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Australia Banks rife with Fraud threaten financial stability as Australian banks fudge loan applications numbers to make borrowers look more creditworthy

AUSTRALIA BANKS RIFE WITH FRAUD THREATEN FINANCIAL STABILITY - WHITE COLLAR CRIME

Fraud is rife in the banking system as banks systematically fudge the numbers on loan applications to make borrowers look more creditworthy than they really are, according to an explosive submission to a Senate inquiry on white collar crime. Reports ABC News. "We see incomes exaggerated, that's extremely common. We see signatures forged," said Ms Brailey, who runs the Banking and Finance Consumers Support Association. "In all cases," she said, "[the loans are] unaffordable, unsustainable and unverified."

Jeff Morris, the whistleblower who exposed the Commonwealth Bank financial planning scandal that led to calls for a Royal Commission into financial services, also believes that the practice of banks artificially boosting borrowers' income and assets in order to make loans is common.



"You've got [mortgage] brokers and lenders, who are remunerated on the number of loans they write, simply massaging the figures to put it through the computer system, and then it spits out an approval," he said.

"The banks have trashed their lending standards over a prolonged period of time with significant evidence of banks massaging people's incomes in their loan application forms to make them look a lot more creditworthy than what they really are, which is essentially fraud," Lindsay David of LF Economics told the ABC's Lateline program.

"The banks would do this for various reasons. One is the highly competitive environment between the banks. Second of all is profitability. "The safer your mortgage book looks, the lower it costs you to do business — simple as that. If you show that your borrowers are very creditworthy then you are going to get cheaper funding costs, and that's a win-win for the bank — until the whole system breaks down, obviously."

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