraud will help you recognize and avoid it.

**Mortgage Fraud for Housing** – is providing misleading or false information on a loan application to qualify for a mortgage loan you would not otherwise get and/ or representing on the loan application you are going to live in the home, when in fact, you have no intention to live in the home. The goal is to own a property or a more expensive property for which you would normally not qualify. This is accomplished by homeowners misrepresenting income and the level of their debt in order to receive a lower interest rate or qualify for a larger loan. You have a responsibility to provide accurate and truthful information on a mortgage application. Providing false or inaccurate documents to support the mortgage application is also part of the fraud.

**Mortgage Fraud for Profit** – usually includes a number of individuals working together to inflate the price of a home or get loans for non-existent homes. Organized crime is often the mastermind of the fraud schemes. This is normally done in conjunction with industry insiders with financial gain as the motive. This fraud is more complex. The professionals involved in this fraud could be: a real estate appraiser, mortgage broker, real estate broker, lawyer, credit agency employee, lender, title insurer, outside investor. It may also include a vendor (seller) and/or a 'straw buyer'. The real buyer usually has poor credit and is unable to get financing. A straw buyer is a person who makes a purchase on behalf of another person. The straw buyer may, for a piece of the profit, lend his or her identity and good credit to the fraud. If you lend your identity or use your credit rating in this way, you are the straw buyer. The real buyer promises to make all the payments and pay the straw buyer for the use of his or her credit rating. These insiders may, for example, knowingly or unknowingly accept the use of false personal or financial information, use inaccurate appraisals, or transfer mortgage funds to an individual knowing they will be misused.

Straw buyers can be held legally responsible for the debt they incurred on behalf of others. The straw buyer takes the risk if the real buyer cannot or does not pay. One common outcome of the scam is that the professionals pocket the cash and the straw buyer is left with the property and no means of paying for an inflated mortgage on the property. A person who has had their identity stolen may unwillingly become a straw buyer.

Other mortgage fraud schemes for profit can be perpetrated by individuals who take money from investors and promise it will be invested in high yield mortgages. In some cases initial promises aren't followed through and the actual transaction as outlined may not even occur. If the transaction involves a scheme or arrangement whereby the purchaser may earn a return through the efforts of a third party in connection with real estate, it may be considered to be a sale of a security and therefore fall under the jurisdiction of the Alberta Securities Commission (ASC). It should be remembered that any investment involves some level of risk. Usually, higher returns mean a higher level of risk.

For the rest of the article please go to [http://www.servicealberta.gov.ab.ca/pdf/tipsheets/mortgage\\_fraud.pdf](http://www.servicealberta.gov.ab.ca/pdf/tipsheets/mortgage_fraud.pdf)

## Reading Comprehension

1. List the four major types of mortgage fraud:
  - 
  - 
  - 
  -
2. What two factors affect the interest rate that someone can get on a mortgage?
  - 
  -
3. A synonym of “insider” in the context of this reading is
  - a. boss
  - b. enemy
  - c. helper
4. A synonym of “pocket” in the context of this reading is
  - a. steal
  - b. borrow
  - c. excuse
5. Here is a list of professionals that play a role in the process of getting a mortgage to buy a home: lawyer, lender, real estate appraiser, and mortgage broker. What roles do they play? Match the roles described below to the appropriate profession.

Profession	Role in the mortgage process
	a person who helps other people to reach a legal agreement in which a person borrows money to buy a house and that person pays back the money over a period of years
	a person who carefully examines land and buildings and then says how much the land or buildings are worth.
	a person whose job is to guide and assist people in legal matters relating to buying buildings and land
	a person or organization that gives money to someone who agrees to pay it back in the future.

6. Describe how professionals described in question 5 could be part of a mortgage fraud for profit scheme. What role would each professional play in a mortgage for profit scheme? One has been done for you as an example.

Profession	Role in the mortgage fraud for profit process
Mortgage broker	
Real Estate Appraiser	This person may give an inaccurate appraisal of a property. A real estate appraiser may say that a property is worth more than it really is.
Lawyer	
Lender	

7. What is the term used to describe someone who buys land or a building on behalf of someone else?

## Vocabulary Development

### A. Context Clues

Use context clues from the reading to guess the meaning of the following words:

*straw buyer, legally responsible, inflate, mastermind, perpetrate*

### B. Definition Matching

The words in italics below are taken from the reading. These words are also found on the *list of the first 2000 most commonly used words of English* and on the *Academic Word List*. Match the words to the correct definition and find the part of speech. The first one has been done for you as an example.

*investor, insider, pocket, outline, scheme, complex, on behalf, lend, whereby, accurate*

	Word	Part of speech	Definition
1.	Complex	Adj.	not easy to understand or explain : not simple
2.			as a representative of

3.			a clever and often dishonest plan to do or get something
4.			a person who belongs to a group or organization and has special knowledge about it
5.			a person who uses money to earn more money : or uses his/her money to buy property in order to make future profit
6.			to list or describe only the most important parts of (an essay, speech, plan, etc.) : to give an outline of (something)
7.			by which : according to which
8.			free from mistakes or errors
9.			to give (money) to someone who agrees to pay it back in the future
10.			to take or keep (something that does not belong to you)

### C. Collocations

Words that are used in a certain way together are called collocations. A collocation is a particular combination of words. Take the word “fire”. Collocations of the word “fire” are *truck* and *fighter* – “fire truck” and “fire fighter” for example. Use online reference sites such as [www.prowritingaid.com/collocation.aspx](http://www.prowritingaid.com/collocation.aspx) or [www.thesaurus.com](http://www.thesaurus.com) or [www.dictionary.com](http://www.dictionary.com) to find the collocations of “fraud” and “mortgage”. Complete the table below. The first one has been done for you as an example.

Fraud	Mortgage
Fraud squad	Pay off a mortgage

### Reading Strategy

Read the notes you took. Can you describe the two types of mortgage fraud using your own words?



## Grammar Focus / Pragmatic Competence

### Activity 1

The paragraph below is taken from the reading comprehension passage, but some words are missing. Fill in the gaps by choosing an appropriate word from the list that follows the passage. Pay attention to the word meaning and word form of your choice.

**Mortgage Fraud for Profit** – usually includes a number of individuals \_\_\_\_\_<sup>1</sup> together to inflate the price of a home or get loans for \_\_\_\_\_<sup>2</sup> homes. Organized crime is often the mastermind of the fraud schemes. This is normally done \_\_\_\_\_<sup>3</sup> with industry insiders with financial gain as the motive. This fraud is more \_\_\_\_\_<sup>4</sup>. The professionals involved in this fraud could be: a real estate appraiser, mortgage broker, real estate broker, lawyer, credit agency employee, lender, title insurer, outside investor. It may also include a vendor (seller) and/or a ‘straw buyer’. The real \_\_\_\_\_<sup>5</sup> usually has poor credit and is unable to get \_\_\_\_\_<sup>6</sup>. A straw buyer is a person who makes a purchase on behalf of another person. The straw buyer may, for a piece of the profit, lend his or her identity and good credit to the \_\_\_\_\_<sup>7</sup>. If you lend your identity or use your credit rating in this way, you are the straw buyer. The real buyer promises to make all the payments and pay the straw buyer for the use of his or her credit rating. These insiders may, for example, \_\_\_\_\_<sup>8</sup> accept the use of false personal or financial information, use inaccurate appraisals, or transfer mortgage funds to an individual knowing they will be misused.

Choose the correct missing word from the words below:

1. operative / operating / operational
2. fictionally / fiction/ fictitious
3. jointly / join / joining
4. sophisticate / sophisticated / sophisticating
5. purchaser / purchased / purchases
6. fundraising / fundraiser / funding
7. cheat / cheated / cheating
8. intended or unintended / intentionally or unintentionally / intentional or unintentional

### Activity 2

Identify the part of speech for the missing words

1.		2.		3.		4.	
5.		6.		7.		8.	



## Answer Keys

### Reading Comprehension

1. The four major types of mortgage fraud are: mortgage fraud for housing, mortgage fraud for profit, mortgage fraud for title, mortgage fraud for foreclosure.
2. Two factors that affect the interest rate that someone can get on a mortgage are income and debt level.

3. A synonym of “insider” in the context of this reading is

c. helper

4. A synonym of “pocket” in the context of this reading is

a. steal

5. Here is a list of professionals that play a role in the process of getting a mortgage to buy a home: real estate appraiser, mortgage broker, real estate broker, lawyer, lender, title insurer, outside investor, credit agency employee. What roles do they play? Match the roles described below to the appropriate profession.

Profession	Role in the mortgage process
Mortgage broker	a person who helps other people to reach a legal agreement in which a person borrows money to buy a house and that person pays back the money over a period of years
Real Estate Appraiser	a person who carefully examines land and buildings and then says how much the land or buildings are worth.
Lawyer	a person whose job is to guide and assist people in legal matters relating to buying buildings and land
Lender	a person or organization that gives money to someone who agrees to pay it back in the future.

- 6.

7. Describe how professionals described in question 5 could be part of a mortgage for profit scheme. What role would each professional play in a mortgage for profit scheme?

Profession	Role in a mortgage fraud for profit scheme
Mortgage broker	This person may accept false personal information or financial information in order to get someone a mortgage.
Real Estate Appraiser	This person may give an inaccurate appraisal of a property. A real estate appraiser may say that a property is worth more than it really is.
Lawyer	This person may accept false information on legal documents related to the building or land being bought or sold.
Lender	This person may accept false personal information or financial information in order for someone to get a mortgage.

8. The term is “straw buyer”.

## Vocabulary Development

### A. Context Clues

*Straw buyer* is a person who buys something on behalf of another person.

*Legally responsible* means having the job or duty of dealing with or taking care of something or someone based on the law

*Inflate* means to think or say that (something) is larger or more important than it really is

*Mastermind* means a person who plans and organizes something

*Perpetrate* means to do (something that is illegal or wrong)

### B. Definition Matching

	Word	Part of speech	Definition
1.	Complex	Adj.	not easy to understand or explain : not simple
2.	On behalf of	Noun	as a representative of
3.	Scheme	Noun	a clever and often dishonest plan to do or get something
4.	Insider	Noun	a person who belongs to a group or organization and has special knowledge about it
5.	Investor	Noun	A person who uses money to earn more money : or uses his/her money to purchase stock in a

			company, to buy property, etc., in order to make future profit
6.	Outline	Verb	to list or describe only the most important parts of (an essay, speech, plan, etc.) : to give an outline of (something)
7.	Whereby	Conj.	by which : according to which
8.	Accurate	Adj.	free from mistakes or errors
9.	Lend	Verb	to give (money) to someone who agrees to pay it back in the future
10.	Pocket	Verb	to take or keep (something that does not belong to you)

**C. Collocations \* Answers will vary\*\***

<b>Fraud</b>	<b>Mortgage</b>
Fraud squad	Pay off a mortgage
Insurance fraud	Fall behind with mortgage payments
Tax fraud	Get a mortgage
Computer fraud	Mortgage repayment
Mail fraud	Mortgage lender

**Reading Strategy**

Answers will vary

**Grammar Focus / Pragmatic Competence**

Activity 1

1.	operating	2.	Fictitious
3.	Jointly	4.	Sophisticated
5.	Purchaser	6.	Funding
7.	Cheat	8.	Intentionally or unintentionally

Activity 2

1.	Verb	2.	Adjective	3.	Adverb	4.	Adjective
5.	Noun	6.	Noun	7.	Noun	8.	adverb

**Reading –Writing Link**

\*Paragraphs will vary\*\*

## **Link to Essential Skills**

Answers may vary. Suggested responses

- Read all documents before you sign or have your lawyer review the documents
- Use a licensed mortgage broker
- Check with RECA to make sure you are working with an authorized broker
- Consult public real estate websites to review property listings – try to see if the asking price seems reasonable
- Get independent representation for a purchase
- Use authorized real estate agents
- Ask for a copy of the land title
- Do a historical land title search
- Have the property appraised by an accredited member of the Appraisal Institute of Canada & the Canadian National Association of Real Estate Appraisers