B. Reasonable inquiries and verification steps		
B1 *We are considering whether to identify particular inquiries and verification steps in RG 209 that we think would generally be reasonable to provide greater certainty to licensees about complying with their obligations.*		
B1Q1	Would it be useful for licensees if ASIC were to identify the inquiries and verification steps that we consider should be taken? Why or why not?	Yes: The main motivation for this is to ensure that all ADI's and Lenders bound by Responsible Lending obligations are consistent is the approach, or very close to it. For the smaller organisations, any significant breach would be catastrophic to the ongoing viability of that business and therefore, these smaller organisations ensure that compliance with regulatory obligations are key to its success. Providing this would at least ensure that the majority of lenders are working on parity with each other.
B1Q2	If there are particular examples of industry practice that you consider should be reflected in any guidance, please provide details of those practices.	Living expenses is the biggest inconsistency in the industry as we've recently identified. All ADI's/lenders would be doing this differently, guidance on best practice would be significantly beneficial to ensure a level playing field. Specifically, what living expenses should be captured and how to apply this in comparison to the relative living expense index (HEM). (e.g. is adding private school fees, childcare and child maintenance to the declared living cost and then comparing to HEM an acceptable method, or should these expenses be applied to the > of HEM or declared living expenses) Guidance around the scalability of validation requirements on loans where servicing is strong or different products.
B1Q3	Are there any kinds of credit products, consumers or circumstances for which you consider it may be reasonable to undertake fewer inquiries and verification steps? Please identify the kinds of products, consumers and circumstances and particular features you think are relevant.	Strong capacity position <80% (expenses&commitments/income) and the requirement to validate full living expenses. Risk based approach for strong serviceability of loans, specifically only related to the extent that living expenses are reviewed. Don't believe that this can be product based, as a $10,000 personal loan could be the driver that tips the applicant into hardship if not assessed correctly.
B1Q4	In your view, what aspects of the consumer's financial situation would a licensee need to inquire about in all circumstances? If you think some aspects of the consumer's financial situation do not need to be inquired about, please explain why.	**<u>All</u>** Income Assets and liabilities Commitments Expenses (rent/childcare/private school fees/child maintenance) Living costs (either reviewed or through discussion with the consumer, per comment above) Marital status and relationship to co-borrower Dependants Enquiries on Credit File **<u>Not required</u>** Nil
B1Q5	In your view, what aspects of the consumer's financial situation would a licensee need to verify in all circumstances? If you think some aspects of the consumer's financial situation do not need to be verified, please explain why.	**<u>All</u>** Income Assets and liabilities Commitments Expenses (rent/childcare/private school fees/child maintenance) Living costs (either reviewed or through discussion with the consumer, per comment above)

		Marital status and relationship to co-borrower Dependants Enquiries on Credit File **<u>Not required</u>** Nil
B1Q6	What would be the effect on consumers of ASIC identifying particular inquiries and verification steps? For example, what would be the effect on access to and cost of credit for consumers?	The Bank believes that our model currently satisfies the expectations of ASIC. The Bank has already implemented an independent team to the Sales team who completes the validation process. From our perspective, this would be welcomed for the industry, but we wouldn't expect to have an impact on access or cost of credit.
B1Q7	What would be the effect on business costs of ASIC identifying particular inquiries and verification steps? Please provide details of the effect on compliance costs for the licensee, and any factors that are likely to affect the level of cost or cost savings.	This cost has already been incurred by the business per response above - B1Q6.
B1Q8	In your view, what would be the effect (either positive or negative) on competition between licensees? Please provide details.	As a smaller organisation, the Bank can see this as a positive as it would ensure that all ADI's/Lenders are applying a consistent approach to the assessment of loan applications and this consistency would then ensure the consumer is choosing the product and organisation that suits their needs. Customer service and pricing then becomes paramount in the success of winning that business.
C1. We propose to amend the current guidance in RG 209 on forms of verification to: (a) clarify our guidance on kinds of information that could be used for verification of the consumer's financial situation, and provide a list of forms of verification that we consider is readily available in common circumstances; and (b) clearly state that views on what are 'reasonable steps' will change over time, as different forms or sources of verifying information become available. For example, developments in open banking and data aggregation services will assist licensees to efficiently confirm the financial situation of a consumer (including allowing simultaneous inquiry about and verification of some information).		
C1Q1	Please provide details of any particular types of information that you consider should be reflected in the guidance as being appropriate and readily available forms of verification?	In addition to Appendix 1, which covers the basic requirements for a standard application, the following information is also required to support non-standard applications: **Income** - rental statements or letter from agent confirming existing or proposed rental income; - dividend statements where dividend income is being utilised, including an up to date share portfolio summary to support ownership of these shares; - Employment contract for Contract employed applicants, to understand terms of contract etc. **Existing debts/liabilities** - Bank and loan statements to validate debt level, limits and repayment history

<table>
<tr><td>C1Q2</td><td>Do you consider that the examples included in Appendix 1 are appropriate? Why or why not?</td><td>Appropriate for a basic PAYG application with no other income required.</td></tr>
<tr><td>C1Q3</td><td>Are there particular issues with using data aggregation services that you consider should be raised in our guidance? Please provide details of those issues, and information that you consider should be included in our guidance. For example, would it be useful to include specific guidance on matters the licensee could, or should, raise with the consumer before obtaining the consumer’s consent to use this kind of service?</td><td>Guidance per example in the C1Q3 would be beneficial.</td></tr>
<tr><td colspan="3">C2. We propose to expand our guidance on what are reasonable steps to verify the financial situation of a consumer by:
(a) more clearly stating that it is not sufficient merely to obtain verifying information but not have regard to it, or to use a source of information to verify only one aspect of the consumer’s financial situation if it contains other (potentially inconsistent) information about other aspects of the consumer’s financial situation; and
(b) including an ‘if not, why not?’ approach— that is, if a licensee decides not to obtain or refer to forms of verifying information that are readily available, they should be able to explain why it was not reasonable to obtain or refer to those forms of verification in the circumstances of the particular consumer involved.</td></tr>
<tr><td>C2Q1</td><td>Do you consider that the proposed clarification of guidance on reasonable verification steps would be useful? Are there any other aspects of our guidance on verification that you consider would be useful?</td><td>The Bank would consider this to be useful, although we already meet this requirement.</td></tr>
<tr><td>C2Q2</td><td>Would an ‘if not, why not’ approach encourage improvements to current verification practices? Why or why not?</td><td>Yes, providing the question is asked and followed through with if the why not was insufficient.</td></tr>
<tr><td>C2Q3</td><td>What are the benefits, risks and costs for consumers in this approach (including any effect on access to and cost of credit for consumers)?</td><td>From our perspective no change would be required, no impact on costs. Benefits would include a more even playing field and consistent approach, which can only benefit the member.</td></tr>
<tr><td>C2Q4</td><td>What additional business costs would be involved in this approach?</td><td>None that I can think of.</td></tr>
<tr><td>C2Q5</td><td>In your view, what would be the effect (either positive or negative) on competition between licensees? Please provide details.</td><td>Competition is a healthy environment which ultimately benefits the member and provides opportunities for smaller lenders to grow and remain sustainable.</td></tr>
<tr><td colspan="3">C3. We propose to clarify our guidance in RG 209 on the use of benchmarks as follows:
(a) A benchmark figure does not provide any positive confirmation of what a particular consumer’s income and expenses actually are. However, we consider that benchmarks can be a useful tool to help determine whether information provided by the consumer is plausible (i.e. whether it is more or less likely to be true and able to be relied upon).
(b) If a benchmark figure is used to test expense information, licensees should generally take the following kinds of steps:
(i) ensure that the benchmark figure that is being used is a realistic figure, that is adjusted for variables such as different income ranges, dependants and geographic location, and that is not merely reflective of ‘low budget’ spending;</td></tr>
</table>

(ii) if the benchmark figure being referred to is more reflective of 'low budget' spending (such as the Household Expenditure Measure), apply a reasonable buffer amount that reflects the likelihood that many consumers would have a higher level of expenses; and *(iii) periodically review the expense figures being relied upon across the licensee's portfolio—if there is a high proportion of consumers recorded as having expenses that are at or near the benchmark figure, rather than demonstrating the kind of spread in expenses that is predicted by the methodology underlying the benchmark calculation, this may be an indication that the licensee's inquiries are not being effective to elicit accurate information about the consumer's expenses.*		
C3Q1	Do you consider that the proposed clarification of guidance about use of benchmarks would be useful? Why or why not?	(i) the Bank currently applies the different income ranges and dependants to all applications. Geographic location is currently limited to a central location, due to the majority of the bank's lending occurring in that location. (ii) this statement is too ambiguous, and our preference is that the "reasonable buffer" statement be clarified further with a number (10%)? (iii) Agreed
C3Q2	Please provide information on what buffer amounts you currently apply, or would otherwise consider to be reasonable	Specifically to living costs, the bank adopts the greater of the customers declared living expenses or HEM. No actual buffer is included in this assessment. Buffers occur in both the income and liabilities piece of the assessment: *income* 80% of rental income (standard property), 70% for High Density locations or 50% Airbnb/Serviced Apartments: 80% of Dividend income; 75% of 2nd job; and 80% Overtime; *Liabilities* for existing Home Loans, apply the greater of 7.25% floor interest rate or 2.25% plus actual rate;
C3Q3	What are the benefits, risks and costs for consumers in this approach (including any effect on access to and cost of credit for consumers)?	no change required as already applied
C3Q4	What additional business costs would be involved in this approach?	no change required as already applied
C4. We propose to update the current guidance in RG 209 on reasonable inquiries about the consumer's requirements and objectives to reflect the findings and guidance in Report 493 Review of interest-only home loans: Mortgage brokers' inquiries into consumers' requirements and objectives (REP 493).		
The Bank currently does not utilise Brokers as a referral source. The Bank also does not provide IO owner-occupied home loans to consumers, unless the loan is for construction purposes. With that said, the findings within Report 493 would be useful.		
C4Q1	Do you consider that the proposed clarification of guidance about understanding the consumer's requirements and objectives would be useful? Why or why not?	Per comment above
C4Q2	What are the benefits, risks and costs for consumers in this approach (including any	Per comment above

	effect on access to and cost of credit for consumers)?	
C4Q3	What additional business costs would be involved in this approach?	
D1. We propose to include new guidance in RG 209 on the areas where the responsible lending obligations do not apply.		
D1Q1	Are there any forms of lending where the responsible lending obligations are being used by licensees in situations where the law does not require the responsible lending obligations in the National Credit Act to apply? Please describe the situations where this takes place.	The Bank has a very limited commercial/small business portfolio, even though small, the bank applies a similar approach in assessing these loans as we do with loans that form part of the National Credit Act.
D1Q2	Are there any forms of small business lending where licensees are unsure about whether the responsible lending obligations in the National Credit Act apply? Please describe the situations which give rise to this uncertainty.	No, the bank applies the Act generally across this lending, albeit it's small in nature.
D2. We propose to include new guidance in RG 209 on: (a) the role of the responsible lending obligations, and in particular the obligation to take reasonable steps to verify information provided about the consumer's financial situation, in mitigating risks involved in loan fraud; and (b) risk factors that might indicate that additional verification steps should be taken.		
D2Q1	Would specific guidance about loan fraud and the impact on responsible lending obligations of the licensee be useful? Would guidance encourage broader improvements in processes for identifying fraud and reduce the risk of consumers entering unsuitable credit contracts as a result of fraud? Why or why not?	Any guidance that assists in fraud awareness and detection is worthwhile, however you would expect any financial institution involved in lending would already have frameworks in place around this, for example Frontline training on lending fraud indicators and escalation processes (RACQ Bank have this). I believe that additional guidance would assist in improving fraud awareness in general provided that guidance flows through to credit policy, procedures and processes. The fraud guidance would need to be fairly generic to account for the everchanging fraud landscape and new and emerging fraud trends.
D2Q2	Please provide details of any risk factors that you consider it would be useful to identify, and additional verifying steps you consider to be reasonable in those circumstances.	The bank would encourage the guidance could detail the benefits and recommendations of third-party fraud monitoring services that the FI participate in.
D2Q3	What are the benefits, risks and costs for consumers in this approach (including any effect on access to and cost of credit for consumers)?	Costs would be on the financial institution therefore I see no impact to consumers.
D2Q4	What additional business costs would be involved in this approach?	Business costs would increase but ultimately the decision to take up the services would be dependent on the return on investment, current fraud instances and other factors.
D3. We propose to include guidance in RG 209 to clarify how repayment history information may be used, including that: (a) the occurrence of repayment difficulties on one product will not necessarily mean that a new credit product will in all cases be unsuitable for that consumer; and		

(b) this information should instead trigger the licensee to make more inquiries to enable it to understand those repayment difficulties, and the likelihood that the circumstances of the consumer leading to those difficulties will mean that the consumer would also be unable to meet financial obligations under the new product being considered.		
D3Q1	Would guidance about use of negative repayment history information and hardship indicators reduce the risk that credit providers consider it necessary to refuse applications for further credit products that may in fact be affordable for the consumer? Why or why not?	This would be useful, as it doesn't pigeonhole consumers who have/had arrears, it requires more conversation/understanding of the why and how this product will be affordable and "not unsuitable".
D3Q2	What are the benefits, risks and costs for consumers in this approach (including any effect on access to and cost of credit for consumers)?	no change required as already applied
D3Q3	What additional business costs would be involved in this approach?	no change required as already applied
D4. We propose to include new guidance in RG 209 about maintaining records of the inquiries made and verification steps taken by the licensee, reflecting our findings and recommendations on good recording practices included in REP 493.		
D4Q1	Do you consider that guidance on industry best practice for recording the inquiries and verification steps that have been undertaken would be useful for licensees? Why or why not?	Yes, any guidance/best practice would be welcomed, and I'd expect these to be adopted by the Bank.
D4Q2	Please provide any comments on the particular recording practices identified as 'best practice' by ASIC, and whether you consider those practices are generally appropriate for licensees.	The tools referred to in section 85 of the Consultation Paper, we deploy similar tools now (application form, RL Checklist etc.) to record the various templated questions, responses, and follow up notes. Use of a concise summary to demonstrate our (the lenders understanding) of the members needs vs. the product recommendation may be opposed operationally in terms of duplication of work, and may pose challenges in terms of consistency and quality etc.
D4Q3	What are the benefits, risks and costs for consumers in this approach (including any effect on access to and cost of credit for consumers)?	The summary in particular would be useful for the member to confirm the product recommendation etc. is appropriate before they proceed. Operationally it could present additional costs as a result of processing time/training etc. Limited (if any) direct impact I would think.
D4Q4	What additional business costs would be involved in this approach?	Training/staffing.
D5. We propose to provide additional guidance in RG 209 on what information we think should be included in a written assessment.		
D5Q1	Would it be useful for ASIC to provide an example of a written assessment to illustrate the level of information that we think should be included? Why or why not?	Yes, this would be useful to provide more consistency and uniformed approach
D5Q2	Please provide any comments on the example set out in Appendix 2	This example is comprehensive. Living expenses continue to be an ever-changing piece of this process and anecdotally most ADIs would complete this process differently. The bank would welcome a detailed list of what expenses should be captured in

		the respective living expenses metrics and how these are to be applied against the respective index (HEM).
D5Q3	What are the benefits, risks and costs for consumers in this approach (including any effect on access to and cost of credit for consumers)?	This would be dependant upon what changes are considered for this approach. Consistency and uniformity throughout the sector would add significant benefit to consumers.
D5Q4	What additional business costs would be involved in this approach?	This would be dependent upon what changes are considered for this approach. Internal IT costs would be incurred with any change along with training and changing forms. The Bank is satisfied its current processes are acceptable and meet our responsible lending obligations but would welcome any changes.