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Foreign property investors turn lying into an art, lenders say



"This is huge," said Ken Sayer, chief executive of Mortgage House, a non-bank lender, about the potential size of real estate fraud. Rob Homer

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AFR Weekend has obtained a copy of a recent loan application in Chinese and English that bilingual lending experts said was a "ludicrously obvious forgery" for a \$960,000 loan to purchase a \$1.06 million Sydney apartment.

Nervous lenders are stopping lending to overseas' borrowers because of growing evidence that thousands of similar loan applications are being processed, or could have been approved and processed.

"This is huge," said Ken Sayer, chief executive of Mortgage House, a non-bank lender, about the potential size of real estate fraud. "It is much bigger than everyone is making it out to be. The numbers could be astronomical."

INTERNAL INVESTIGATIONS

The top-five banks, which includes [Bendigo and Adelaide Bank](#), dozens of mortgage managers and thousands of mortgage brokers have banned, or stopped processing loans to overseas borrowers pending the outcome of internal investigations.

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Other banks and lenders say they are being inundated with applications from overseas borrowers, triggering fears about the authenticity of the loans and raising concerns about fraud and possible money laundering.

The 25-page loan application seen by *AFR Weekend* is from a couple from the north-west mainland China province of Hebei. The application has been approved by the Foreign Investment Review Board.

Accompanying the application are photocopies of their passports and visitor visas for Australia, New Zealand and China.

TELL-TALE SIGNS

There are three pages of Bank of China income and spending statements and employment and income testimonies. Lenders were advised not to touch the deal because of several tell-tale signs that it could be fraudulent. They included:

- Banking transactions are highly repetitive, which suggests income and spending patterns might not be authentic;
- Income on pay slips does not match salary credits on bank statements;
- Accompanying documents, such as passport pages, have been faxed several times, making it difficult to identify watermarks and other authenticating symbols.

Australia and New Zealand Banking Group and Westpac Banking Corp are investigating possible fraud and money laundering by overseas borrowers.

ANZ's probe was launched after analysis of applications discovered pages were missing from documents, including passports, and that companies purported to employ the applicant could not be traced, despite the bank's extensive Asian networks.

CONFIDENTIAL BLACKLIST

Bendigo and Adelaide Bank has told mortgage managers and brokers to immediately stop lending to foreign borrowers and exclude foreign-sourced income from local real estate deals.

Citigroup, which accounts for less than 1 per cent of the Australian property market but is a big player in wealthy communities across Asia, has issued a confidential blacklist of foreign currencies it will no longer accept as payment for Australian real estate, including the Chinese yuan, Indian rupee, Indonesian rupiah, Malaysian ringgit and Taiwan dollar.

National Australia Bank has imposed some of the toughest terms and conditions on overseas borrowers. Its income verification for a foreign salary earner now includes consecutive pay slips covering 60 days and the most recent pay slip has to be no older than 60 days. Contemporary credit payments and internet transactions are needed, too.

Foreign income from self-employed occupations is no longer accepted.

The danger to lenders is they have little chance of tracing fraudulent borrowers if the there is a default, particularly if there was a sharp downturn in prices.

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THREAT TO INDUSTRY

Other overseas housing loans are being repaid in months, rather than decades, creating suspicions they are being used to launder money. It also results in much lower fees and charges for the lender.

"All of this is threatening to wreck the industry," Mr Sayer said. "We want it stopped," he said.

The total amount of foreign investment in Australian local property is unclear because much is purchased using foreign-sourced funds, savings, or money borrowed from friends and family, say bankers.

ANZ said the number of loan applications sourcing a high percentage of offshore repayments is less than 1 per cent of its total loan book but is increasing quickly enough to attract the attention of bankers at its Melbourne headquarters.

Less than 1 per cent of its residential mortgage book is to offshore borrowers. Other major banks, such as Westpac, said it was about 3 per cent.

The Foreign Investment Review Board, which enforces the nation's foreign investment rules, said foreigners generally need to apply for approval before purchasing residential property in Australia.

Non-resident foreigners are generally prohibited from purchasing established dwellings.

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