HEARTLAND
BANK

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Director
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To whom it may concern,

Submission of Heartland Bank Australia Limited – Consumer Data Right Rules – non-bank lending and banking data scope

Heartland Bank Australia Limited (**Heartland Bank**) appreciates this opportunity to make a comment on the draft amendments to the Competition and Consumer (Consumer Data Right) Rules 2020.

We welcome the proposal to narrow the scope of banking and non-lending products for which Consumer Data Right (**CDR**) data sharing would be compulsory, particularly in relation to reverse mortgages. This is a niche and small target market product for which CDR data is unlikely to be shared at scale to support high-value use cases.

Reverse mortgages

Heartland Bank is Australia's largest provider of reverse mortgages, holding a 42% share of the market[1]. Most competitors are non-bank lenders. Since 2004, Heartland Bank is proud to have helped more than 27,500 Australians to live a more comfortable retirement by releasing equity from their homes with a reverse mortgage.[2]

Reverse mortgages are not a standard financial product. They are designed primarily to enable older Australians to access the equity in their homes without requiring immediate repayment. The product is significantly different to a standard mortgage and is a long-term financial solution that the customer takes out to provide access to funds until they no longer live in their property. The minimum age of a customer is 60 (noting a co-borrower may be a minimum age of 55) with the average age being between 75 and 80.

Most customers would not qualify for a standard mortgage product, or many other credit products, as they do not have sufficient income to satisfy the servicing requirements. A reverse mortgage, therefore, is a good solution for many older Australians to access the funds they need in retirement. As such, most Australians use their reverse mortgage to make important home improvements to

[1] Based on APRA ADI Property Exposure data as at 31 December 2023. This does not include data from non-ADI providers of reverse mortgages.
[2] Prior to May 2024 when Heartland Bank attained its ADI licence, Heartland Bank's reverse mortgages were offered under the Heartland Finance brand (previously Australian Seniors Finance).

allow them to remain in their home as they age, or to consolidate debt and supplement day-to-day income. The reverse mortgage product fits their requirements, and, given the older demographic, the process to take out this product is a big step for them and not something they often change. The average loan term at repayment is 6 years.

In addition, reverse mortgage loans have relatively low LVRs compared to standard mortgage products. Heartland Bank's average initial reverse mortgage loan LVR at origination as at 30 June 2024 was 11.5%.

Heartland Bank has never received a request for CDR in relation to reverse mortgages. Based on the product construct and customer age, we do not foresee this increasing significantly for quite some time.

Conclusion

The costs associated with complying with the CDR regime are disproportionate to the level of take-up by Heartland Bank's reverse mortgage customers to date (and likely take-up looking forward) and the potential benefits.

Given the niche nature of the reverse mortgage market and the relatively low customer engagement with these products, the operational and compliance costs imposed on product providers would outweigh any gains in customer transparency or competition. This imbalance could result in higher costs for customers, reduced market participation and fewer product offerings.

Heartland Bank is happy to discuss any aspect of this submission further.

Kind regards,

Michelle Winzer
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Heartland Bank Australia Limited