



79 Constitution Avenue  
Canberra ACT 2612  
t (02) 6245 1300  
f (02) 6257 5658  
hia.com.au

3 February 2021

Committee Secretary  
Economics Legislation Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Secretariat,

**National Consumer Credit Protection Amendment (Supporting Economic Recovery)  
Bill 2020**

The Housing Industry Association (HIA) welcomes the opportunity to respond to proposed amendments to the *National Consumer Credit Protection Act*. As the peak association for Australia's residential building industry, we are acutely aware of the important role that housing plays in the Australian economy, including the important role that access to finance has in facilitating home ownership.

It is important that the proposed legislative changes the Committee is considering are viewed in context of the cumulative impact of the extensive reforms in the banking and finance regulatory environment that have taken place over the last decade. In many instances, the reforms implemented to date have improved lending practices and the quality of credit. Furthermore, Australian regulators are in the process of implementing Basel III standards and the regulatory reforms scheduled for implementation over the next few years stand to improve credit quality further.

Several aspects of Australia's prudential regulatory environment are already more stringent than the Basel III standards. Following the Financial System Inquiry's (2014) recommendation that the Australian Government create an 'unquestionably strong' financial system APRA moved ahead of the Basel Committee's timelines and sought to ensure that Australia's prudential requirements are higher than the international standards.

APRA considers the large exposure to residential lending within Australia's major financial institutions to be a systematic risk and have specifically sought to ensure that lenders are adequately managing risks within their residential portfolios. This has been addressed on several fronts including tightening guidelines in the *Prudential Practice Guide for Residential Mortgage Lending* to ensure that lenders must apply greater scrutiny of borrowers' financial position and capacity to service loans.

With respect to the residential property lending environment, high quality borrowers (i.e. those who are well capitalised and/or with high incomes relative to loan amounts) are generally considered low risk and have experienced little change in their ability to access finance. While higher risk borrowers such as those with lower incomes and less accumulated wealth are now facing a more challenging credit environment.

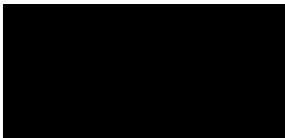
Given that first home buyers are typically younger households with lower incomes and less accumulated wealth they therefore fit the characteristics of a higher risk borrower.

A consequence of the reforms that improved credit quality is that there is now a greater disincentive for lenders to lend to higher risk borrowers, which includes first home buyers. Far more aspiring first home buyers are unable to access the credit they need. This is contributing to the drop in home ownership rates amongst younger age cohorts.

Home ownership is a fundamental element of the Australian way of life and a well-functioning financial system is crucial in enabling households to access the finance they need. In moving forward with the legislative reform, the Government must continue ensure policy settings support the home ownership aspirations of Australian households.

HIA would be pleased to discuss these comments in more detail. Please do not hesitate to contact either myself or Geordan Murray on [REDACTED].

Yours sincerely  
HOUSING INDUSTRY ASSOCIATION LIMITED



Kristin Brookfield  
Chief Executive Industry Policy