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New CCCFA rules: What to expect when you talk to the bank

Strict regulations that required banks to collect and verify detailed information about customers' personal expenses have been changed. So, what does this mean when you talk to the bank?

"ANZ customers will find the process of applying to borrow money – whether it's a home loan or a credit card – a little easier," says Grant Knuckey, ANZ Managing Director, Personal Banking.

ANZ Bank is adopting changes to the Credit Contracts and Consumer Finance Act (CCCFA) which removes restrictive affordability assessment requirements.

From today, lenders will have more flexibility in how they determine whether lending is affordable.

"The changes allow banks to have a more natural and constructive conversation with customers," says Mr Knuckey.

"For those looking to use a loan to buy their first home, for example, the new rules should lead to a smoother application process."

ANZ will continue to act as a responsible lender and in some cases will need to take a closer look at expenses to ensure we're best supporting customers and their home lending needs.

"We may still need to review transaction information to help ensure we accurately determine the affordability of the lending," Mr Knuckey says.

Talking with your bank

While very prescriptive affordability assessment requirements have been dropped, banks will still need to ensure you can afford to repay your loan. Under the updated Responsible Lending Code, banks also need to ensure that the borrower can repay the loan without suffering "substantial hardship".

- You will need to be able to show your current level of income and let the bank know if this is likely to change.
- The bank will ask you about your basic expenses for essentials, such as accommodation, food, transport, clothing and childcare.
- The bank will ask about other financial commitments or expenses you have, like existing debts.
- The bank will ask you about your credit history and may undertake a credit check.
- Having information ready to answer these queries, including three months of bank statements, will help speed up the approvals process.

Changes for home buyers

Dropping the prescriptive affordability assessment requirements is one of several recent changes to the home loan environment.

New Debt-to-Income restrictions were introduced on July 1. The rules mean a maximum of 20 per cent of new owner-occupier lending can go to home buyers borrowing more than six times their pre-tax income. Up to 20 per cent of new investor lending can go to investors borrowing more than seven times their pre-tax income.

At the same time, Loan-to-Value ratios have been eased. Banks can now provide up to 20 per cent of owner-occupier lending to those borrowing more than 80 per cent of the value of the home (previously 15%). Up to 5 per cent of investor lending can go to investors borrowing more than 70 per cent of the value of the property.

The Bright Line test to determine whether tax is payable on the profit from selling residential homes has been reduced from 10 years to 2 years. The July 1 change applies to previous sales, so any home sold before July 2022 is no longer subject to the Bright Line test.

“Taken together, these changes are not expected to have a large impact on home affordability in an already tough economic climate,” Mr Knuckey says.

“However, we welcome the CCCFA changes, which will help ease the process of applying for finance for New Zealanders.”

Help for first-home buyers

Meanwhile, the Government has scrapped the First Home Grant which gave eligible buyers \$5000 towards an existing home or \$10,000 towards a new build. The cut-off date for applications was May 22 this year.

ANZ remains committed to helping Kiwis get into their first home. Here’s how we can help.

- If you’re a first home buyer and taking out a new home loan (minimum of \$200,000) you could get a \$5000 cash contribution. The cash contribution is conditional on meeting ANZ’s eligibility criteria including keeping your home loan with ANZ for at least three years. Lending criteria, terms, conditions and fees apply.
- An ANZ Home Loan Coach will take you through your loan options and help with your plan of getting to where you want to be. They’ll give you an approximate idea of how much you could borrow, work through your deposit options, and what your repayments might look like.
- ANZ has options to assist those seeking to buy a home together with friends or family and for some people, having a parent guarantor can also be a helpful option to assist with a deposit.
- ANZ has also launched a low-interest home loan rate for customers wanting to increase the energy efficiency of their home. The ANZ Good Energy Home Loan top up allows customers to borrow up to \$80,000 at a 3-year fixed rate of 1% per annum on eligible purchases such as solar panels, heating and insulation, double glazing, ventilation systems and rainwater tanks.
- If you’re building or buying a new build, you could get discounted home loan interest rates and save on fees for up to two years with our Blueprint to Build package.
- [Download](#) ANZ’s free Home Buyer Handbook, it aims to help you navigate the home buying journey from start to settlement.

The changes to the CCCFA come into effect today, July 31.

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