

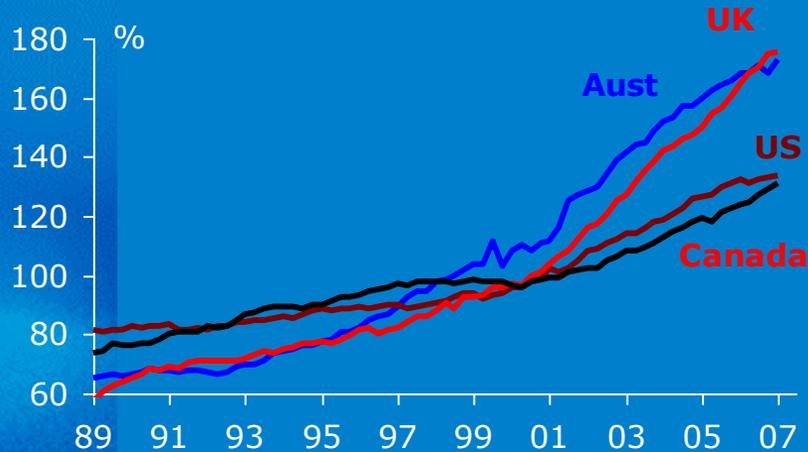
# ***ANZ's Approach to Responsible Lending***

**Jane Nash**  
**Head of Government & Regulatory Affairs**

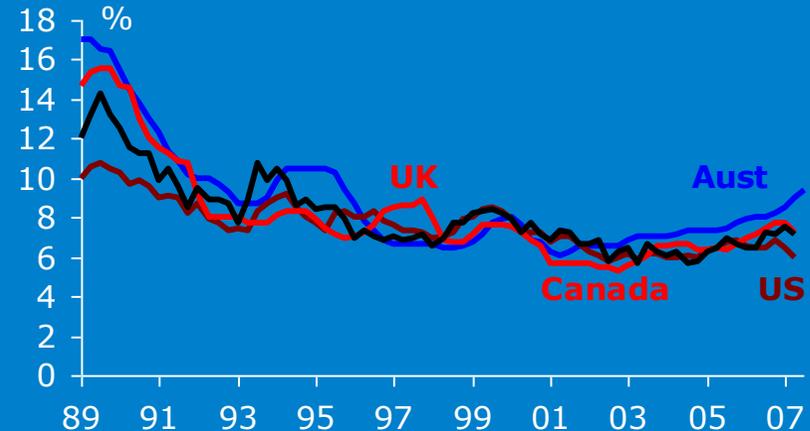
Australia and New Zealand Banking Group Limited

# The Australian Environment

Household debt to income ratio



Mortgage rates

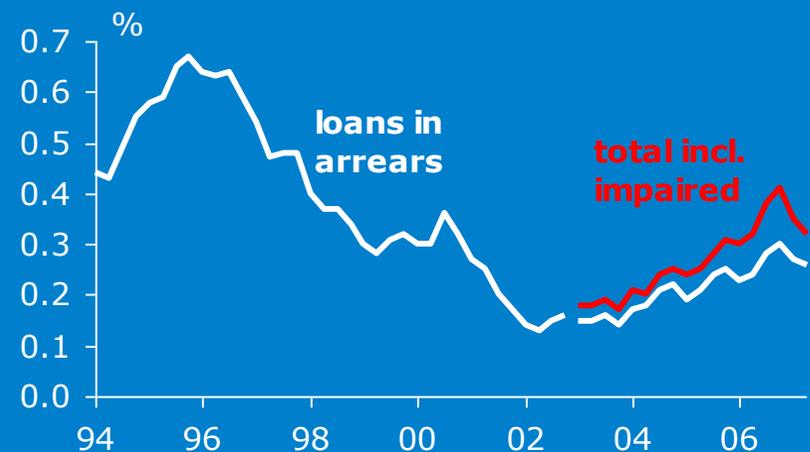


## Some Mortgage Stress Emerging

- Debate over lending standards and marketing practices
- Over 700,000 households to experience 'stress' by June 2008: 300,000 'at risk' and 400,000 not at significant risk of default

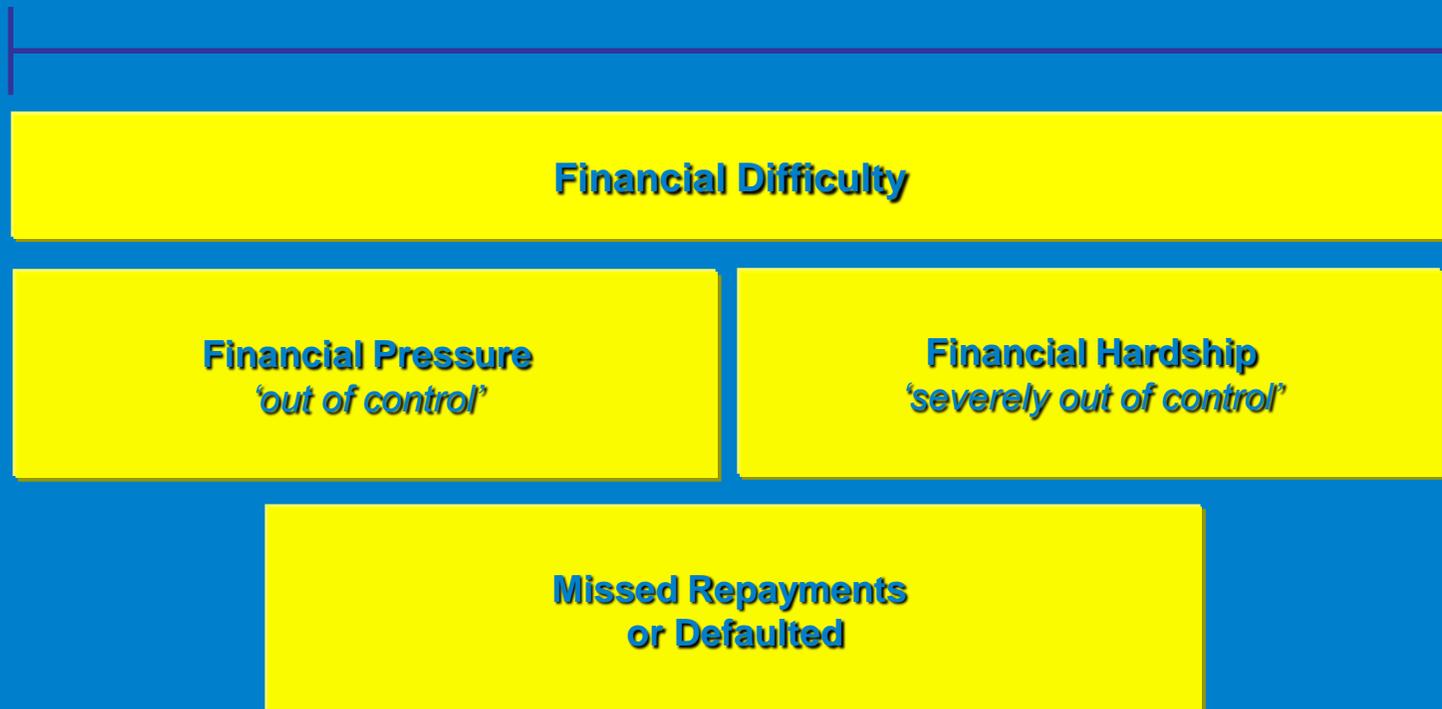
(Source: Fujitsu Consulting)

Loan delinquencies: housing

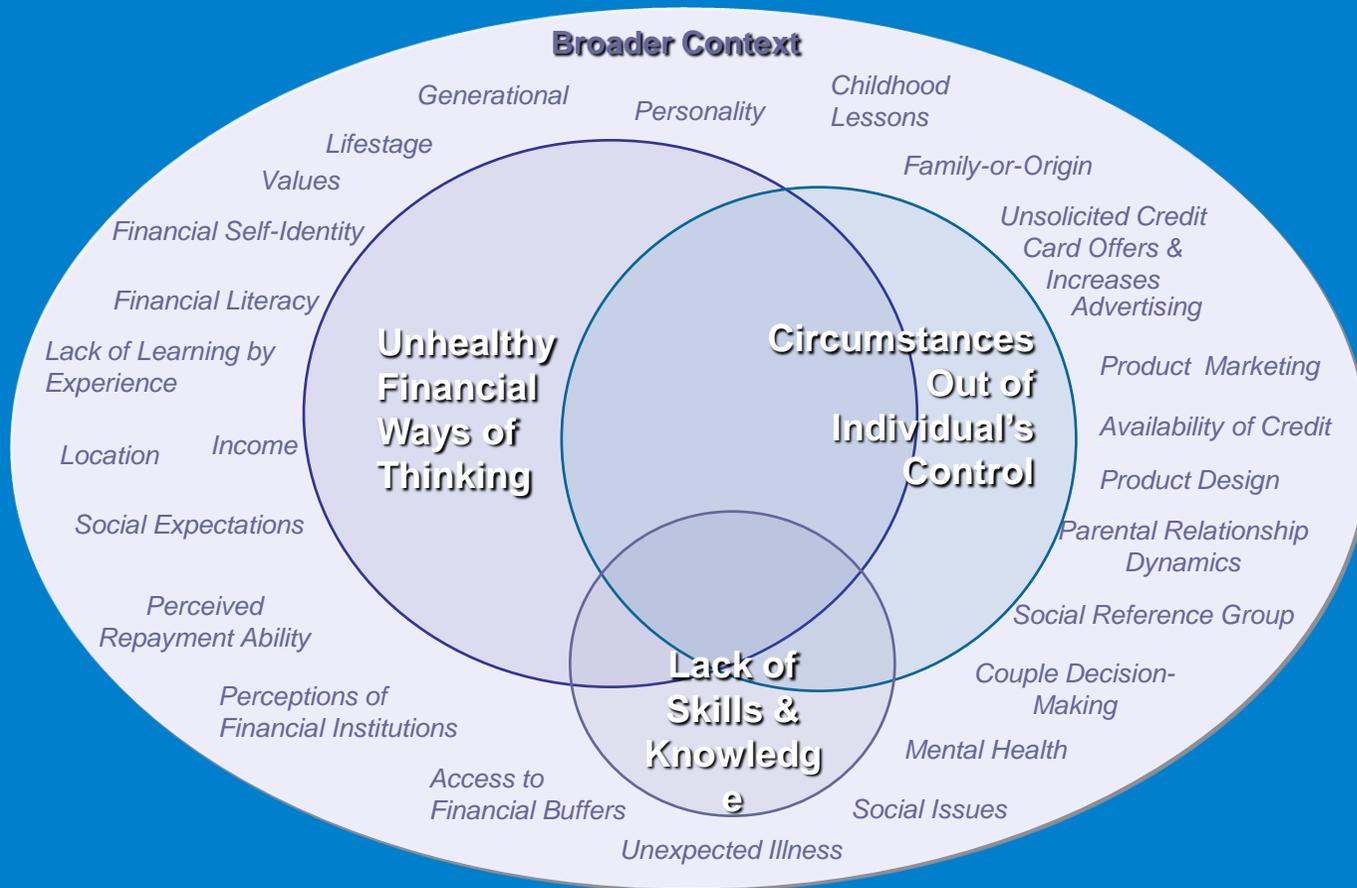


# Research into financial difficulty

- By AC Nielsen, qualitative, focussed on 2% of adult population who felt 'out of control most or all of the time' with finances and have borrowings
- A spectrum of financial difficulty



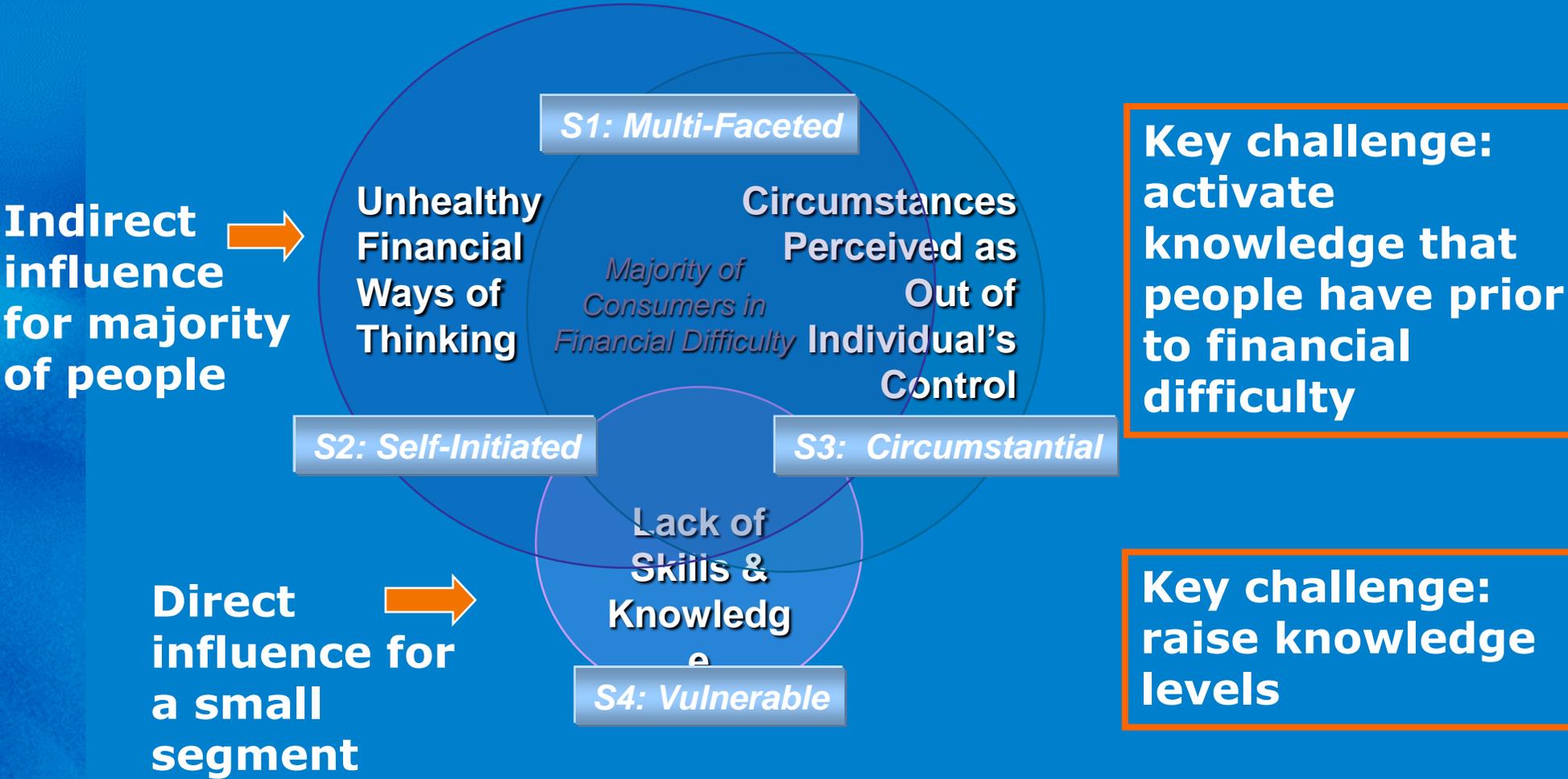
# Key reasons for financial difficulty



- Arises from a combination of factors

- All income levels affected but those with no buffer most vulnerable

# Role of financial literacy: key challenges



# Role of Lenders

- Study showed an indirect role for the 2% in difficulty with borrowings
- Unsolicited credit limit increases accepted where 'unhealthy ways of thinking' pre-existed
- Perception 'it must be okay' because the lender had sent it out and a tendency not to read the offer
- Those experiencing financial difficulty felt they had reduced or no choice of lender and were powerless to negotiate with lenders
- Challenge is for lenders to market products responsibly and be responsive and appropriately flexible in dealing with customers in financial hardship

## ANZ response

- Public, externally audited **responsible lending promises** e.g. we will not offer you a credit limit increase if we know you are on a fixed income, for example, receiving a government pension
  - Pool of customers eligible for an unsolicited Credit Limit Increase reduced 11%
- **Product design** to allow choice e.g. ANZ Balance Visa offers 1 Reward point for every \$1 you repay to your balance; Pay Down Plan pilot
- **Tools and information** e.g. on-line calculators to assist in product selection and to calculate how long repayment would take for a given monthly repayment amount

## ANZ response (continued)

- Early assistance pilot for customers identified as being 'at risk'
- Better hardship policies and processes: no discrimination due to cause, customer not required to 'prove' hardship
- Money Minded adult learning program developed with financial counsellors for use by financial counsellors and community organisations - 55,000 people have participated since 2004
- Progress Loans: small amount loans delivered in partnership with a community organisation
- Saver Plus matched savings account – 70% of former program participants are saving at or above their program levels 2-3 years later

# Conclusions

- Financial literacy the primary cause of financial difficulty for a minority; majority have a reasonable skills base
- Both consumers and lenders need to behave responsibly and the community expects lenders to take the lead
- We don't have all the answers so we involve those who are closer to the issues e.g. financial counselors
- A responsible approach is good for our business
  - Consumer arrears rates >60 days past due are holding up well so far: 1.5% for consumer cards and 0.3% for mortgages