

**UNIVERSITI TEKNOLOGI MARA**

**CHARACTERISTIC OF CUSTOMER  
COMMITTED FRAUD: CASE STUDY OF  
MAYBANK HOUSING LOAN APPLICATION**

**AHMAD FIRDAUZ B AB RANI**

Applied research project submitted in partial fulfilment for the degree of  
**Master in Forensic Accounting and Financial Criminology**

**Faculty of Accountancy**

**December 2012**

## CANDIDATE'S DECLARATION

I declare that the work in this applied research was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This research has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

In the event that my applied research is found to violate the conditions mentioned above, I voluntarily waive the right of conferment of my degree and agree to be subjected to the disciplinary rules and regulations of Universiti Teknologi Mara

Name of candidate : AHMAD FIRDAUZ B AB RANI  
Candidate's ID No : 2010425158  
Programme : Master in Forensic Accounting and Financial  
Criminology  
Faculty : Faculty of Accountancy  
Applied Research Title : Characteristic of Customer Committed Fraud:  
Case Study of Maybank Housing Loan  
Application  
Date :  
Signature of Candidate :



.....  
31 DECEMBER 2012

## ABSTRACT

Based on 2011 Mortgage Fraud Trends Report by CoreLogic Fraud Trends and Index, in 2010, Mortgage lenders continued to crack down on mortgage fraud by scrutinizing red flags on risky applications and implementing new process into their underwriting function to detect fraudulent loans prior to funding. As a result of these efforts, mortgage fraud risk remained relatively flat in 2010 measured by both total volume and percentage of origination. Mortgage fraud, however, is a constantly moving target as fraudsters change their practices to take advantage of loop holes in the lender's fraud prevention programs. Most of the financial institutions who act as the mortgage lenders do the analysis of the changes in the mortgage market and fraudsters' behaviour patterns to understand the criteria of the fraudulent application. Making a Fraud Alert system more effective is an ongoing challenge. The main issues are to understand the fraudsters' behaviour and how financial institutions can use those criteria to interact with fraud alert system. The study examines the criteria that committed by customer that committed fraud. The data of fraud cases use for this study was collected from Incident Management Data Collection (IMDC) of the bank. The results of the study suggest the factors identified will contribute towards the enhancement on Soft Fraud Rules in the bank and stimulate the efficiency and effectiveness of the fraud alert system.

**CHARACTERISTIC OF CUSTOMER COMMITTED FRAUD: CASE  
STUDY OF MAYBANK HOUSING LOAN APPLICATION**

**TABLE OF CONTENTS**

<u><b>Contents</b></u>	<u><b>Page</b></u>
<b>CANDIDATES'S DECLARATION</b>	ii
<b>ABSTRACT</b>	iii
<b>ACKNOWLEDGEMENTS</b>	iv
<b>TABLE OF CONTENTS</b>	v
<b>LIST OF TABLES</b>	vii
<b>LIST OF FIGURES</b>	viii
<b>LIST OF ABBREVIATIONS</b>	ix
<b>INTRODUCTION</b>	
1.0. PREAMBLE	1
1.1. MOTIVATION OF STUDY	3
1.2. PROBLEM STATEMENTS	3
1.3. OBJECTIVES OF STUDY	6
1.4. RESEARCH QUESTION	7
1.5. SCOPE OF RESEARCH	7
1.6. CONTRIBUTIONS OF RESEARCH	7
1.7. ORGANISATION OF STUDY	8
<b>BACKGROUND OF STUDY</b>	
2.0. INTRODUCTION	9
2.1. HOUSING LOAN APPLICATION PROCESS	14
2.2. REQUIREMENT FOR ANTI-FRAUD DETECTION SYSTEM	17
2.3. MAYBANK'S STRATEGY ON COMBATING FRAUD	24

## **RESEARCH ISSUES**

3.0.	INTRODUCTION	34
3.1.	INCREASING OF FRAUD CASES	34
3.2.	WEAKNESS OF EXISTING SOFT FRAUD RULES	36
3.3.	METHOD OF INVESTIGATION	36
3.3.1	DATA DETERMINATION	37
3.3.2	DATA COLLECTION	38
3.3.3	DEMOGRAPHIC PROFILE	38
3.3.4	IMPLEMENTATION OF STATISTICAL TOOLS	45

## **RESULTS OF FINDINGS**

4.0.	INTRODUCTION	46
4.1.	CORRELATION MATRIX	46
4.2.	KAISER-MEYER-OLKIN (KMO)	48
4.3.	FACTOR ANALYSIS	50

## **CONCLUSION AND RECOMMENDATIONS**

5.0.	CONCLUSION	54
5.1.	RECOMMENDATIONS	56
5.2.	LIMITATIONS OF STUDY	61

<b>BIBLIOGRAPHY</b>	<b>62</b>
---------------------	-----------