Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 171 (Supplementary to Submission No. 149)

Submittor:

Department of Justice &

Industrial Relations

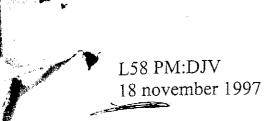
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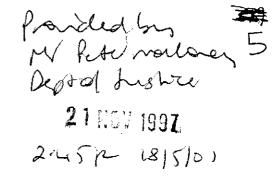
HOBART TAS 7001

Mr Peter Maloney

2 - (03) 6233 6754

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Mrs. Jan Martin,
Executive Director,
Law Society of Tasmania,
28 Murray Street,
HOBART Tasmania 7000

Dear Mrs. Martin,

Mortgage Investment Lending

I refer to recent discussions between yourself and Mr. Peter Maloney of the Department of Justice regarding mortgage investment lending by lawyers.

As requested, I set out my concerns regarding the current practices of lawyers in relation to mortgage lending:-

- 1. What procedures are in place for interest rate setting?
- 2. What procedures are in place for using approved valuers?
- 3. On applications for funding, do lawyers consider LVR and ability to service the loan, or do lawyers regard themselves purely as security lenders?
- 4. What procedures are in place for monitoring the performance of a loan in the following areas -
 - (a) reporting and monitoring on arrears;
 - (b) the frequency of revaluing property and comparing it with the amount of mortgage outstanding;
- 5. What information is provided to prospective investors?

- 6. What reporting is provided to investors?
- 7. What procedures are in place to independently audit the lending processes and administration of loans as compared with the inspection provisions contained in the Rules of Practice?

I would want to be satisfied in relation to all these aspects before considering amending the *Legal Profession Act* so that mortgages made by mortgage investment companies are covered by the Solicitors' Guarantee Fund.

Yours sincerely,

SIGNED RAY GROOM

Ray Groom Attorney-General

