

Australian Broker

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Brokers put on fraud high alert

Mortgage fraud appears to be growing at an alarming rate in Australia, with one title insurer telling *Australian Broker* that four out of every five claims received allege this crime.

Jon Downes, general manager – legal & underwriting at First Title, said: “The number of mortgage fraud claims we’ve had has increased from about 30% of overall claims five years ago to approximately 80% of claims last year.”

Downes called for brokers to remain diligent. “Brokers are on the front line as the mortgage industry is increasingly exposed to fraud,” said Downes. “If brokers don’t personally know the borrower and aren’t trained to detect fraud, if

they rely on industry guidelines then despite doing what is required, fraud will get through.”

Downes’ comments came as the NSW State Crime Command released a statement confirming that fraud squad detectives are investigating reports of fraudulent land title documents being used to secure large amounts of finance.

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Jon Downes

AFG securitising to “control its destiny”

Aggregator AFG is in the process of finalising a securitisation program – a move which will make it no longer completely reliant on lenders to fund its products.

“[The securitisation] will give AFG another opportunity to be in a position to fund its own

mortgages and open up a new business line for the group,” said Paul O’Donnell, general manager – mortgage management and securitisation, AFG. “It will allow us to control a bit of the group’s destiny.”

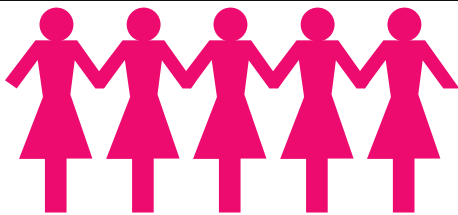
Kevin Matthews, managing director of AFG, said the

group plans to do about 10% of wholesale lending through the program. He added that it is an “evolution of the AFG business model” and a form of “hedging” against the withdrawal of distributors.

AFG’s mortgage management is only 3.5–5% of the volume of the

group, O’Donnell said, and the aggregator does not intend the funding program to change that. “AFG is still an aggregator; it’s our number one priority, our number one business,” he said.

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Choice brokers to sell insurance products



Michael Russell

Product diversification looks to be a key area of revenue growth for brokers in 2007 after aggregator group Choice Aggregation Services (Choice) followed FAST, PLAN Australia and NAB by providing brokers with the ability to offer their clients insurance products.

Choice brokers will earn commission from the insurance

providers for each deal they refer on; the aggregator has signed agreements with CGU and Australian Life Insurance (ALI).

Choice made the decision to introduce the insurance products following a survey of its members which found that more than three-quarters believed that insurance products would complement their financial product range.

Michael Russell, Choice managing director, said diversification was a major influence on the industry at the present, adding that it was "important to provide brokers with the products they need to meet their client's requirements and better their overall service proposition".

CGU will provide brokers with access to general and personal insurance products, such as home and contents, investment property, motor vehicle and travel options, while ALI will provide access to life insurance products.



Choice brokers will need to undertake "minimal compliance training" before becoming referrers.

Aggregator FAST has already earmarked insurance products as one of its diversification streams having set up a joint venture with NAB's wealth management arm MLC to provide insurance and financial planning options to brokers. In August, MLC

launched a training program to allow brokers to diversify their business operation by selling insurance and debt products.

Alex Moulhieris, managing director of PLAN Australia, said he felt insurance products were a worthwhile stream for brokers to diversify into, "provided they remain focused on the 'main game', which for a mortgage broker is home loans". ■

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One woman has been arrested and other investigations are ongoing. NSW Police refused to provide further details about the investigation, as did the NSW Department of Lands.

These developments come soon after the president of the New South Wales Law Society, Geoff Dunlevy, released a warning on counterfeit certificates of title.

"The fraud squad has warned of the extraordinary and widespread increase in 'identification fraud', where whole, well-documented identities are acquired by fraudsters," Dunlevy said.

He warned solicitors of "previously unknown" clients "invariably with the apparent assistance or intervention of a broker" being of high risk.

Police encourage any person in the finance fraternity who has any suspicions or knowledge about such matters to contact Strike Force Environmental via Crime Stoppers on 1800 333 000. ■