

QBE LMI's Automated Valuation Models reduce fraud risk

19 March 2010 -- QBE Lenders' Mortgage Insurance Limited (QBE LMI) has introduced Automated Valuation Models (AVMs) into its core underwriting process to identify potentially fraudulent property valuations and provide a second point of validation of more standard valuations.

QBE LMI estimates that fraudulent and overstated property valuations have cost the Australian banking and finance industry tens-of-millions of dollars over the past decade. With the increase in property values over that same period masking the full extent of the problem, obtaining accurate valuations of the properties used as security for mortgage lending is clearly one of the industry's biggest challenges.

Based on an extensive study into the effectiveness of AVMs in 2009, QBE LMI entered into an agreement with Hometrack to be its provider of AVMs in Australia.

Integration of AVMs into QBE LMI's core underwriting process has been achieved through real-time XML interface for individual applications and via a batch process for bulk lenders' mortgage insurance requests. For individual applications the underwriters are notified of an exception when the AVM result causes one or more of the QBE LMI credit rules to fail.

When an exception is identified the application is escalated to a senior underwriter who has access to a variety of tools (online comprehensive property information services and independent professional valuers) to determine if there are any anomalies in the property valuation.

Ian Graham, CEO of QBE LMI said "We are confident that our use of AVMs, in combination with our credit risk management tools, will significantly improve the quality of our underwriting decisions and significantly reduce our exposure to fraudulent or overstated property valuations in the market".

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Background on QBE LMI

QBE Lenders' Mortgage Insurance Limited (QBE LMI) is a leading mortgage insurer, credit enhancer and residential property market specialist with over 45 years experience in the Australian market and over 20 years in the New Zealand market. Through our proactive approach, innovative products and services, and longstanding knowledge and expertise, QBE LMI has helped its customers to manage and reduce risk.