



Ministry of Finance
Financial Institutions Commission
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INFORMATION BULLETIN

- Superintendent of Financial Institutions
- Registrar of Mortgage Brokers

- Credit Union Deposit Insurance Corporation of British Columbia
- Superintendent of Real Estate

Please Note:
As of April 2005 the Financial Institutions Commission of BC address changed to:
1200 – 13450 – 102 Avenue Surrey BC V3T 5X3

BULLETIN NUMBER: MB-96-003

TITLE: ADVANCE FEE SCHEME

LEGISLATION: MORTGAGE BROKERS ACT

DATE: December, 1996

We have recently become aware that lenders requesting advance fees and who are located outside Canada have contacted various mortgage brokers in British Columbia. In all cases reviewed by this office, the promised funds were never advanced.

Generally, the "lender" purports to represent a group of wealthy investors who have considerable assets to invest in projects in British Columbia. In many cases, the "lender" will retain a local lawyer to add an air of legitimacy to the transaction. The "lender" will then contact mortgage brokers advising of the willingness to lend funds and offering mortgage brokers a substantial finders fee.

When mortgage funds are requested, the "lender" requests a sizeable advance fee as a processing fee. However, once the advance fee is received, in all cases, the "lender" is unable to provide the funding and often becomes difficult to locate.

As the "lender" is located outside Canada, it is impossible for this office to stop such activity or to proceed with a criminal investigation. However, all information relating to advance fee schemes is forwarded to the FBI to assist in their investigations and prosecutions.

Notwithstanding the high finders fee offered by foreign "lenders", mortgage brokers must be alert to the possibility that the "lender" requesting an advance fee likely has no intention of providing funding. Mortgage brokers who recommend that clients pay advance fees to foreign lenders may not be acting in their client's best interest and in certain circumstances may be considered to be acting in a manner prejudicial to the public.

If you have questions regarding the content of the Information Bulletin, please contact Mr. Alan Clark, Director of Investigations, at (604) 660-2508.