



CCR Connective Webinar

25th June 2019

Agenda

1. Broker/Customer Impacts
2. Industry Status
3. Data Consumption
 - Undisclosed Debts
 - Credit Scores
 - Next Steps
4. Appendices



Discussion Points

What is Comprehensive Credit Reporting

What is comprehensive credit reporting?

Comprehensive credit reporting changes the type of consumer credit information that can be collected by credit bureaus and used by credit providers when making a lending decision. The Privacy Act 1988, which is the legislation governing consumer credit reporting in Australia, was amended on 12 March 2014 to introduce comprehensive credit reporting.

Previously Australia had a negative reporting system. This meant consumer credit reports could only contain information such as credit enquiries (typically applications for credit e.g. a personal loan or credit card) and information from credit providers such as payment defaults and serious credit infringements. Under a comprehensive credit reporting system positive data is able to be included on credit reports. Most developed countries in the world operate under a comprehensive credit reporting system.

The positive data that can be included on credit reports includes account information such as the date an account was opened and closed, credit limit, type of credit account as well as 24 months repayment history. Repayment history information can only be provided by and shared with licenced credit providers - this doesn't include telco and utility companies. This means that if you make your repayments on time each month this good credit behaviour will be recorded on your credit report.

Australia to move to Comprehensive Credit Reporting

COMPREHENSIVE



Credit Applications



Defaults (>60 days overdue)



Insolvency & Court data



Date Account opened



Type of Credit



Available Credit Limit



Date Account Closed



24

MONTHS
Repayment history information

peppermoney | **EQUIFAX**

Additional Data Reporting

Sample from My Credit File:

Consumer Credit Liability Information

This is account information about consumer credit accounts you hold with a credit provider, or have held. Information may include account open rate, account closed date, account limit and repayment history for up to 2 years.

“Repayment History” displays whether you had paid their credit on time or not on a month by month basis for a period up to 2 years. If not, it provides an indicator of how late you were in making that month’s payment:

Code	Description
0 (zero)	The consumer credit is not overdue – current up to, and including, the Grace Period
1	Up to 29 days overdue (after the grace period has been applied)
2	30-59 days overdue
3	60-89 days overdue
4	90-119 days overdue
5	120-149 days overdue
6	150-179 days overdue
X	180+ days overdue
C	Closed <i>The account is closed, was closed, during that period or was not opened yet during that period</i>
R	Not reported <i>Repayment data was not yet reported for this period</i>

Broker & Customer Impacts

Broker Impacts

With over 85% of customers credit information being available from Q4 2018 Brokers will need to ensure that all Credit facility information is shared with Pepper and other Lenders.

From Apr to Dec 2018:

25% of Applications didn't disclose all Credit Card facilities.

Over 40% of Applications under disclosed their credit card limits (436 Customers under disclosed their CC facilities by <50k).

4% of Applications didn't disclose all Mortgage facilities (27 people had more than three mortgages they didn't disclose).

12% of Applications under disclosed their Mortgage facilities(145 Customers under disclosed their Mortgage facilities by <800k).

Customer Impacts:

RHI Data – Lenders will now be aware of customers repayment history with other organisations and this could impact their product selection.

CCLI Data – Lenders will now be aware of customers credit facilities and limits so they could end up having to close credit cards or reduce limits to meet serviceability thresholds.

Customer/Broker Education

<https://www.creditsmart.org.au/>

Confirmation of teams who will or should receive training in an organisation –

- Collections
- Customer Service
- Credit
- Settlements & Support
- Sales – Third Party/Direct
- Credit & Settlements



CreditSmart
Consumer FAQ's



CCR - Summary



Credit Report
Summary



Beware of Credit
Repair Companies

CCR Supply Status – by Organisation

Fully Live with CCR Data

NAB
HSBC
CUA
Now Finance
MoneyPlace AFSL
Good Shephard
Wisr
Wingate Consumer Finance
Society One Australia
RateSetter Australia
Harmony
Advantage (Mortgage)
MyState Bank

Contributing 50% of their Data (Full live date in brackets)

Citigroup Pty Ltd (27/6/19)
Newcastle Permanent Building Society Ltd (2/7/19)
Teachers Mutual Bank (29/7/19)
ThinkMe Finance Ltd (3/8/19)
ANZ (15/9/19)
Westpac (17/9/19)
St George (17/9/19)
Bank of Melbourne (17/9/19)
BankSA (17/9/19)
RAMS (17/9/19)
CBA (24/9/19)
Bankwest (24/9/19)
Right Road Finance Pty Ltd (2/10/19)
Latitude (4/12/19)
MoneyMe Financial Group (5/12/19)
Credit Union Australia (28/3/20)
ME Bank (30/3/20)
Greater Bank Ltd (20/5/20)
Pepper Money (31/5/20)

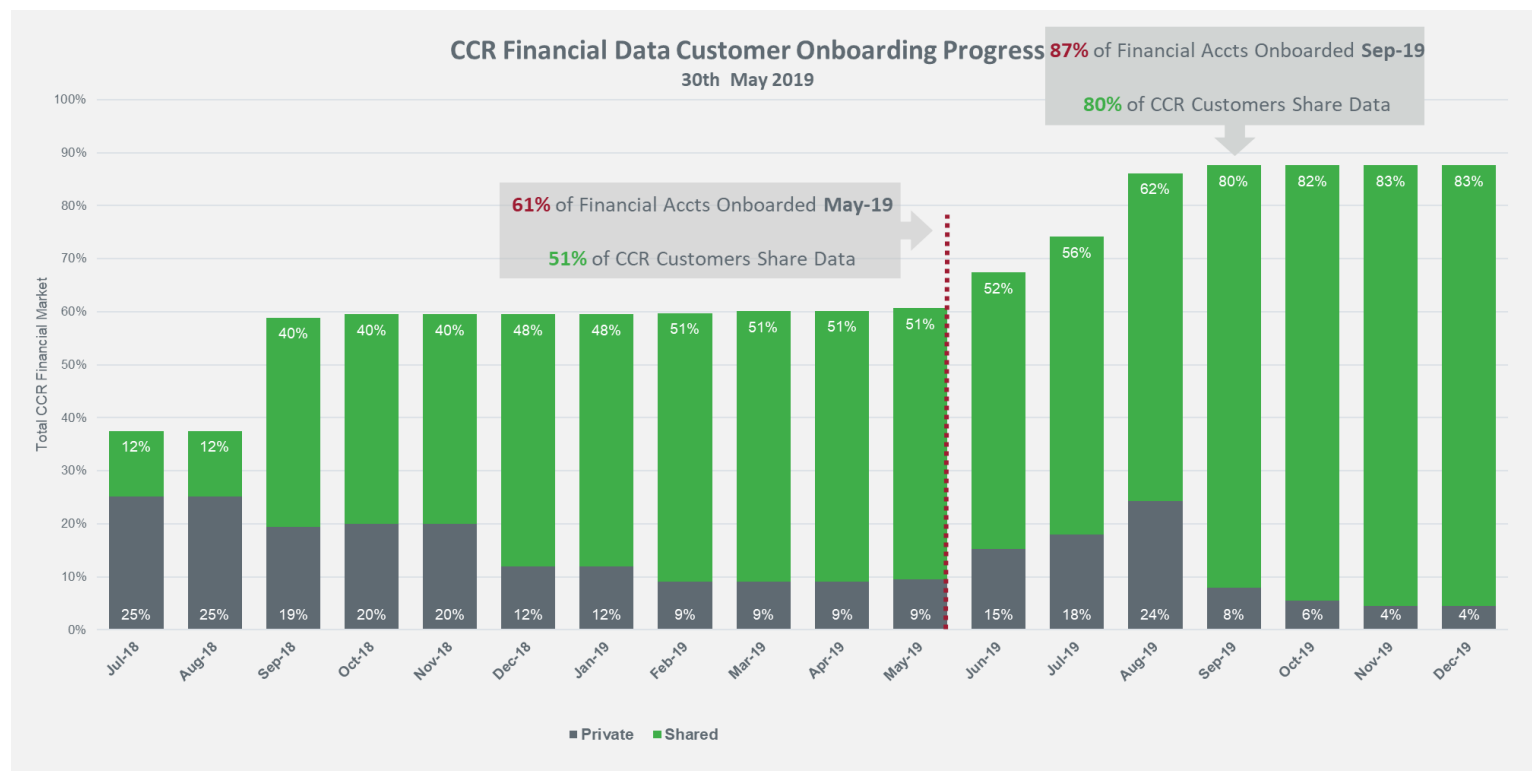
Go-Live dates within 12 months (TBC)

AMP (1/11/19)
Bank of Australia (30/11/19)
Suncorp (Q3)
Toyota Finance (TBC)
Macquarie (TBC)
Bank of Queensland (TBC)
Bendigo (TBC)
AMEX (TBC)
Nissan (TBC)

CCR Status – High level points

- Pepper are the first of the Non Bank Mortgage Lenders to participate in CCR.
- Pepper are the 4th organisation to contribute mortgage data in the live environment after NAB, HSBC and CUA.
- Brokers will start to see impacts of CCR
- Lenders are already utilising this data in assessments
- Education wont find you – You must find it
- Diversification will be key
- Customers can make changes now to ensure that they are ready for CCR

CCR Data Supply Forecast

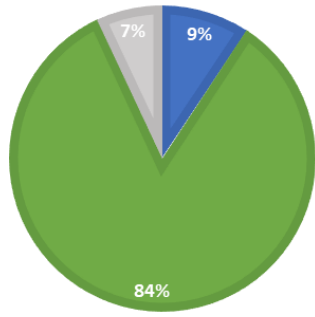


- The CCR forecast is based on Equifax's estimate of the total market (# of financial accounts) in each of the major credit portfolios.
- CCR Data forecast is based on lenders that have engaged in data supply with Equifax to date and *have confirmed their data supply schedule.*

CCR Coverage	30 May 2019
Accounts	17.3 million open retail accounts
Repayment History	245.4 million repayment history records
Records on the Bureau	342.9 million retail credit records
Projects Underway	60+ companies actively engaged in data supply

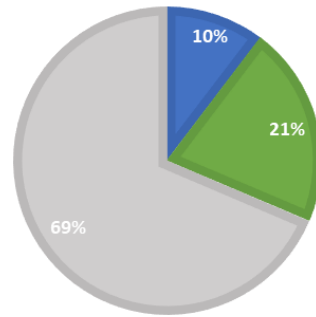
CCR Data by Portfolio Types

CREDIT CARD



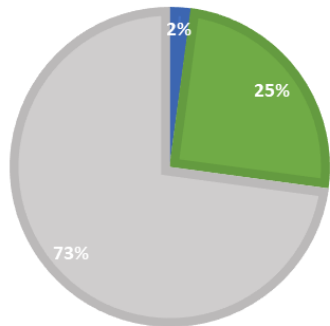
■ Private ■ Shared ■ Not Loaded

MORTGAGE



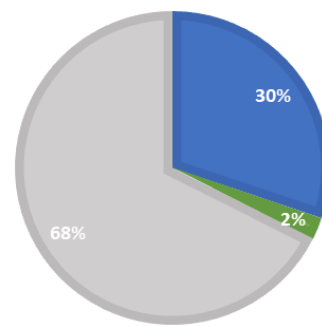
■ Private ■ Shared ■ Not Loaded

PERSONAL LOAN



■ Private ■ Shared ■ Not Loaded

AUTO LOAN



■ Private ■ Shared ■ Not Loaded

Data Validation

- **Private & Shared** is actual data loaded to Consumer bureau
- **Not Loaded** data is an estimate and will be re-validated once data volume is confirmed during data onboarding
- **Not Loaded** data includes customer projects added to Salesforce and industry estimates

Industry Feedback

Key Takeaways:

Nearly all organisations are updating or have updated their credit rules/scorecards etc to incorporate CCR data (RHI/Undisclosed Limits).

Positive bureau scores on avg are higher than the negative scores across the board.

Undisclosed limits are quite widespread on credit applications.

Some of the Big4 seem to be looking to reduce their reliance on Equifax.

Customers Issues:

ANZ – Customers particularly rejected Hardship customers and temporary arrangements are querying their RHI.

NAB – Correction request volumes are increasing.

CBA – Customers with credit cards they thought were closed but weren't and the accuracy of close date information.

Equifax Undisclosed Debts Analysis (Credit Cards)

Undisclosed Debts - Equifax analysis

Equifax compared the amount of credit card limits disclosed by customers on their application against the amount reported for the customer in CCR. Application data was from late 2018 and compared with CCR data that included around 90% of all credit cards in the market.

	Min	Average	Max
No credit cards disclosed or reported on CCR	19%	33%	43%
Disclose exact same amount as reported in CCR	11%	14%	16%
Disclosed more than reported by CCR	11%	15%	35%
Disclosed less than reported by CCR	30%	35%	41%

} 47% align

- On average 33% of customers that applied for a credit card did not have an existing credit card
- Around 14% of customers disclosed the exact same amount as reported in CCR
- Around 15% disclosed a higher amount than reported in CCR, possible reasons:
 - Do not know what their credit limit is
 - may have credit cards with non-CCR lenders
 - disclosed limits on where they are a secondary card holder
- Around 35% of customers disclose less than reported in CCR
 - Do not know they have an active credit card with another lender
 - Do not know what their credit limit is
 - Thought the CC was already closed
 - Deliberately under disclose to enhance prospects of approval
 - Credit limit increase so existing card not disclosed????

Undisclosed Debts – Risk insights

› Amounts undisclosed

- 27% < \$3k
- 73% >= \$3k

› Risk

- Average scores were circa **20-30pts lower for those with undisclosed debts** as compared to those with Limits in line with those reports to Bureau
- For those that did **not disclose any CC Limits** and where **open CC limits were reported** to the Bureau **had circa 20-50% higher arrears** in the **next 3-6 months** when compared to those that did disclose CC limits

Bureau Score Analysis

Number, Value and Risk of All Enquiries on Bureau above and below 800 in Q1 2019:

- 10.67% more enquiries fall above 800.
- Extra \$31.5B in enquiries fall above 800.
- Risk lowers by expected 0.24% on enquiries above 800.

	Score, cut-off: Negative, 800		Shared + Private CR, 800		Difference	
	Over	Under	Over	Under	Over	Under
Number of Records	477,970	144,372	544,382	77,960	66,412	-66,412
% of Total Records	76.80%	23.20%	87.47%	12.53%	10.67%	-10.67%
Theoretical Bad Rate	0.82%	3.52%	0.57%	4.68%	-0.24%	1.15%
Actual Bad Rate	0.00%	0.03%	0.00%	0.05%	0.00%	0.02%
Enquiry Amt	\$226,508.64M	\$65,576.91M	\$258,023.34M	\$34,062.21M	\$31,514.70M	-\$31,514.70M

Bureau Swapset Analysis

Swapsets – Summary products 2018 Q4 Negative vs Positive Apply scores

Product	% Increase in Enquiries now above Cut-off	Est Increase in \$Tot Limits above Cut-off \$B	Negative Score Cut-Off	Positive Score Cut-Off	Q4 2017 Observed Bad* rate	%Enquiries above Negative score cut-off	%Enquiries above Positive Score cut-off	Raw % Difference
CC	+35%	\$0.5B	700	704	1.58%	37.5%	50.6%	+13.1%
PL	+23%	\$2.7B	650	655	2.89%	30.1%	36.9%	+6.8%
RM**	+12%	\$18.4B	800	810	0.45%	76.1%	85.0%	+8.9%
Auto	+14%	\$0.42B	700	701	1.33%	61.0%	69.6%	+8.6%

Potentially nearly \$22B of lending would now fall above the cut-off for the same risk threshold across each portfolio