

News Release

Excerpt from ARELLO's newsletter, October 2011 edition of Boundaries

Update: The Phony Deposit Scheme is Back!



A real estate transaction deposit scheme that is familiar to many real estate regulators has re-surfaced across North America and is prompting a new wave of government and industry warnings to real estate professionals. Perpetrators are again initiating real estate transactions, forwarding phony money deposits and then finding ways to obtain a "refund" before the fraudulent nature of the deposit is discovered. While the scam is not new, *Boundaries* reports its re-emergence because, as regulators know, perpetrators

rarely pursue their schemes unless someone, somewhere is falling victim to them.

Here are a few examples of the situations being encountered in ARELLO® member jurisdictions:

The **Organisme d'autoréglementation du courtage immobilier du Québec** (OACIQ) recently posted an article on its website entitled [Attempts of Fraud Targeting Real Estate Agencies and Brokers: Be Careful!](#), explaining that the scheme is simple and involves foreign buyers who send e-mails expressing interest in a property. They sign a purchase agreement and submit identity information, such as a passport, and a cheque for deposit in the broker's trust account. Once the cheque is deposited, the perpetrators withdraw the promise to purchase or otherwise abort the transaction and obtain a refund. The deposit cheque and the passport turn out to have been forged. The OACIQ cautions brokers that it often takes time for banks to discover forgeries and that checks from outside Canada can sometimes take 45 to 90 days to clear. The OACIQ advises licensees faced with the scenario to contact the police and the financial institution before issuing a refund, or insist on an electronic funds transfer. The OACIQ says that electronic transfers are safer, but require special contract terms and transaction file documentation under provincial laws and regulations.

The **Real Estate Council of Ontario** issued an [Industry Alert](#) in September that warns of similar international schemes and provides examples of e-mails that have been received by real estate registrants in the province. The RECO advises registrants to perform research, especially on out-of-town or international buyers, noting that a simple Internet search will often reveal names and e-mail addresses that are commonly used in the scheme. The RECO also reminds registrants that they are required by the Financial Transactions and Reports Analysis Centre of Canada to obtain valid identification for all real estate transactions. The RECO recommends that, when in doubt, registrants should verify a buyers' identity and intentions with a lawyer or notary; be wary of unidentifiable out-of-country buyers who cannot provide a deposit through a real-time electronic money transfer system; and ensure that deposits have cleared before returning funds. Registrants are also referred to the [Avoid a Claim Blog](#) operated by Canadian professional insurance provider LawPro®, on which recent postings highlight the ongoing nature of the attempted scams.

The **Idaho Real Estate Commission's** recent [Fraud Alert: Bogus Cashier's Checks](#) reports a variation on "that old counterfeit cashier's check scam" that involves a purportedly

Canadian buyer who contacted several real estate offices to write cash offers to purchase higher-end properties around the state. The buyer provided cashier's checks that, of course, were "bogus" and asked the licensee to deposit the check and either return part of the funds or close the transaction. The Commission said that, fortunately, it does not appear that anyone has fallen for the latest scheme.

The **Nova Scotia Real Estate Commission** also reports the re-emergence of the scam, which most recently has involved an individual claiming to be "Shiukmoda Joji" from Japan. The salesperson who was contacted by e-mail became suspicious, looked the name up on the Internet and discovered that "Shiukmoda Joji" has attempted deposit-fraud all over North America. The scheme appears to be aimed at real estate lawyers, but otherwise follows the same general transactional path. In its [August News Bulletin](#) "Fraud Alert" the Commission points out that, "Shiukmoda Joji could be just about anyone, anywhere in the world so reporting him/her to the authorities is pointless. If you are contacted, just treat it like Nigerian inheritances, online lotteries you never entered, and security updates from banks to which you don't belong and click delete."