

Section 22 p1, p2, p3, p4, p5

Table 2 Proposed changes to existing reforms

<i>Issue</i>		Section 22 <i>Treasury Comments and Proposal</i>
1. Setting cap for SACCs at 20/4 level		<ul style="list-style-type: none"> • <p style="text-align: right;">– Section 47G</p> <p>No changes proposed.</p>

Section 22

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<p>4. Removing prohibition on refinancing will create need to maintain integrity of 200% total cap.</p>	<p>Not yet raised but could be expected to support this proposal.</p>	<ul style="list-style-type: none">The risk is illustrated by the following example: a consumer borrows \$500 (so the total amount repayable is \$1000). Their current loan balance is \$700, and so they refinance this amount – the total amount repayable is now \$1400, so that an additional \$400 can be recovered in default fees. <p>Proposal</p>
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Section 22

		<p>Expand the operation of the cap, so that in the above example the total amount repayable would still only be \$1000.</p> <p>This would mean the cap does not increase where, in a refinance, part of the amount borrowed would be used to repay the existing debt.</p>
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