

Home loan fraud subject to special ASIC inquiry into mortgage approvals

By [Stephen Long](#)

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ASIC is looking at different types of mortgage fraud, including where brokers conspire with borrowers. (*ABC News Breakfast*)

Loan fraud will be the subject of a special inquiry by the corporate watchdog to assess how widespread the problem is and develop strategies for combating fraudulent mortgage lending.

Officials from the Australian Securities and Investments Commission told a Senate hearing on Wednesday that it was establishing a dedicated project on the issue.

"We are in the process of scoping that project at the moment," Michael Saadat, an ASIC senior executive leader who oversees banks and credit unions, told a Senate economics legislation committee.

"The intent is to look more broader than isolated or individual instances of loan fraud and come up with a strategy that deals with it more comprehensively."

"ASIC has limited resources. We can't take action for every single allegation that's made to us about loan fraud. We prioritise the higher risk ones."

Mr Saadat said part of the intention was "coming up with a process" that did not require ASIC to deal with cases individually but develop systemic solutions.

"It's been a focus for a while," ASIC deputy chairman Peter Kell told the hearing

"But I suppose, in some ways, some of the patterns we have been seeing indicate to us that a more systemic look [is needed] at how we can reduce the incidence of loan fraud and how we can work with lenders to improve their procedures for detecting fraud," Mr Kell said in answer to a question from Greens Senator Peter Whish-Wilson.

"It tends to fall into two categories.

"Individuals - some might have a gambling problem and then there's a mortgage broker.

"We have also had some cases of far more systemic organised examples of loan fraud with amounts well over \$100 million.

"We are seeing different approaches by lenders as to how they detect it and we think if there is the ability to share some of those learnings ... that will help minimise the risk."

The term "loan fraud" is used to describe several different practices, including deliberate falsification of documents by borrowers or brokers, swindles designed to obtain funds under false pretences, and "massaging" of numbers by banks to get loans over the line.

Until recently [ASIC was focussed on falsification of details on home loan applications](#) by mortgage brokers.

It is now targeting irresponsible lending by banks for allegedly underestimating peoples' living expenses and overstating income.

Eleven lenders are [under investigation by the regulator](#).