



CBC

Bank of Montreal alleges huge mortgage fraud

Charles Rusnell
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The Bank of Montreal is suing hundreds of people in Alberta, including lawyers, mortgage brokers and four of its own employees, in what is one of the largest alleged cases of mortgage fraud in Canadian history.

Legal documents obtained exclusively by CBC News allege the bank was the target of a sophisticated fraud operated by 14 inter-connected groups. The documents claim the scheme generated at least \$140 million, about \$70 million of which was for phony mortgages. The bank has estimated it may lose as much as \$30 million.

Source	Name
Payments to Lebanon	
Canadian Grande, Jana Painting, M Harb M Harb	Abdo Hawi
Rony El-Chmoury, 1183992 Alberta Fawzi El-Shmoury	Eekbal Amin Harb Housni Ibrahim El Chmoury Husnii Elchmoury Samira N...

Toronto forensic accountant Al Rosen said he has never seen anything like it. "This is massive in the sense that it is so broad and so deep," Rosen said Tuesday. "This is [allegedly] a huge fraud. I can't think of any situation that has so many people involved and over a period of time like this one."

Problems detected in 2006

The bank said it first detected the alleged scam in 2006 when its security department noticed "irregularities" in a number of mortgages in Western Canada. Officials immediately hired a forensic accounting firm, which spent nearly a year unravelling what the bank calls a sophisticated scheme.

The bank's investigators say the scam's ringleaders would identify the worst house in a good neighbourhood. They would buy at an affordable, fair-market value price, but convince the bank it was worth much more because of the neighbourhood it was in.

The bank, which relies on a software program to determine house prices by neighbourhood, claims it would end up providing a grossly inflated mortgage, and the ringleaders would pocket the difference.

To carry out the alleged scheme, the bank claims masterminds would recruit what's known in fraud parlance as a "straw buyer." For a payment of \$2,000 to \$8,000, these straw buyers, mostly new immigrants, would allow their name to be used to obtain the mortgage on the house. According to the court documents, the ringleaders created fake, inflated wage and net income documents for the straw buyers to make them appear richer than they were.

Lawyers, who are alleged to have been in on the scheme, would then produce the necessary legal documents for the house sale. Seventeen lawyers have been named in the bank's lawsuit. In the end, the masterminds walk away from the scheme, leaving the straw buyer, who typically has no means to pay the mortgage, or a renter, on the hook. Ultimately the bank loses when there's a foreclosure on the mortgage.

House nets \$180,000

In one case, a house in the Bearspaw district of Calgary was bought for nearly \$900,000 and in three years, its value was inflated to \$2.3 million, a profit of \$1.4 million for the alleged fraudsters. An Edmonton house is said to have netted the scheme nearly \$180,000.

During its investigation, bank investigators seized records that showed millions of dollars from the alleged scheme have been transferred to such countries as Lebanon, India, Saudi Arabia, the United Arab Emirates and Pakistan.

The Bank of Montreal said it conducted the investigation and filed the lawsuit for two reasons. "One was to recover as much as possible of what was taken from the bank from the fraud," Ralph Marranca, the bank's spokesman, told the CBC on Tuesday.

"And secondly was to send a very strong message to fraudsters and anyone who might contemplate something like this that the bank will pursue this very aggressively and will not tolerate fraud."

Other banks don't appear to be as aggressive in their approach, even though documents indicate they may have been targeted too. Bank of Montreal investigators found documents that showed one Calgary management company had 150 suspect mortgages from 16 different financial institutions.