

# Digital Identity in Real Estate

Improving security, efficiency,  
and convenience, while reducing  
risk and fraud.

Insights from Interac Corp.



"Purchasing a home, from mortgage applications to title transfers, are inefficient, unsecure, dated, and susceptible to risk and fraud."

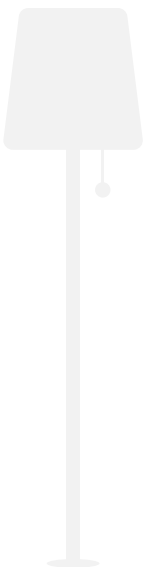
# Introduction

In the wake of the global COVID-19 pandemic, Canadians became accustomed to the benefits of working from home. This unique transition within the labour market, however, triggered a double-digit boom in the real estate sector, which continues to rely on manual processes, close human interaction, and exchange of physical documents. Despite accommodating the market demand with the convenience of remote mortgage approvals and land transfers, banks and lawyers struggled to service the surge of homebuyers. For a process that could last several months, procedures for purchasing a home, from mortgage applications to title transfers, were inefficient, unsecure, dated, and susceptible to risk and fraud.

Within the next decade, digital identity will be an essential component in

authenticating citizens across various economic sectors, and this will be no different when making the important decision of becoming a homeowner. Banks will be able to quickly perform credit checks and grant approvals by accessing a homebuyer's credit score and financial profile with a single authentication request. Lawyers will be able to authenticate all parties involved in a transaction, across all levels of government, which will receive this new information for tax and elector purposes.

In addition to the convenience afforded by automating identity verification, Digital ID improves security oversight, reduces risk of fraud, accelerates credit checks, and ultimately reduces the resources required to manage the entire home buying journey.



# How is Canadian real-estate evolving?

In 2020, the need to minimize physical contact and therefore introduce contactless solutions to protect multiple parties involved in a transaction became self-evident in the real-estate market. Buyers, sellers and agents alike felt the frustration caused by process delays, paperwork backlogs and ever-changing in-person protocols. Where identification was once physical in nature, given the current infrastructure, performing it remotely revealed the possibility of fraud when sharing sensitive documents over email.

**682,900**

homes expected to be purchased in 2021 <sup>2</sup>

**27%**

Canadians with a mortgage loan from financial institution <sup>4</sup>

**31.6%**

average home sale price increase from 2020 to 2021 <sup>1</sup>

**1.5 months**

average time to purchase a home <sup>3</sup>



Sources for data shown in graphic:

[1. CTV News \(2021\)](#)

[2. Canadian Real Estate Association \(2021\)](#)

[3. Canadian Real Estate Wealth \(2021\)](#)

[4. Canadian Mortgage Trends \(2020\)](#)

# How does digital ID help?

Beyond improving security, efficiency, and convenience, a digital identification Trust Framework to support bureaucratic procedures, such as purchasing a home, will also allow all institutions involved to leverage the power of data in an ethical manner, for the overall improvement of services.

## Institutions

**Strengthens security**, by leveraging credit reference data, biometric facial recognition, and digital fraud checks, in addition to tapping into electoral data and other reliable public sources to verify an identity.

**Improves the administrative efficiency** of service delivery by proving identity without delay or paper documentation.

**Increases capacity, efficiency, and minimizes costs**, by eliminating the need for a physical meeting.

## Homebuyers

**Offers greater convenience and reduces risk**, by eliminating the time-consuming exchange of paperwork required for approval from a mortgage provider or other parties involved in the closing of the deal.

**Provides a detailed view** of who is accessing your information and for what purpose, also known as informed consent; a critical component of any Digital ID.

**Digitizes receipts of every transaction**, which are stored as an electronic copy, signed by the respective parties, thereby reducing fraud and providing efficiency for easy storage and a review for homebuyers if required at a later date.



# User Journey

Digital identity will allow for electronic verification and remove the need for physical documents, radically transforming housing transactions. Currently, users are often required to prove their identity multiple times to a lender, legal authority, and real-estate agent.

## Step 1: Mortgage Pre-Approved

Alex has decided to purchase her first home. She contacts several banks to get a pre-approval and they request a statement of earnings, in addition to validating her identity. Alex approves sharing her identity documents (driver's licence) and the requested financial information in her digital wallet. Alex is issued a pre-approval as a digital proof.

## Step 2: Offer to Purchase

Alex has found a suitable home. She submits an offer to purchase with her real estate agent, who has also requested to validate her identity and receive proof of pre-approval. She grants her agent access to her digital assets related to the transaction.

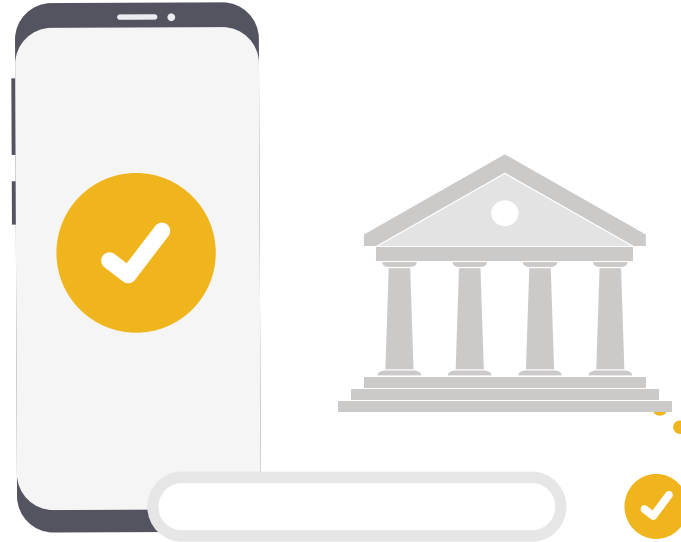


# User Journey...continued

## Step 3:

### Mortgage Approval

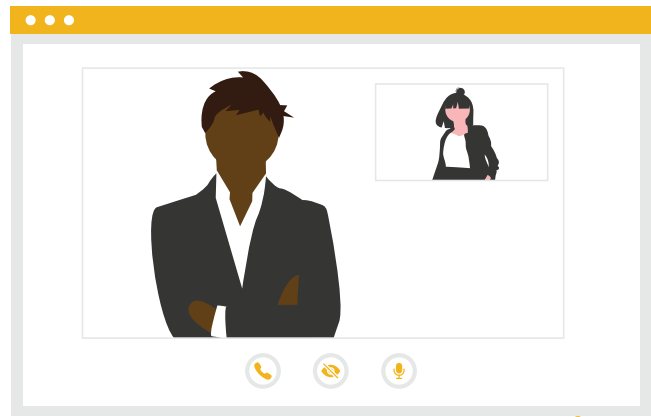
Alex's offer was accepted. She arranges financing by sharing her identity information from her digital wallet and approves her new bank to retrieve her account information, which will be used for the electronic transfer of funds.



## Step 4:

### Closing the Deal

Alex was approved for the mortgage and scheduled a meeting with the lawyer to transfer the title and complete the transaction. She approves the lawyer to access the digital assets as well.



## Step 5:

### Change of Address

Once the sale has completed, Alex's new information is automatically updated with the municipal, provincial, and federal government, as well as both banks.



## What is the Trust Framework?

Recently, the Digital ID & Authentication Council of Canada (DIACC) published the Pan Canadian Trust Framework: a set of rules that will govern the future use of digital identity and attributes for organizations providing or using digital identity services. This framework will also guide the use of digital identity in the purchase of a property. <sup>1</sup>

1. [Business Wire \(September 2020\)](#)



# Our Principles

Digital identity is easy to theorize, but architecting and implementing a comprehensive, secure, and sustainable system is another matter entirely – and an important part of getting it right is having a clearly articulated set of principles to guide the effort. We believe that there are five:



## **User Control & Convenience**

No one wants to entrust a system with their personal details if those details are going to be transferred to and stored by numerous parties – especially if this happens without the user’s knowledge and express consent. While ensuring user control, an identity system must also be convenient and easy; if it isn’t, it won’t be adopted by users, many of whom are already used to intuitive apps on mobile devices.

## **Standards & Openness**

In any dynamic system, it’s difficult to predict what the future will look like – so it’s important to build today’s solutions on universally-agreed standards. Not only does this reduce costs by eliminating the expense of building and then later having to adapt custom, one-off solutions, but it enables solutions built by others in the future to “plug into” the initial solution. Openness encourages adoption, innovation, and flexibility.

## **Ubiquity**

Security risks abound when people create different identities and passwords for each public and private service they access. They’ll often default to a single, easy-to-remember (and easy to crack) password, for example. At the same

time, a digital identity that only applies to a handful of services will probably not be well- adopted. A ubiquitous system is a more convenient and a more secure system.

## **Trusted Brand**

No user is likely to adopt an identity solution built or maintained by an organization they don’t trust. The question of identity is simply too important, and the impact of identity theft too great, to leave this to chance. Further, building a large-scale (and ubiquitous) solution will require the cooperation and coordination of many players, and these players need to trust each other and the organization leading the effort.

## **Security via Abstraction**

Even with the best user controls, a certain amount of identity data must be part of transactions in any given ecosystem. A highly effective way of securing that data is to “abstract” it, by replacing a private identifier with a publicly available one (like a person’s email address) or by replacing it with a randomized number that serves as an authorized “token” for the purposes of the transaction – and is not useful for any other purpose.

# Conclusion

The COVID-19 pandemic highlighted the necessity of using a trusted process for digital identity verification. Despite the benefits of working from home, certain economic sectors experienced the shortcomings of manual processes that rely on close human interaction and physical documents, particularly when confirming a prospective homebuyer's identity. A standardized digital ID framework will ensure that a user's identity is securely authenticated without storing sensitive data.

By cross-referencing data from numerous sources of information, a unique digital identity token can be produced that is virtually impossible to falsify. This authentication token can then be shared remotely with all parties involved throughout the transaction process. This will undoubtedly make the real estate sector smoother, safer, and more accessible for lenders, brokers, and homebuyers alike.

If you're interested in collaborating with Interac on the future of Digital ID, drop us a line at

[digitalid@interac.ca](mailto:digitalid@interac.ca)



"Within the next decade, digital identity will be an essential component in a homebuyers journey."





**For more information on this topic,  
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