

Summary of identity verification rules for safe mortgage lending in 2015

This document has been prepared to assist lenders with understanding their obligations, and to explain how ZipID can assist in discharging these obligations.

Key points:

1. In the lead up to implementation of electronic conveyancing, some states (WA, SA, Vic and NSW) have introduced new face-to-face verification of identity (**VOI**) requirements for paper-based mortgages. These requirements have been introduced to align the paper-based and electronic VOI requirements. It is likely other jurisdictions (possibly excepting ACT) will introduce VOI during 2015 for all dealings (not just mortgages).
2. The table below summarises identity verification requirements for safe harbour mortgage dealings in NSW and Victoria as at 1 January 2015.
3. Compliance with the AML/CTF KYC requirements provides statutory protection from breaching the AML/CTF Act. For VOI, '**safe harbour**' provides protection against the mortgage being deregistered or registration being refused because the mortgagor has not been properly identified. Compliance with safe harbour should also provide protection against identity fraud, which could result in the mortgage becoming void and the mortgagee becoming an unsecured creditor.
4. Best practice is for mortgagees to carry out face-to-face VOI on mortgagors in all jurisdictions. Lenders should update their procedures to ensure compliance with the new VOI requirements. The introduction of VOI is also an opportunity to streamline AML/CTF and VOI (it is incredibly inefficient to identify a customer twice!)
5. ZipID provides compliant, convenient and customer-friendly solutions to ensure lenders' customer identification requirements are met across a range of lending channels.

AML/CTF KYC compliance	New VOI Law	VOI safe harbour VOI Standard	ZipID's mortgagee solutions
<p>1. <i>Documentation-based</i>: Requires verification of the customer's name and either (i) residential address or (ii) date of birth, or both, from original or certified copies of ID documents.</p> <p>Or,</p> <p>2. <i>Electronic-based (only for med-low risk customers)</i>: Requires verification of (i) the customer's name and residential address using reliable and independent electronic data from at least two separate data sources; and (ii) either the customer's date of birth using reliable and independent electronic data from at least one data source; or that the customer has a transaction history for at least the past 3 years.</p>	<p><i>Transfer of Land Amendment Act 2014</i> (Vic) VOI rules for mortgagees commenced 24/09/14¹</p> <p><i>Real Property Regulation 2014</i> (NSW) VOI rules for mortgagees commences 1/1/15²</p>	<p>The face-to-face VOI Standard that applies in electronic conveyancing shortly becomes applicable to all mortgages in Victoria and NSW.</p> <p>In Victoria, under section 87A of the <i>Transfer of Land Act 1958</i> mortgagees must take reasonable steps to identify the mortgagor and are deemed to have complied if they follow the VOI Standard.</p> <p>In NSW, a mortgagee must take reasonable steps to identify the mortgagor under s56C of the <i>Real Property Act 1900</i> and is deemed to have complied if they follow the VOI Standard.</p> <p>The VOI Standard requires a mortgagee or its agent to conduct a face-to-face, in-person interview with the person being identified, who must produce original documents per Schedule 8 of the Model Participation Rules³ to establish their identity.</p> <p>A mortgagee may use other means to identify the mortgagor but, in the case of any fraud, may have the mortgage voided if it cannot establish that the identification method used was reasonable. Non face-to-face methods such as electronic verification or receipt of certified copies fall outside the safe harbour procedure, and remove the crucial biometric matching element that the face-to-face VOI Standard provides.</p>	<p>1. <i>Come-to-you</i> agency service can satisfy both AML/CTF and the VOI Standard.</p> <p>➔ <i>ZipID's VOI agency service commenced with ING Direct in SA and WA in August 2014. ZipID's second national lender commences use of the service in November 2014. ZipID has operated in VIC since Sept 2014.</i></p> <p>2. The ZipID App (designed for broker channels) can satisfy both the AML/CTF and the VOI Standard.</p> <p>➔ <i>As used by PEXA staff in NSW and Victoria to VOI subscribers using iPads</i></p> <p>See www.zipid.com.au for details</p>

¹ See Land Victoria Bulletin here http://www.dtpli.vic.gov.au/_data/assets/pdf_file/0014/260240/CustomerInfoBulletin_ed145.pdf

² See the NSW LPI circular here http://www.lpi.nsw.gov.au/_data/assets/pdf_file/0004/198553/2014_09_Commencement_of_Real_Property_Regulation_2014.pdf

³ See ARNECC's published VOI Standard at Schedule 8 here http://www.arnecc.gov.au/_data/assets/pdf_file/0006/194073/MPR_Draft_Version_2_Marked_Up.pdf