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Topic: Data regarding home loan application assessment timelines

Mr FALINSKI: How many people start the process of applying for a loan and then abandon it because the demands for documentation et cetera are now so onerous that they can't dedicate the resources to even applying for the loan?

Mr Hughes: I'm not sure we would have that data available to us.

Mr FALINSKI: I appreciate that.

Mr Hughes: But I can say this. The report that I referred to before, *Looking for a mortgage: consumer experiences and expectations in getting a home loan*, which we released at the end of last month, indicates that for a number of borrowers they receive limited choice in terms of the lenders that are prepared to lend to them. We don't know—we haven't extrapolated that to ask: 'Is that because there's a challenge for them in providing the data that the lender is seeking to get from them?'

Mr FALINSKI: Can ASIC undertake to find out from lenders how many customers are now being discouraged because of the level of documentation that is required from a borrower before they will make a decision on a loan?

Mr Shipton: We can certainly ask that question, Mr Falinski. That question is actually implicit in the question that I put to financial institution leaders, which is: we are attuned to the issues that you are questioning us about, and we would like evidence around that. That would be very helpful. I also want to make an observation, which is really important. These guidelines are not new. The law has been in existence for a decade, and, in many respects, on most occasions—most, most, most occasions—the processes are embedded by financial institutions and lenders.

Mr FALINSKI: Mr Shipton, I accept what you're saying—except that I don't, in one sense. The way that the law is being enforced and has been interpreted in recent times has led lenders to massively increase their demands from borrowers to verify statements of expenditure and income, which I'm guessing—and I know anecdotally—have discouraged people from seeking credit.

Mr Shipton: This is the issue that I've asked financial institutions about. It is the issue that Deputy Chair Chester and Commissioner Hughes asked about.

Mr FALINSKI: When do you think you might have that?

Mr Shipton: We'll ask the question. I can't speak for the financial institutions. I will say one thing, though. Again, this is my 10-year point. The 10-year point—as my colleague Commissioner Armour mentioned—is that we began the Westpac case some time ago and these laws have been embedded for a decade. The guidelines have been in place since 2014. There seems to be an issue that ASIC has suddenly changed its position. We've actually been consistent now for a number of years

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about where we interpret the guidelines. People may disagree, and certainly there are matters going through the courts where they do disagree, but there has been a longevity about our position that needs to be appreciated. What I do think is important is that, yes, in the last 18 months the whole regulatory environment and focus on regulatory matters has changed. I'm conscious and attuned to that change in the regulatory environment. And there is—from the conversations I've had with the senior-most leaders of these financial institutions—a process taking place inside financial institutions to calibrate to that new environment and expectations. We believe that this environment and expectation levels come from community, via the royal commission and via statements by members of parliament and other community leaders. I believe, from my observations of what is happening right now, that we are going through a transition period that we hope, via our guidance, will be expedited as financial institutions transition to being confident that they're operating inside the law, lending appropriately, protecting consumers and also protecting their own balance sheets over the longer term.

Answer:

ASIC has asked the Australian Banking Association whether it collects any current or historical data as to loan application assessment timelines from its members. ASIC will advise the Committee Secretariat once it receives a response.