

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB61QW:

The following exchange took place during the public hearing with the Commonwealth Bank and the Committee on 4 September 2020. Could you outline any data NAB holds in regards to young mortgage holders and assistance from family members?

Ms HAMMOND: To what extent do you seek personal guarantees, particularly from young people, from family members or from others as a condition of providing people with loans?

Mr Comyn: I couldn't give you the specific proportion in terms of the number of home loans that we'd make where someone would offer a guarantee. Guarantees are a high-risk area from the bank's perspective. There have been examples in the past where people don't adequately understand the risks of providing the guarantee. We've definitely improved the process, the controls and the checks in place. Unfortunately, sometimes that can manifest itself where perhaps a parent may not have fully understood the documentation their child was providing to them and they don't understand the recourse that's available to an institution when you do provide a guarantee. I'd be happy to look into the exact numbers. I suspect it has reduced, and it's been an area of real focus for us and I think the broader industry over the last several years.

CHAIR: Sorry, Ms Hammond, can I just interrupt and ask a follow-up question to that because it's contextually relevant? Does the CBA have any data on young home mortgage applicants who get financial assistance from parents or other family members to support their deposit?

Mr Comyn: We would, Chair. It would probably understate the actual numbers. Sometimes you see survey data where people would say what proportion of their homes are being supported by the bank of mum and dad often or family members. Applicants may—obviously, we'd prefer they didn't—disclose their savings as opposed to a gift, but I suspect that parents or family members are helping a substantial proportion of new borrowers in the market at least at some point.

CHAIR: The data suggests that it's always underreported but, on notice, could you get us that data; and, for the secretary, could we ask that of all of the four major banks?

Answer:

NAB does not have data regarding support provided by family members in an informal manner; for example, through non-repayable gifts.

Approximately 1% of NAB's mortgages are supported by a family guarantee. Over the 12 months to June 2020, the use of family guarantees has reduced. In May 2020, NAB made changes to its policy around family guarantees; these guarantees are now only available for consumer mortgages provided through NAB's Business and Private Bank and Commercial Broker channels. Since May, approximately 0.2% of new loans have been supported by family guarantees.