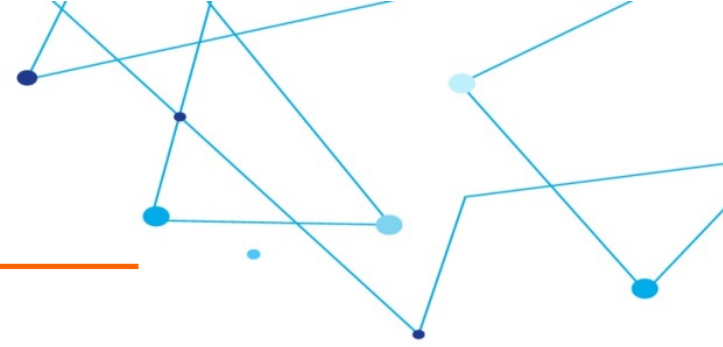


HOW LENDERS MAY USE OPEN BANKING DATA

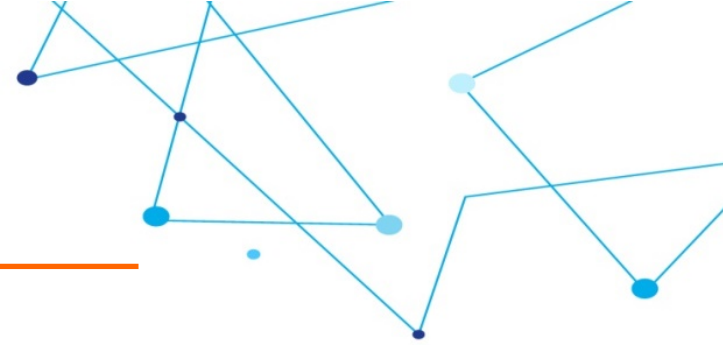


NCCP RESPONSIBLE LENDING USES



- A lender must:
 - make reasonable inquiries about the consumer’s requirements and objectives
 - make reasonable inquiries about the consumer’s financial situation
 - take reasonable steps to verify the consumer’s financial situation
 - assess whether the loan would be unsuitable
- A loan will be unsuitable if:
 - the consumer will be unable to comply with their financial obligations under the contract, or could only comply with substantial hardship
 - the contract does not meet the consumer’s requirements or objectives, e.g. if the consumer is refinancing, is the new loan ‘better’ than the old loan?
 - Plus: specific requirements for credit cards, small amount loans and reverse mortgages

RISK AND OTHER USES



Credit risk and Pricing

- Assess the probability of default, i.e. ‘score’ the application
- Offer an appropriate loan structure and pricing

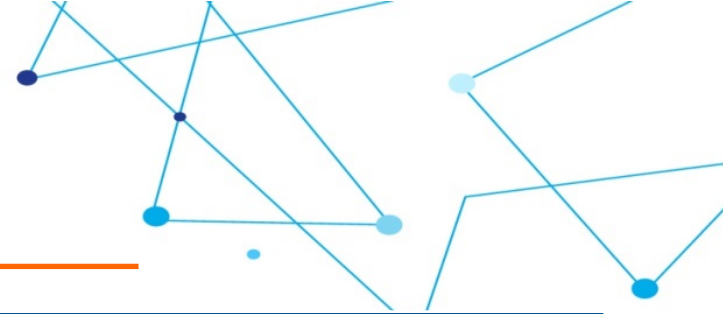
Use of deidentified data

- Create and manage credit scoring models
- Create and manage other models, e.g. tools to interpret transaction data

Other use case examples

- Providing a consumer a tool to assess credit card actual needs and uses (see Issue 6, ASIC REP 580)
- Verifying the closure of refinanced contract (e.g. following a credit card balance transfer)
- Ongoing risk assessment of the loan tied to an ongoing discount or other loan feature

NCCP – DATA ACCESS AND USES



'Financial situation'	CDR Account	CDR data
Borrower(s)' salary	Transaction account	<ul style="list-style-type: none">• Credits that may be from the employer (amount, frequency, payor)• Credits from Centrelink• Debits to ATO
Borrower(s)' disclosed fin serv liabilities with data holder	Credit accounts	<ul style="list-style-type: none">• Limit• Balance• Redraw positions• Min repayments (date, amount, balloon)• Actual repayments (date, amount)• Interest rates (value, F v V, discounts)
Borrower(s)' undisclosed fin serv liabilities with other provider	Transaction account Credit card	<ul style="list-style-type: none">• Regular debits• Cash transactions
Borrower(s)' disclosed or undisclosed non-fin serv liabilities		

NCCP – DATA ACCESS AND USES



'Financial situation'	CDR Account	CDR data
<p>Specific expenses (as per ASIC CP309):</p> <ul style="list-style-type: none">• Housing (rental, council rates)• Communication expenses (telephone/internet plans)• Child support and spousals maintenance• Insurance• Regular school fees/child care• Utilities• Regular entertainment or recreation services (pay tv, sports activities, telephone/internet costs outside plan schedule, gambling accounts)	<p>Transaction account Credit card</p>	<ul style="list-style-type: none">• Debits to entities that may be a provider

NCCP – DATA ACCESS AND USES



'Financial situation'	CDR Account	CDR data
General/usual types of expenditure and frequency of payments	Transaction account Credit card	<ul style="list-style-type: none">• All debits• Cash transactions
Potentially: Transactions that may indicate an undisclosed issue, e.g. <ul style="list-style-type: none">• Gambling or other addiction• Health issue• Disability• Pregnancy• Relationship breakdown	Every account / any account that has otherwise been accessed	<ul style="list-style-type: none">• Debits – medical, online gambling etc• Credits – Centrelink or other source of benefits• Cash transactions• All other personal information
Guarantor(s)' or third party's financial situation – either through consent or as joint account holder of CDR account	As above	<ul style="list-style-type: none">• As above