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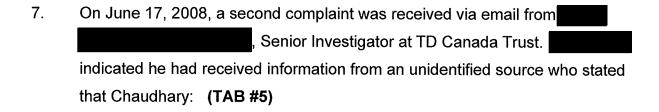
SYNOPSIS

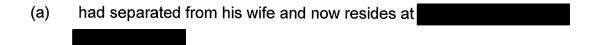
BACKGROUND

- Jay Kanth Chaudhary ("Chaudhary") has been registered in British Columbia as a licensed real estate representative (trading) since January 30, 2008. His current registration, #153729, is due to expire on January 29, 2010. (TAB #1)
- Chaudhary has worked at Century 21 Apex International (Bby) ("Apex"), located at #205 - 5679 Imperial Street, Burnaby, British Columbia V5J 1G1 since becoming a licensed real estate representative.
- Chaudhary has been registered in British Columbia as a submortgage broker since April 25, 2007. He has been with Finder Financial Services Ltd., 206 -1080 Mainland Street, Vancouver, British Columbia ("Finder"), since January 4, 2008. (TAB #2)
- 4. A search of the Ministry of Finance, BC Registry Services ("BC Registry Services") indicates that Finder was registered as a corporation on October 3, 2007 under registration number A0055456. The stated head office and delivery address is 206 1080 Mainland Street, Vancouver, British Columbia V6B 2T4. (TAB #3)
- 5. Finder was first registered as a mortgage broker under the name of Sutton Mortgage Corporation ("Sutton"), on April 4, 2000. On May 29, 2007 Sutton changed its name to Finder Financial Services Ltd. The Designated Individual for Finder is (TAB #4)
- 6. On June 16, 2008, the office of the Registrar of Mortgage Brokers (the "Registrar") received a telephone complaint from an anonymous individual

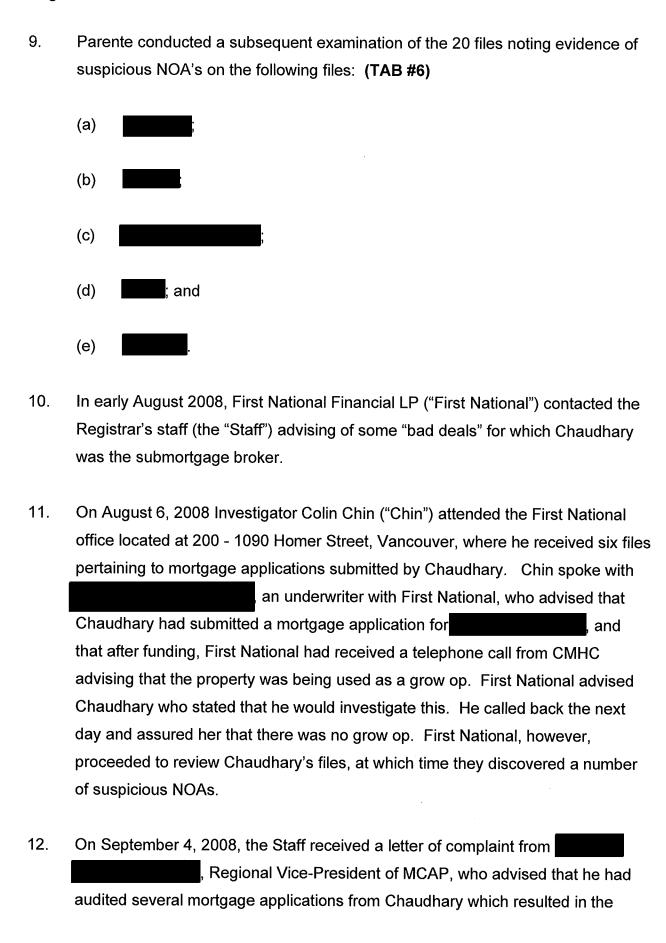
alleging that one of her colleagues, Chaudhary, was involved in fraudulent real estate and mortgage transactions. The complainant alleged that:

- (a) false Canada Revenue Agency ("CRA") documents, such as Notice of Assessments ("NOA"), T4s, and T1 General, were being generated; and
- (b) some of the properties purchased were being used for marihuana grow operations.





- (b) was given a Mortgage License and or Real Estate License and works with another broker named and
- (c) is committing fraud with the committee by paying bank employees secret cash for deals.
- 8. On June 25, 2008, Nick Parente ("Parente"), Analyst, Compliance and Examinations, with the Mortgage Broker/Real Estate Division of the Financial Institutions Commission of BC ("FICOM"), attended the Finder office for the purpose of conducting an examination. He removed 29 client files from that office including 20 files for which Chaudhary was the submortgage broker.



cancellation of two of the applications. The problems he identified were described in his letter as follows: (TAB #7)

"The first file for the company listed as his employer was not listed in directory assistance, answered hello when phoned on the number provided and a drive by of the company address reveled [sic] a residential home. Also the broker's comments indicated the property was to be owner occupied when on a MCAP declaration form signed at the lawyers office the client crossed off this clause...

The second file for the se

- 13. In summary, found the following issues in both applications:
 - (a) Suspicious employment letters;
 - (b) Suspicious pay stubs;
 - (c) Suspicious bank statements; and
 - (d) Declaration that the property was to be owner occupied; however, the applicant struck out that clause at the conveyance lawyer's office.
- 14. Based on the foregoing, Chin was assigned to investigate this matter on July 3, 2008.
- 15. On September 11, 2008, Investigator Robin Blair ("Blair"), Senior Investigator, was assigned to continue the investigation.
- 16. The investigation into Chaudhary's files is not yet complete. This report constitutes a preliminary review of the most obvious discrepancies identified by Staff in twelve of the files it has seized.

17. Staff has not yet met with Chaudhary to discuss concerns raised by a review of his files.

INVESTIGATION

- 18. On July 3, 2008, Chin began an analysis of the files forwarded to him by Parente and those he had received from First National. Chin's analysis, Parente's analysis, and that of other investigators are detailed later in the report.
- 19. On September 30, 2008, Blair and Wayne McMillan ("McMillan"), Manager of Investigative Services, attended the Finder office where they spoke to one of the owners of Finder,
 - (a) Chaudhary commenced employment with Finder in early 2008;
 - (b) Chaudhary, like other submortgage brokers, was hired on contract;
 - (c) Chaudhary had good references;
 - (d) On September 5, 2008, he received a letter from MCAP indicating that: (TAB #8)
 - MCAP was not prepared to accept or approve any mortgage transactions from Chaudhary.
 - ii. An internal investigation revealed that Chaudhary's mortgage transactions did not meet MCAP's standards, as they contained "many inconsistencies in the documentation" and that MCAP was "not prepared to incur additional risk associated with processing these mortgage transactions." The letter caption referred to two mortgages specifically.

- iii. Should Chaudhary submit any future mortgage transactions through another mortgage broker, Chaudhary would be held personally responsible for any losses MCAP incurred.
- (e) He had contacted the author of the letter Manager of Mortgage Investigations, who advised that 24 of the 27 mortgage applications Chaudhary had submitted to MCAP contained questionable documents;
- (f) He had received another complaint from First National which also complained about questionable documents Chaudhary had submitted in his mortgage applications;
- (g) He has attempted to contact Chaudhary who has failed to return any of his phone calls;
- (h) He has terminated Chaudhary's ability to submit applications through Filogics; and
 - NOTE: Filogics is a computer program used by submortgage brokers to gather personal and financial information from potential borrowers. This information takes on the form of a mortgage application which is then forwarded to prospective lenders electronically.
- (i) He would arrange to have all Chaudhary's mortgage files available for examination on October 2, 2008.
- (j) He was holding onto Chaudhary's submortgage broker registration and was going to make one further attempt to contact him.

NOTE: As of October 14, 2008, the Registrar's office has not received Chaudhary's submortgage broker registration.

- 20. On October 2, 2008, Blair and Brian Kijowski ("Kijowski"), Senior Investigator at FICOM, attended the Finder office and met with Operations Manager. Provided all the remaining mortgage files submitted by Chaudhary. He also provided a year-to-date list of Chaudhary's mortgage files. The list showed that 31 mortgages had been approved by various lenders. (TAB #9)
- 21. On October 3, 2008, eight mortgage files from Finder and two mortgage files from First National were provided to various investigators within the Investigation Services Department of FICOM. The results of their investigation/analysis are outlined in the following section Client File Analysis.
- 22. On October 3, 2008, Blair contacted Mortgage Investigations, MCAP. She indicated that a high percentage of Chaudhary's mortgage applications had been declined or cancelled based on his provision of questionable documents. Provided an email indicating Chaudhary's statistics: (TAB #10)
 - (a) Total Deals Submitted 25
 - (b) Deals Cancelled 5
 - (c) Deals Declined 16

27.

CLIENT FILE ANALYSIS

Prope	erty address: Vancouver, British Columbia
23.	Chaudhary submitted a mortgage application to First National stating that was a self employed recorder for for the past three years and eight months, earning \$95,000. (TAB #11)
24.	On April 3, 2008, obtained mortgage approval from First National in the amount of \$427,093.88. (TAB #12)
25.	In support of application, copies of his 2005 NOA, dated May 30, 2006, (TAB #13) and his 2006 NOA, dated April 26, 2007, (TAB #14) were provided showing an income of \$77,446 and \$87,772 respectively. Both read "Canada Customs and Revenue Agency" at the top of the form.
	NOTE: The Canada Customs and Revenue Agency changed its name to "Canada Revenue Agency" on December 12, 2005. This change should have been reflected on the NOAs submitted in support of the mortgage application. (TAB #15)
26.	There is no letter of employment or pay stubs from

On July 21, 2008, Chin reviewed the file upon completion of Parente's analysis.

It is Chin's belief that the 2005 and 2006 NOAs had been altered as the font used

to type the name is different than the font usually found on documents completed

by CRA. (SEE TAB #13 & TAB #14)

28.	A review by McMillan of the bank statements provided with the application reveal
	TD Account purportedly in the name of On the upper
	portion of these documents and underneath the heading "Account Activity" it is
	noted there is an identical total balance showing of \$25,306.80 for the months of
	January, February, and March, 2008. However, the detailed account activity
	(showing opening balance for the month, and all debits and credits) does not
	result in a \$25,306.80 balance in the months of January and February, although
	it does do so in the month of March. This inconsistency within the individual
	bank statements appears suspicious. (TAB #16)

29. In reviewing the bank records, which cover the months of January, February, and March 2008, the only consistently large deposits which might be indicative of employment income are as follows:

January 2, 2008: \$1500

January 22, 2008: \$1800

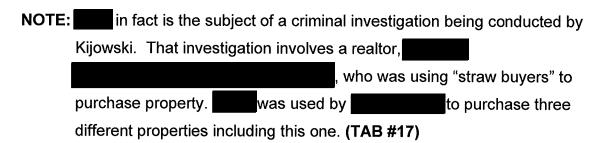
February 15, 2008: \$1300

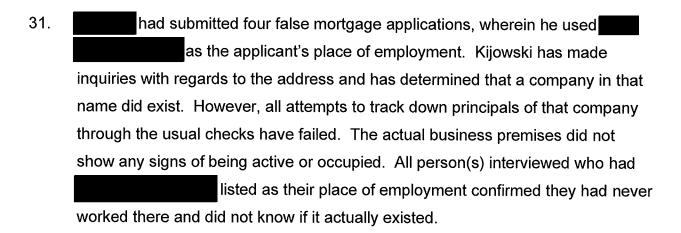
March 7, 2008: \$1600

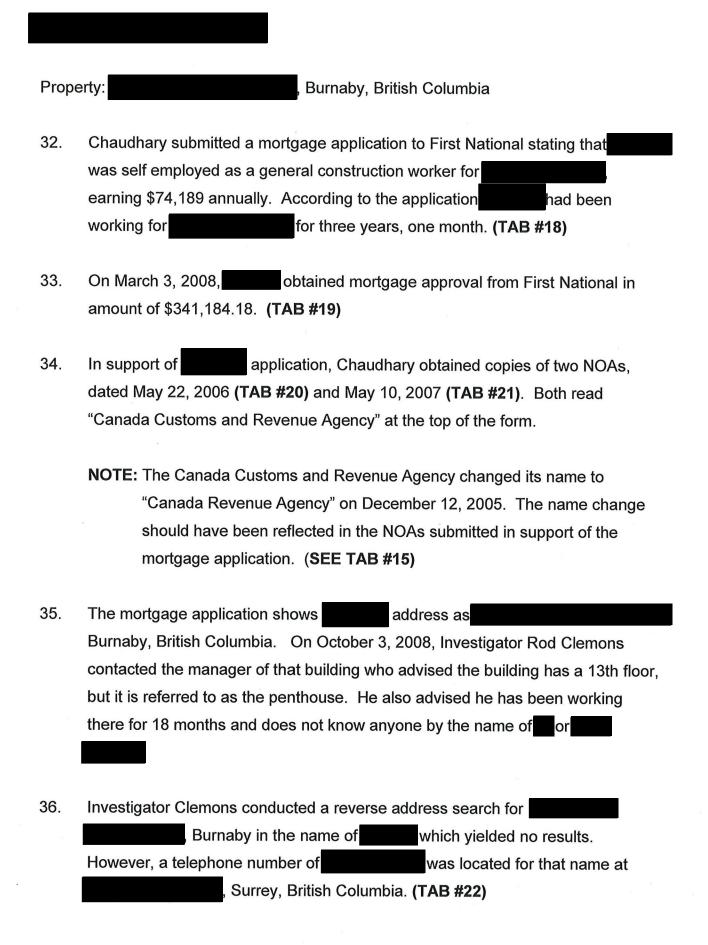
March 21, 2008: \$1450

These amounts are not deposited at regular (i.e. bi-weekly) periods, nor do they support claims of stated income in the amount of \$95,000.

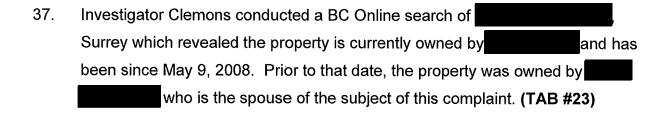
30. A review of the Contract of Purchase and Sale reveals that the seller of the property was

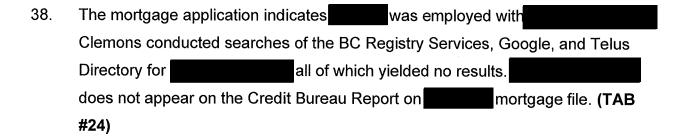






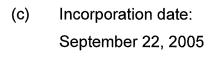






Prope	rty: Chilliwack, British Columbia
39.	Chaudhary submitted a mortgage application to First National stating was self employed as a contractor with having an annual income of \$104,525. According to the application, had been working in that capacity for three years. (TAB #25)
40.	On May 20, 2008, obtained mortgage approval from First National in the amount of \$650,364.75. (TAB #26)
41.	A NOA, dated May 22, 2006, and showing 2005 income in the amount of \$87,203, was submitted in support of the mortgage application. It shows "Canada Customs and Revenue Agency" at the top of the form. (TAB #27)
	NOTE: The Canada Customs and Revenue Agency changed its name to "Canada Revenue Agency" on December 12, 2005, a change which is not reflected on the submitted 2005 NOA. (SEE TAB #15)
42.	There are no business records or corporate tax returns on file to support stated income as a self employed contractor.
43.	A search of the BC Registry Services conducted on October 6, 2008 shows the following information for
	(a) Incorporation number:
	(b) Registered and records office: Chilliwack, British Columbia





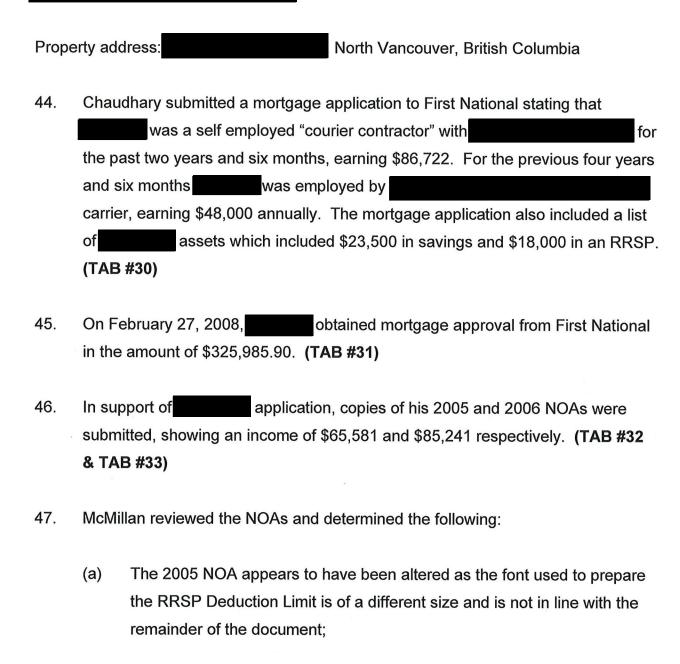
- (d) Last annual report filed September 22, 2007
- (e) Current director(s):

 (The names appear to have been reversed).
- (f) The corporate history search identified director on February 29, 2008. (TAB #28)

NOTE: was a former real estate licensee, whose license was cancelled by the Superintendent of Real Estate on November 26, 2004 due to concerns about his suitability. (TAB #29)

(b)

December 12, 2005.

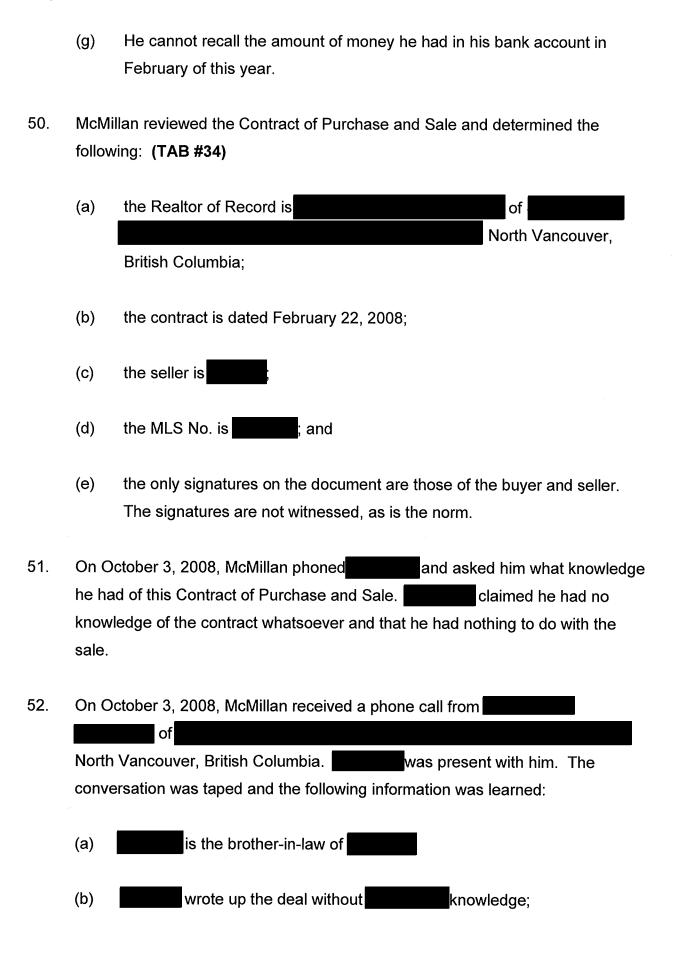


The 2005 NOA is dated May 29, 2006, but the heading on the document

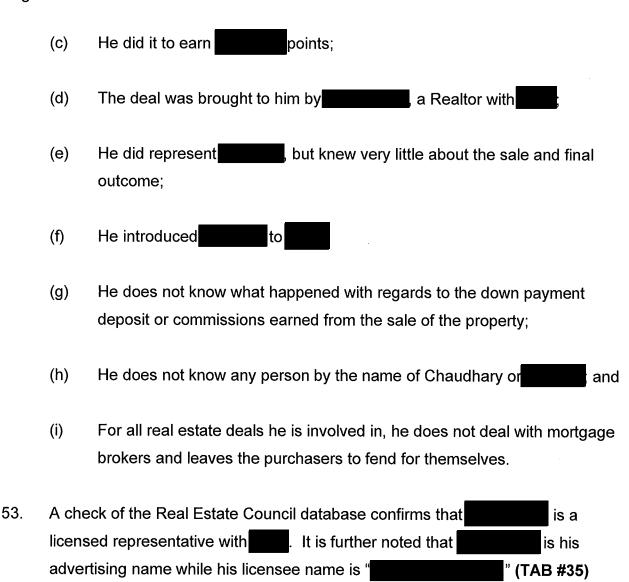
reads "Canada Customs and Revenue Agency." The Canada Customs

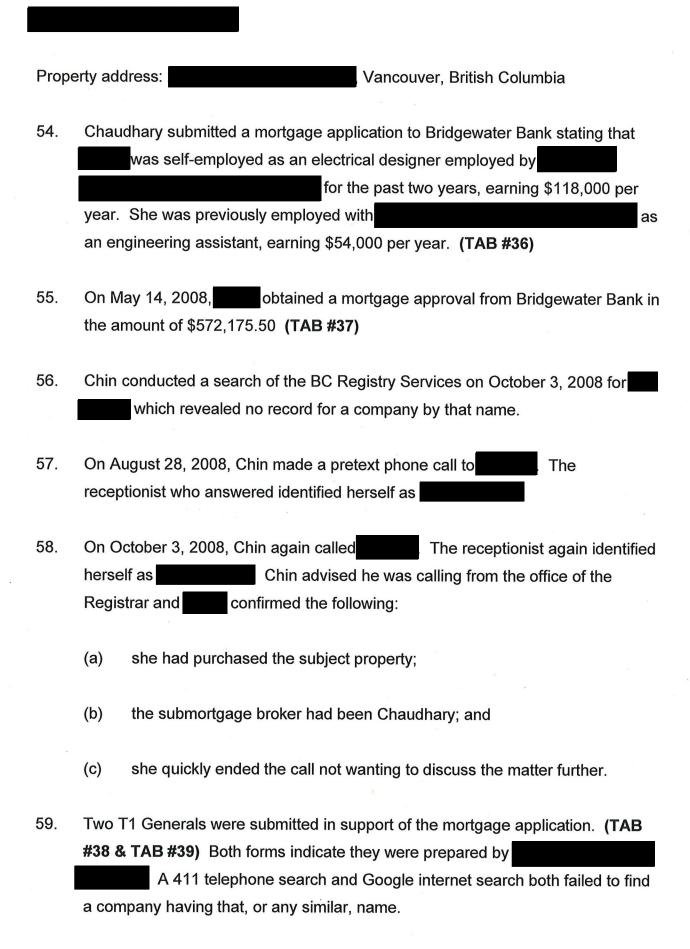
and Revenue Agency changed its name to "Canada Revenue Agency" on

- (c) The 2006 NOA is dated April 30, 2007 and is also on "Canada Customs and Revenue Agency" letterhead. As noted above, the Agency's name was changed to "Canada Revenue Agency" on December 12, 2005.
- (d) The font used inscribe line "6150 Total British Columbia non-refundable tax credits" on both NOAs is different and the numbers do not line up with the remainder of the document. (SEE TAB #30 & TAB #31)
- 48. There is no letter of employment, nor business or corporate records on file to support the stated income.
- 49. On October 6, 2008, McMillan phoned number as stated on his mortgage application. and provided the following information:
 - (a) He has never met Chaudhary nor does he recall ever having a conversation with a person by that name;
 - (b) He believed his mortgage broker to be a man by the name of " " ;
 - (c) He is currently and has always been employed with
 - His only source of other income comes from and some overtime with
 - (e) The mortgage was arranged by his brother-in-law, whose phone number is
 - (f) He did sign the mortgage documents with the realtor, and at the lawyer's office; and









- 60. Each of the two T1s submitted (for 2006 and 2007) included a "Statement of Business Activities" for The letterhead at the top of each of these two Statements of Business Activities reads, "Canada Customs and Revenue Agency", whereas the T1 itself, in each case, has a header reading "Canada Revenue Agency."
- 61. No NOAs were found in the mortgage file.
- 62. In reviewing the bank records, which cover the months of February, March, April and May 2008, the only consistently large deposits which might be indicative of employment income are as follows: (TAB #40)

February 22, 2008: \$2,000

February 2, 2008: \$1,965

March 14, 2008; \$1,065

March 31, 2008: \$1,065

April 10, 2008: \$ 800

April 15, 2008: \$1,059

April 16, 2008: \$ 500

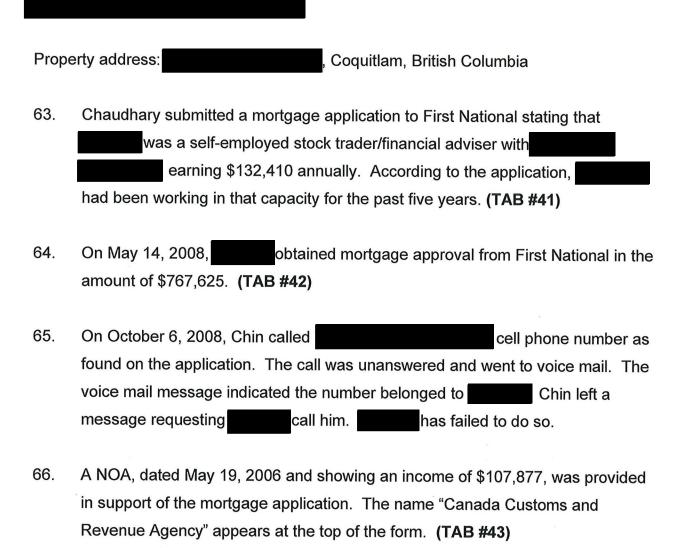
April 30, 2008: \$ 473

May 13, 2008: \$2,000

May 13, 2008: \$1,325

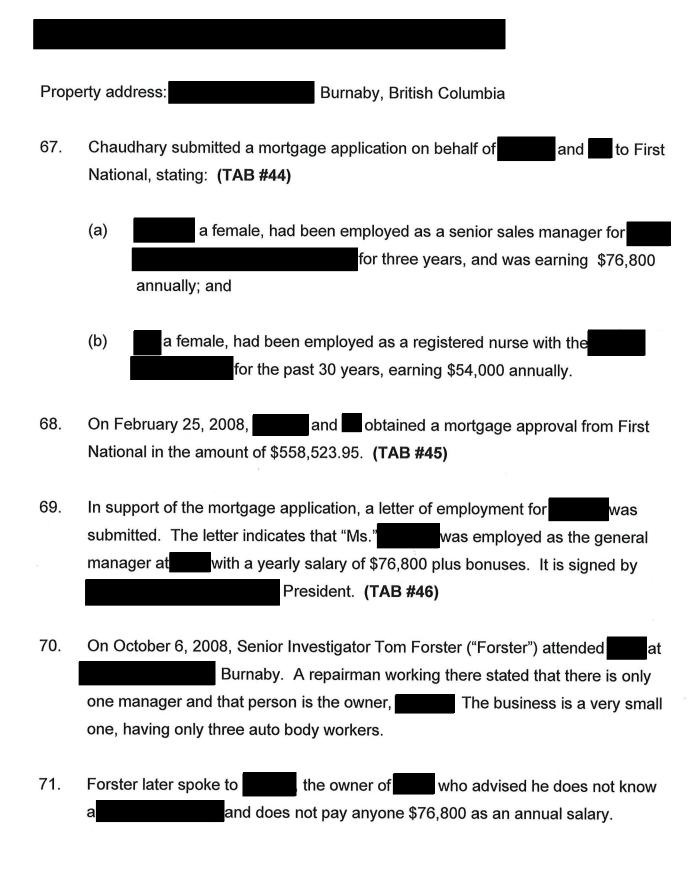
May 15, 2008: \$1,679

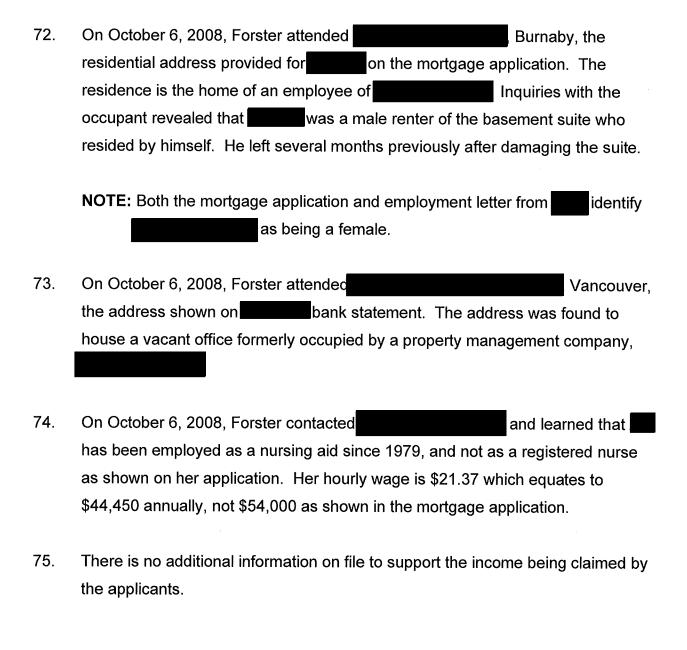
These amounts are not deposited at regular (i.e. bi-weekly) periods, nor do they support claims of stated income in the amount of \$118,000.

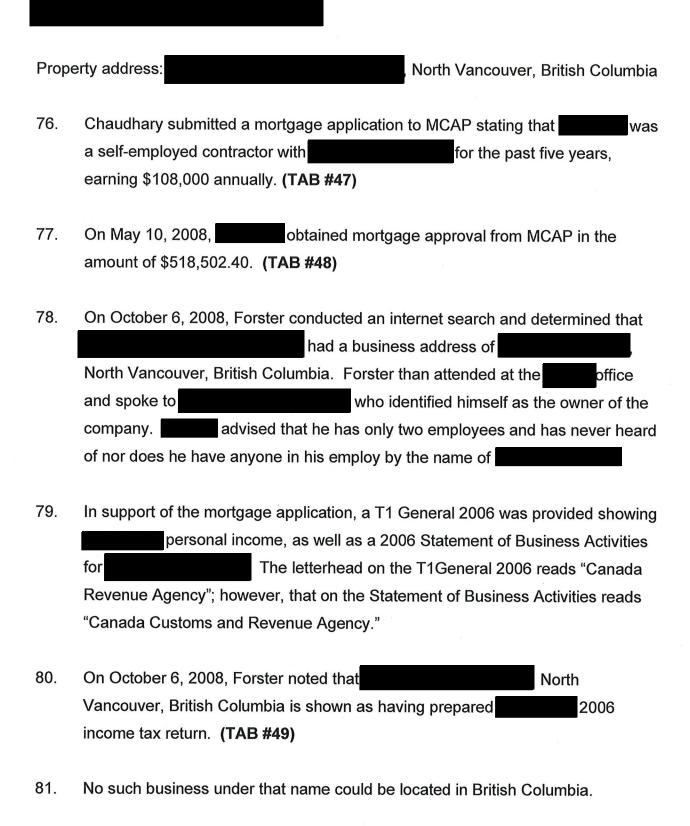


NOTE: The Canada Customs and Revenue Agency changed its name to

"Canada Revenue Agency" on December 12, 2005. (SEE TAB # 15)

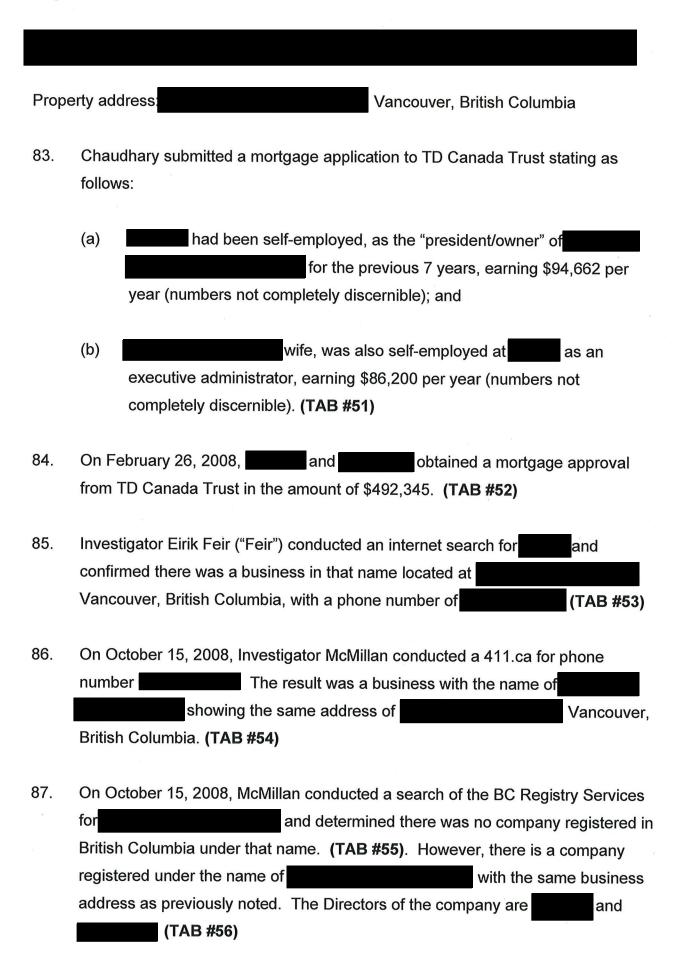


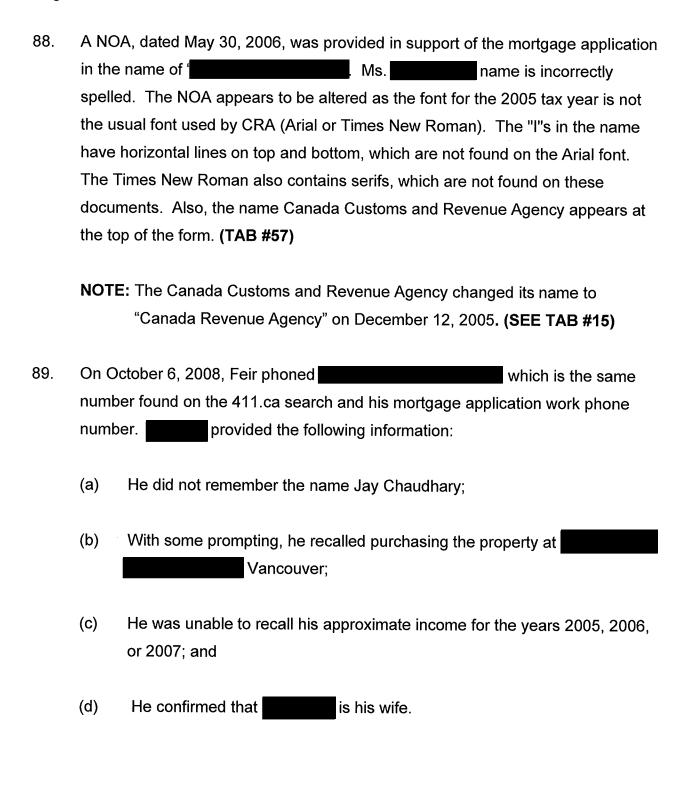




82. A NOA, dated May 8, 2007 and showing income for 2006 in the amount of \$67,025, was provided in support of the mortgage application. The name Canada Customs and Revenue Agency appears at the top of the form. (TAB #50)

NOTE: The Canada Customs and Revenue Agency changed its name to "Canada Revenue Agency" on December 12, 2005. (SEE TAB #15)





Prope	erty address: Mission, British Columbia
90.	Chaudhary submitted a mortgage application to First National stating that was a self-employed drywaller for for the past four years, earning \$78,456 per year. He held assets at the time of his application in the form of \$10,000 in savings, \$25,000 in RRSPs, a \$25,000 truck, and a \$25,000 RV motor home. (TAB #58)
91.	On February 19, 2008, obtained mortgage approval from First National in the amount of \$355,509. (TAB #59)
92.	On October 6, 2008, Feir contacted who was extremely hesitant to speak with him. did however confirm that his income was about \$72,000 in 2006 and his list of assets was accurate. Three further attempts to contact with negative results.
93.	Two NOAs, dated July 10, 2006 and April 27, 2007, were submitted in support of the mortgage application. Both NOAs appear to be altered as the font used to inscribe name is not in the usual font used by CRA (Arial or Times New Roman). The "I"s in the name have horizontal lines on top and bottom, which are not found on the Arial font. The Times New Roman also contains serifs, which are not found on these documents. Also, the name "Canada Customs and

NOTE: The Canada Customs and Revenue Agency changed its name to "Canada Revenue Agency" on December 12, 2005. (SEE TAB # 15)

Revenue Agency" appears at the top of both forms. (TABS #60 & #61)

RELEVENT LEGISLATION & BULLETINS

94. Section 8 of the Mortgage Brokers Act states:

Suspension or cancellation of registration

- "8 (1) After giving a person registered under this Act an opportunity to be heard, the registrar may suspend or cancel the person's registration if, in the opinion of the registrar, any of the following paragraphs apply:
 - (a) the person would be disentitled to registration if the person were an applicant under section 4;
 - (b) the person is in breach of this Act, the regulations or a condition of registration;
 - (c) the person is a party to a mortgage transaction which is harsh and unconscionable or otherwise inequitable:
 - (d) the person has made a statement in a record filed or provided under this Act that, at the time and in the light of the circumstances under which the statement was made, was false or misleading with respect to a material fact or that omitted to state a material fact, the omission of which made the statement false or misleading;
 - (e) the person has conducted or is conducting business in a manner that is otherwise prejudicial to the public interest;
 - (f) the person is in breach of a provision of Part 2 or 5 of the *Business*Practices and Consumer Protection Act prescribed under section 9.1 (2).

- (1.1) After giving a person registered under this Act an opportunity to be heard, the registrar may order the person to pay an administrative penalty of not more than \$50 000 if, in the opinion of the registrar any of paragraphs (b) to (e) of subsection (1) apply.
- (2) If the length of time that would be required to give the person an opportunity to be heard under subsection (1) would, in the registrar's opinion, be prejudicial to the public interest, the registrar may suspend registration without giving the person an opportunity to be heard.
- (3) If under subsection (2) the registrar suspends registration without giving the person an opportunity to be heard, the registrar must promptly send written notification of the suspension to the person and to the tribunal."
- 95. The Registrar periodically issues Bulletins for the information of mortgage brokers and submortgage brokers registered in British Columbia. Portions of the relevant Bulletins are set out below:

Bulletin Number MB04-005 - Misleading Information (October 2004)

"Increasingly this office is being made aware of occasions where mortgage brokers are failing to verify client information that is being passed on to lenders. As a result, instances where lenders are receiving misleading or false information is becoming more frequent. Occurrences of this nature can tarnish the reputation and professional image mortgage brokers have within the lending community and amongst the general public. As a result of our investigations into these incidents disciplinary action has been taken against mortgage brokers in a number of occasions. In addition, charges of forgery, uttering a forged document, and obtaining credit by false pretences have been laid. We are not suggesting that most mortgage brokers are conducting their business in this manner, but rather we wish to ensure that the few who act improperly are identified and dealt with promptly and appropriately.

Mortgage brokers need to recognize that lenders rely on the information they receive regarding potential borrowers. Mortgage brokers cannot say that it is not their responsibility to verify the information being given to them during the application process. Lenders indicate they assume that mortgage brokers have verified the information before forwarding it on. This office takes the position that a mortgage broker has a duty to ensure the information being sent to a lender has been verified.

Although no one is suggesting that mortgage brokers need to conduct in-depth investigations of every transaction that they process, reasonable due diligence must be undertaken to ensure that the information being passed on to lenders is accurate. Applications containing errors or omissions need additional verification and under no circumstances should brokers be referring applications that have been shown by another mortgage broker or lender to contain false or inaccurate information. If mortgage brokers do not verify the information they are forwarding to lenders, then mortgage brokers should advise the lenders in writing that none of the information has been verified..."

<u>Bulletin Number MB07- 005 – Due Diligence of Mortgage Brokers Who</u> <u>Arrange Stated Income Mortgage (July 26, 2007)</u>

"Self employed borrowers may qualify for a stated income mortgage by relying on the income stated in their mortgage application or in a separate declaration form. These borrowers usually do not have to prove the value of their income with supporting documentation, such as income tax returns or bank statements. However, they may have to document the source of their income by providing a business licence to the mortgage broker or lender. Stated income mortgages are intended for self employed persons, who may write off significant amounts of their gross income with business expenses. The income they are asked to declare is neither their gross income nor their net income, but a "reasonable" estimate of their actual income...

The lack of supporting documentation required for stated income mortgages may lead some borrowers to provide misleading information about the source of their income or the amount of their income...

Please be aware that mortgage brokers must undertake reasonable due diligence to ensure that the information being passed on to lenders is accurate and not misleading, even if it appears that the lender encourages or tolerates misleading statements from borrowers about the source or amount of income on stated income applications. Exercising due diligence for stated income mortgages would require mortgage brokers to ensure that the borrower knows to state only truthful information in the mortgage application. Remember that if a stated income mortgage results in default or foreclosure, the lender may look for evidence of fraud. If there are any misrepresentations about the amount or source of income, lenders may place responsibility for the misrepresentations on the mortgage broker who submitted the application, while borrowers may blame the mortgage broker for counseling them to provide false information.

In addition, the Registrar of Mortgage Brokers may seek to impose regulatory penalties against any mortgage broker who does not exercise due diligence in ensuring that information contained in stated income mortgages is accurate and not misleading..."