

National Consumer Credit Reform Package

Loans for Residential Property Investment now governed by the Consumer Credit Code

By [Nancy Bramley-Moore](#)

As you are no doubt aware, the Federal Government is making widespread changes to the regulatory environment for lenders under its National Consumer Credit Protection Reform Package.

One of the key elements of the reform is amendments to the Uniform Consumer Credit Code (UCCC). It will be enacted as Commonwealth legislation known as the **National Consumer Credit Code (NCCC)** and will extend the scope of credit products covered by the Code to regulate the provision of consumer mortgages over residential investment properties.

Previously the Code regulated loans to natural persons for personal, domestic or household purposes and this included loans to individuals for the purposes of their principal place of residence.

The NCCC has extended its operation to cover credit to natural persons for the purchase, renovation or improvement of residential investment properties or for the refinance of loans for such purposes.

"Residential property" is defined as:

- land on which a dwelling is or will be erected for residential purposes;
- certain crown leases or licences of land on which a dwelling is or will be erected;
- company title properties which are dwellings or are land on which a dwelling is or will be erected;
- rights to occupy homes in aged care facilities or retirement villages;
- equity of redemption in land that contains or will contain a dwelling.

For the NCCC to apply the property must be wholly or predominantly used or intended to be used at some future time as residential property.

Loans for serviced apartments would be caught by the NCCC as would loans for home business premises where the residential portion represents more than half the property.

The bill for the reform package is currently before the Commonwealth parliament for consideration and if passed the amendments to the UCCC will become operative from 1 July 2010. Some lenders will need to review their lending practices and update their documentation to ensure that they do not breach the Code.

Do you need assistance in understanding the new laws, implementing changes to your practices or updating your documentation? Contact:

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