

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB34QW:

2. Some banks have recently changed the default payment amount for mortgage holders, so that borrowers pay only the minimum amount.

- (a) Have you done this?
- (b) If so, how many borrowers does it affect?
- (c) If not, why have you decided not to take this approach?

Answer:

2. Some banks have recently changed the default payment amount for mortgage holders, so that borrowers pay only the minimum amount.

(a) Have you done this?

No, NAB has not. Instead, NAB is offering home loan customers options about their repayments. NAB is in the process of resetting scheduled minimum repayments for NAB branded variable rate principal and interest home loan customers in light of the cumulative rate reductions.

This change will enable eligible customers to reduce their actual repayments down to a new (lower) amount. This will enable eligible customers to elect to repay their loan at the original loan term. NAB will only reduce the direct debits for the cohort of customers who opted to pay the minimum repayment amount at the time the direct debit was set up and are still paying the current minimum repayment amount.

There will be no change to direct debit arrangements for customers who are consciously paying ahead today. These customers can 'opt in' to reducing repayments if they wish to do so. If these customers do nothing, they will accumulate redraw. This approach ensures that for customers currently paying ahead, the time taken to pay off their loan stays the same, unless they decide otherwise.

As at 28 April 2020, 200,000 home loan accounts have had their scheduled minimum repayment reduced. The remaining repayment reviews (250,000 home loan accounts) will be completed in May 2020. Eligible customers receive notification of this repayment review by letter or email. These customers also receive notification on their next home loan statement.

(b) If so, how many borrowers does it affect?

As outlined in question (a), NAB will only make changes to a customer's actual repayment when a customer has nominated to keep their repayments at the minimum at the time of originating the home loan, and the customer is still paying the minimum repayment by direct debit.

There are ~450,000 NAB branded variable rate principal and interest home loans accounts that have been identified as eligible for a reduction in the minimum scheduled repayments.

Of this, NAB will automatically reduce the direct debit repayment arrangement for 200,000 of these home loan accounts (refer question (a) for details).

(c) If not, why have you decided not to take this approach?

Many customers choose to pay more than their minimum scheduled repayment and NAB continues to offer customers the flexibility and control to manage their repayments. Where a customer has chosen to and continues to pay the minimum, NAB will reduce the repayment consistent with the customer's preference. Equally for a customer who pays more than the minimum, NAB continues to support the customer's preference to pay more and is not making changes to the customer's repayments. NAB offers customers the ability to make changes to their repayments in the mobile app, or by calling or visiting a branch.