



MPs to investigate easy credit

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AN INFLUENTIAL federal parliamentary economics committee has called a snap inquiry into home lending practices amid concern over declining credit standards and rising defaults.

A round table of heavy hitters – including the Reserve Bank, the banking regulator, the Australian Securities and Investments Commission, banks and consumer groups – will meet next month to talk lending standards and the treatment of troubled borrowers.

The move follows a *Herald* investigation into the boom in easy

Home loans on tap: no deposit, no inspection

Friday's Page 1 *Herald* story.

credit, evidence of rapidly rising bankruptcies and regulator concern about lending practices. The committee's chairman, Bruce Baird, said it would be a "short, sharp review", focusing, among other things, on the length of time lenders give home owners

before foreclosing on their loan. A fellow committee member and Labor frontbencher, Craig Emerson, said the bipartisan committee inquiry was not aimed at political point scoring, despite the heated political debate over housing affordability.

"The impetus for the inquiry came from the experience of some members of the committee in relation to Western Sydney and the Illawarra where there is concern about falling house prices and what are called 'low-doc' loans," Dr Emerson said.

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MPs to investigate easy credit and loan defaults

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"sub-prime" loans, made to people with bad or incomplete credit histories, had raised questions for Australia, Dr Emerson said. "Does the ready availability of finance have any wider implications? Should there be better education or better advice for people in terms of the potential down sides of borrowing to the hilt?"

John Laker, the chairman of the banking watchdog, the Australian Prudential Regulation Authority, has previously voiced his concerns about lax lending practices.

Meanwhile, the Mortgage and Finance Association of Australia has expelled another member for a breach of its code

of conduct. The expulsion of a NSW mortgage consultant, Leon Hsieh, and his company Grand Avenue Financial Services, is the sixth in less than 18 months.

The chief of the mortgage association, Phil Naylor, would not disclose the nature of the breach but said the absence of national regulation of mortgage brokers had placed a heavy burden on the industry to self-regulate against rogue practices.

"We have strongly lobbied for the past four years for consistent, nationwide regulation of mortgage brokers and will continue to do so until a resolution is reached and legislation is passed," he said.

Non-traditional lending to

people with bad credit histories is fast becoming big business in Australia. The collapse of the US sub-prime market has not stopped fierce competition here.

One smaller group, MKM Capital, is advertising to purchase loan books of up to \$100 million, hoping the high profile collapse of property schemes such as Fincorp and Bridgecorp will encourage small lenders to head for the exits.

"We're looking to pick up the pieces," a managing director at MKM Capital, Mervyn Kark, said.

The House of Representatives Standing Committee on Economics, Finance and Public Administration is due to report by mid-September.