

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB46QW:

- a) Do you have any case studies highlighting where responsible lending obligations are inhibiting the provision of credit to individuals, households, or small and medium enterprises? If so, can you provide them to the committee?**

Customers who may have justifiable evidence that their income and or expense position is ongoing and consistent may be impacted due to the treatment prescribed in various obligations. This may erode the surplus position and inhibit the provision of credit to individuals, households, or SMEs. Examples may include customers with a high proportion of income from investment property, customers with complex income structures, or customers with shared expense positions.

Customers may also seek access to alternative sources of credit. Applications with non-ADIs may allow customers to avoid the additional inquiry and verification that an ADI would make based upon the information held about a particular customer's circumstances.

- b) Have you estimated the cost of applying the responsible lending obligations? Has it increased the fees and charges for customers? If so, please provide information on how much the average and median fees and charges to customers have increased for the following products:**

(i) new mortgages;

(ii) refinancing internal mortgages;

(iii) refinancing transferred mortgages;

(iv) new small and medium enterprise credit;

(v) refinancing and/or rollover internal small and medium enterprise credit; and

(vi) refinancing and/or rollover external small and medium enterprise credit.

The cost of applying responsible lending obligations and the ongoing increase in overheads has not been estimated by NAB.

Responsible lending is an important but not singular component of NAB's credit assessment and loan funding process. NAB has teams responsible for all elements of the ongoing management of lending products, including the credit assessment process. The costs of this are not directly attributable to responsible lending obligations.

Fees and charges are considered at a broader portfolio level and consider many things, including risk appetite and cost of funds.

- (c) Have you estimated the impact of applying the responsible lending obligations on the amount of processing time required from the receipt of an application to approval? Has the required processing**

time increased? If so, please provide information on how much the average and median processing times have increased for the following products:

- (i) new mortgages;**
- (ii) refinancing internal mortgages;**
- (iii) refinancing transferred mortgages;**
- (iv) new small and medium enterprise credit;**
- (v) refinancing and/or rollover internal small and medium enterprise credit; and**
- (vi) refinancing and/or rollover external small and medium enterprise credit.**

NAB has not estimated the impact of applying responsible lending obligations on the amount of processing time required from the receipt of an application to approval.

NAB constantly uplifts its processes to ensure compliance with regulatory obligations, guidance and industry expectations. Responsible lending obligations are not the only consideration for NAB in relation to credit applications. These various requirements impact the information NAB is required to obtain from a customer, the time taken to verify the information and the time taken to service a customer (not only during application stage). NAB has undertaken significant actions to strengthen its controls over the past 18 months.

When analysing process times, consideration should also be given to initiatives implemented to improve the credit application process, for example through process improvements. When NAB makes changes to its credit application processes, it aims to minimise adverse impacts, including those to customer experience such as servicing times.

NAB has invested in improvements such as system-assisted suitability assessments, which is not a requirement from a prudential perspective, to ensure it both adheres to RLOs and maintains a similar credit application timeframe and customer experience.

Another example relates to activities NAB has undertaken relating to customer expenses. NAB reviewed and updated its policies and mandated commentary around expenses in certain scenarios, which increased TTUA. However, uplifts to tools and processes such as expense modules, automation of customer conversation prompt and customer transaction reporting resulted in a corresponding decrease to the TTUA.