## Indicators Specific to Real Estate Transactions

### The list of indicators that follows is not an exhaustive list of everything that could be suspicious. It should be used as a starting point to updated your compliance program, training materials, and transaction monitoring processes. We thought that you might like a copy of the indicator’s in Word format, to make it easier to customize the content to your needs (you're welcome).

### This list was taken from the FINTRAC Operational Brief: Indicators of Money Laundering in Financial Transactions Related to Real Estate, which can be found here: <http://www.fintrac-canafe.gc.ca/publications/operation/real-eng.pdf>

### Value

* Client negotiates a purchase for the market value or above, but requests that a lower value be recorded on documents, and pays the difference “under the table”.
* Loan/mortgage amount is above the market value of the property/real estate.

### Anonymity

* Client purchases property in someone else’s name such as an associate, nominee, from a company, corporation, trust or a relative (other than a spouse).
* Client inadequately explains the last minute substitution of the purchasing party’s name.
* Client pays initial deposit with a cheque from a third party, other than a spouse or a parent.
* Transaction is completed anonymously, in collusion or innocently, through lawyer or notary. Deposits are made into lawyer’s or notary’s trust account.
* Use of real estate brokers/agents/developers, lawyers or notaries, wittingly or unwittingly, to accept false personal or financial information related to any aspect of a real estate deal, or to mortgage/loans.
* Company purchasing real estate has a complex ownership structure.
* Company or individual has no e-mail address, physical address, home or business telephone number (disconnected or fake), company logo, contact person.
* Client refuses to provide own name on documents, or uses different names on offers to purchase, closing documents and deposit receipts.
* Client insists on providing signature on documents by fax only.
* Client uses a post office box or general delivery address where other options are available.

### Flipping

* Client buys back a property that he or she recently sold.
* Successive buying and selling transactions of the same real estate.

### Transaction Speed

* Client shows strong interest in quickly completing the transaction without good cause, or without interest in property characteristics, price negotiations, risks, commissions or other related details, or may offer unusually high bids relative to current value/industry standard.
* Clients show considerable interest in transactions relating to buildings in particular areas without caring about the price they have to pay.
* Accelerated repayment of loan/mortgage shortly after deal is completed even if penalties are incurred.

### Loan

* The information in the loan agreement is inconsistent or incorrect.
* The conditions in the loan agreement are unusual (for example, no collateral was required) or the complex nature of the loan scheme could not be justified.
* Underlying collateral is either not referenced in a loan agreement, is insufficient or fictitious or the collateral provider and other parties involved in the loan structure are not known.
* Company lending the money for the purchase of real estate, possibly an offshore company, has no direct relation with the borrower.

### Renovations

* Invoices for real or phantom large remodeling or renovations are paid with cash.

### Income Generating

* Buyer of income-generating property shows no interest in generating profit by filling-in vacancies or by adjusting rent or lease value based on market value.

### Flow Through

* Incoming payments from abroad possibly linked to a trust account, followed immediately by wire transfers abroad without a logical reason.

### Structuring

* Multiple transactions involving payments in cash or in negotiable instruments (for example, bank drafts) which do not state the true payer and where the accumulated amount is considered to be significant in relation to the total amount of the transaction.

### Geography

* Foreign buyer, either an individual or company, or source of funds are from a jurisdiction with strict bank secrecy laws, weak anti-money laundering regimes, or with a high level of political corruption.
* Foreign buyer, either an individual or company, especially if on a watch list, whose only connection to Canada is the real estate transaction.

### Inconsistency

* Client purchases personal use property through his or her company when this type of transaction is inconsistent with the client’s ordinary business practice.
* Client persists in representing his financial situation in a way that is unrealistic or that cannot be supported by documents.
* Transactions carried out on behalf of minors, incapacitated persons or other persons who, although not included in these categories, appear to lack the economic capacity to make such purchases.
* A transaction involving legal entities, when there does not seem to be any relationship between the transaction and the activity carried out by the buying company, or when the company has no business activity.
* Unusually large cash amounts used to fund any financial aspect of a real estate transaction; for example, deposits, down payments, loans/mortgages, etc.

### Defaulting

* Transactions which are not completed in seeming disregard of a contract clause penalizing the buyer with loss of the deposit if the sale does not go ahead.
* No payment of interest or repayment of the principal.
* Place a deposit for a house, renege on the deal shortly thereafter, then obtain a legitimate cheque from the solicitor’s office for the value of the deposit.

### Direct

* Direct sale or purchase without using a real estate broker or sales agent.
* There was no loan agreement between the lender and borrower.
* Existing mortgage on a purchased property is assumed by another individual without involvement of a financial institution.
* A financial institution was not involved in the loan structure and may involve multiple unknown investors.

## Need a Hand?

Outlier has taken the list of indicators provided by FINTRAC and formatted them into an easy to use Microsoft Word document, which can be found here (insert hyperlink). This should allow companies within the real estate sector to easily update their documentation and ensure they are sufficiently monitoring for potentially suspicious activity. If you aren’t sure what to do with this information and would like some assistance, please feel free to contact us by emailing [info@outliercanada.com](mailto:info@outliercanada.com) or calling 1-844-919-1623.