

women's access to credit

project

survey 2004

Less than \$5,000

\$5,001 - \$10,000

\$10,001 - \$25,000

\$25,001 - \$50,000

\$50,001 - \$75,000

Greater than \$75,000

National Council of Women of New Zealand

Te Kaunihera Wahine o Aotearoa

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The Maori Women's Welfare League for distributing the survey to their membership.

executive summary

The purpose of the Women's Access to Credit project was to carry out a survey that would examine women's ability to access credit in New Zealand.

Through this examination, it was hoped that any possible barriers to women gaining credit, or other influences that prevent women attaining economic independence, could be identified.

This project was also in line with the International Council of Women (ICW) Plans of Action 2002-03 where under the heading Sustainable Development, one of the action plans was to carry out research on credit facilities for the establishment of small business projects for women.

In 2003, the Women's Access to Credit survey was developed by Gillian Leigh in consultation with the National Council of Women of New Zealand Board of Management. The project plan and terms of reference were developed in July 2003. The survey was distributed via NCWZN members. Surveys were also distributed by the Maori Women's Welfare League and made available to the Wellington Ethnic Women's group, which meets in the Office of Ethnic Affairs.

The response rate for the survey was approximately 11%. The profile of the sample population demonstrated that

the majority of respondents were well-educated, New Zealand European women in the 41- 65 age bracket, with no dependent children. A major proportion of the sample, 41%, was in paid employment and 48% was city based. Less than a quarter of respondents (21%) received some type of Government benefit; the majority listed government superannuation as the type of benefit.

In terms of the "Average New Zealand" woman, she is likely to be 5 – 10 years younger than the median for this survey. She will in all likelihood have an educational qualification, but it is not likely to be as high as the average survey respondent. She is also likely to have a partner and at least one child. Commonalities shared by the "Average New Zealand" woman and the survey respondents are that they live in the city and are in paid employment.

In general, women applied for the whole range of financial credit types covered in this survey. The most common type of credit applications lodged were for credit cards (29%), closely followed by mortgages (27%), hire purchases (22%) and loans (19%).

The survey found that trading banks were the preferred institution for obtaining credit, except in the case of hire purchases, where retail outlets were preferred. Of those accessing credit in the form of a credit card, 85% used a trading bank, for mortgages 83%, loans 62% and other forms of credit excluding

hire purchase, 58% opted to deal with trading banks. Only 3% used a trading bank for hire purchases in comparison with 78% using a retail outlet.

Credit applications were most often in the respondents' names, except in the case of mortgages, when joint applications were made 52% of the time. Joint applications for loans occurred 29% of the time, while credit cards and hire purchases recorded 24% and 21% respectively.

Out of the 332 responses received, 82% indicated that their applications for credit had been successful, while 18% had been declined credit over the last five years. Several of the 60 respondents had been declined credit on more than one occasion and were therefore able to furnish more than one reason for being declined.

In terms of the reason given for being declined credit, 42% of the time "insufficient income" was provided as the grounds, whereas "insufficient collateral" recorded 16%, "student loan" 4%, "existing debt" 10%, "no credit history" 13% and "other" unknown reasons were recorded 15% of the time.

Those women declined credit were more likely to belong to an ethnic origin other than New Zealand European. Maori were represented more highly in the group declined credit with 19%. A third of the Maori respondents had been declined credit over the last five years.

Of those women declined credit, 57% were married, and the same percentage had children. Of the Maori women declined credit 73% recorded they were married, and 82% had children.

Only 15% of the sample population (51 out of 332 respondents) has, or has

had, a student loan. Most respondents (86%) indicated that they had borrowed \$25,000 or less against the student loan scheme.

Over the last ten years, 37% of respondents who have, or have had, student loans failed to obtain access to credit. Only two of 19 students in this sub-group indicated that having a student loan was the grounds for which their credit application was declined.

Owning assets which could be used in support of a credit application was not seen as being more influential on the success rate of an application than income earning potential and having dependents and current level of debt.

Respondents provided anecdotal evidence of gender bias, and the impact of having dependents, including the disadvantage to single parents. Improvements in women's access to credit were also noted.

The information collected in this survey is very limited in that there is not sufficient data to compare the accessibility and availability of credit for women to that for men. Furthermore, the questions used in the survey were particularly general.

The survey findings indicate some statistical significance for Maori women and having dependent children may also have some influence over women's ability to access credit. However, due to the size of the sample population and the broad design of this survey, potential barriers can only be implied and not categorically confirmed. These findings fall within the expectations of this project.

1 introduction

The National Council of Women of New Zealand (NCWNZ) undertook this project with a view to identifying potential barriers to women's access to credit, which would have larger ramifications on women attaining economic independence.

It was understood at the time that the survey was developed that there would be limitations on the questions that could be asked, because the work lacked a budget which would support employing specifically trained analysts. Furthermore there was a lack of existing work that could be used by the Council as a template for this survey.

The basic model for the survey was prepared by Gillian Leigh, former Convener of the NCWNZ Economics

Standing Committee. Approval and finalisation of the survey was provided by the NCWNZ Board of Management.

Surveying took place over March 2004 – June 2004 with the survey forms distributed via NCWNZ's traditional channels, which included the Nationally Organised Societies, NCWNZ Branches, National Members and via kindred organisations such as the Maori Women's Welfare League. Access to Migrant and Refugee women was facilitated by the Office of Ethnic Affairs in Wellington.

Approximately 3,000 questionnaires were distributed to the general population of women throughout the country. From this 332 responses were received by 30 June 2004.

The initial analysis of the surveys was carried out in 2004 and a first draft of the report was generated.

Further analysis was undertaken in 2005, which culminated in the final report produced in January 2006.

2 profile of the sample population

The sample for this survey was not randomly selected, and as a result was extremely homogeneous. This outcome was anticipated and was considered appropriate given the survey was originally intended as a tool to collect evidence of barriers to women accessing credit, rather than an in-depth scientific study.

Those groups under-represented in this survey were aged 25 and under, and/or were women of ethnic groups other than New Zealand European. Almost three-quarters of those responding to this survey classified themselves as New Zealand European.

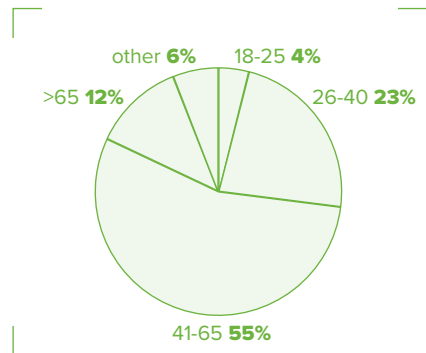
It was intended that all women responding to the survey should have applied for a loan, mortgage, hire purchase, credit card or other form of financial credit in the last five years. However, 20% of respondents did not satisfy that criteria. In practice, this survey has collected information from all women who responded.

Part two of the survey offered questions directed at establishing the participants' profile. This section consisted of eight questions which established the age

group, level of education, ethnicity, marital status, number of children, employment status, residential location and access to Government benefits.

To best understand the make-up of the survey respondents and how they might fit into the broader New Zealand profile a comparison has been made between the population sampled and the latest publicly available statistics, which were found in the Census 2001. Information from the Census has enabled the generation of a snapshot of the characteristics of the "Average New Zealand woman".

Figure 2.1 Respondents' age distribution



Age

According to the *2001 Census: National Summary (2001) - reference report*, the median age for New Zealand women is 35.6 years old. This is an increase from 1996 and 1991, when the median age was respectively 33.6 and 32. However,

the National Population estimates for December 2004 suggest the median has now increased to 36.2. The median age for the survey respondents fell in the range of 41 – 65 years. This suggests that unlike the 36.2 year old “Average New Zealand woman”, the median age for the respondents’ occurs in the early forties.

The Census recorded that only 13% of females in New Zealand were aged over 65; a similar percentage was recorded for the survey respondents.

In terms of women aged from 40 – 64, the Census 2001 calculated 29.5% of females made up this population. *The Women’s Access to Credit* survey recorded 55% of respondents were in the 41–65 age bracket.

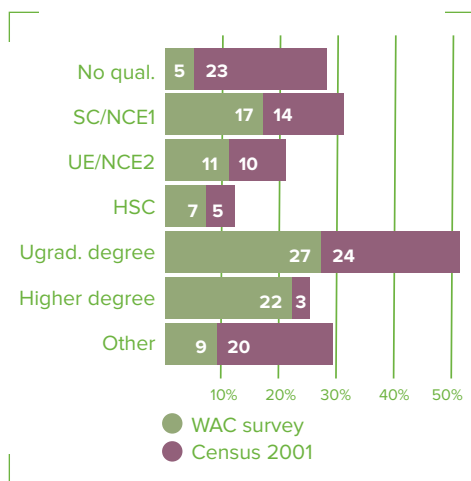
The next highest group of respondents were in the 26-40 age bracket. Only 4% of women in the 18–25 years age group were captured by the survey and women below 18 years of age were not represented at all.

Only 6% of the respondents opted not to provide information about their age.

Level of Education

The population sampled have a dramatically higher level of education than most women in New Zealand. Only 5% of the survey respondents had no qualification, in comparison with the national average for women of 23%. The majority of women responding to this survey recorded Higher School certificate as their minimum qualification. The Census recorded that only 3% of women had qualifications higher than Graduate degree, whereas 22% of women responding to this survey had completed a higher degree qualification, such as a Bachelor degree or Masters.

Figure 2.2 Respondents’ education level



According to the Census, the most common field of study for women with a post-school qualification was health; 22 percent held a qualification in this field. Another 20 percent held qualifications in management and commerce, and 17 percent held qualifications in education.

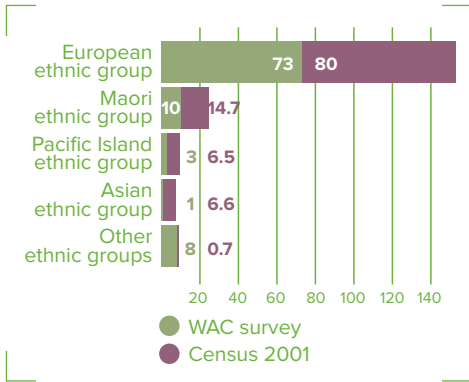
The average New Zealand woman has secondary school qualifications (41.9% - which includes “Other” – overseas secondary school qualifications and other qualifications), but not tertiary.

Ethnicity

People frequently identify themselves as belonging to more than one ethnic group. The “Average New Zealand Woman” belongs to a European ethnic group and was most likely born in New Zealand. It is therefore not surprising that 80% of people in New Zealand belong to the same ethnicity.

In terms of the survey, 73% of respondents identified themselves as New Zealand Europeans, which is 7% less than the distribution presented

Figure 2.3 Respondents' distribution by ethnic group



by the Census. However, 8% of respondents were listed as “Other” – some of which classified themselves as “New Zealanders”. Some respondents declined indicating their ethnicity.

The three other major ethnic groups classified according to the Census were under-represented in the survey. The population consisted of 10% Maori women, with 3% of women of Pacific Origin. Only 1% of the sample population identified themselves as Asian women.

Social Marital Status

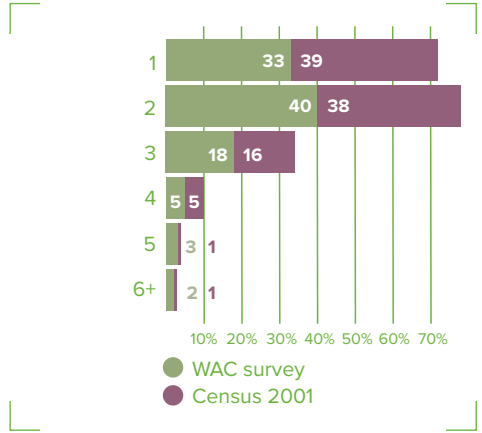
The majority of respondents (63%) indicated they had a partner, while 37% had none. The Census 2001 results showed 55% of New Zealand women had a partner, 39% had no partner and 6% were unwilling to disclose their civil status.

In statistical terms, the “Average New Zealand Woman” has a partner.

Dependent Children

The Census recorded that 19% of families have no dependent children, i.e. their children were most likely adults, while 81% still have dependent children. Of the respondents to the survey, 37% were

Figure 2.4 Respondents' distribution by the number of children



primary caregivers and 63% indicated they had no dependent children.

The survey had the highest percentage of women as the primary care givers for two children with 40%. This was moderately higher than the Census, which registered 38%. A single dependent child was the most common number of dependent children families in New Zealand tended to have which accounted for 39% of households.

Employment Status

In 2001, the Census recorded that the unemployment rate for women was 8.0 and the Labour Force Participation rate was 60.1. It also reveals that 53.6% of women are in employment and that 64% of these women are employed on a full-time basis and 36% are in part-time work. Of the available Labour Force, 8% of women are unemployed, and therefore 92% are employed. However, 39% of women are not in the Labour force and a further 3% have an unidentified work and labour force status. Almost 11% of women derive their personal income from self-employment or ownership of a business.

The majority of the sampled population (68%) was in paid employment. Out

of this, 40% were employed full-time whereas 60% were engaged in part-time employment. Retired women represented 10% of the population and 7% were self employed. Of the remaining respondents, 1% were unemployed, 3% were in unpaid employment, 1% were students and 5% were housewives.

The “Average New Zealand woman” is in full-time, paid employment.

Locality of residence

The majority of respondents lived in a major city (48%), which is not surprising given the Subnational Population Estimates for June 2004 calculate that over half (52.6 percent) of all New Zealanders were living in four main urban areas (Auckland, Hamilton, Wellington and Christchurch).

Other respondents (36%) indicated that they were living in either a provincial city or town. Only 10% of respondents identified themselves as living in a rural area, which is slightly less than the 13.4% of women identified by the Census. Some respondents were unwilling to provide information on their locality of residence.

The Census 2001 provided the following comparison for women’s localities of residence.

Urban/Rural Profile Areas	2001 Census
Main urban area	1,373,154
Satellite urban community	57,162
Independent urban community	225,786
Rural area with high urban influence	47,067
Rural area with moderate urban influence	66,216
Rural area with low urban influence	108,456
Highly rural/remote area	35,790
Not included	642
Total for New Zealand	1,914,273

The “Average New Zealand woman” lives in an urban area; most likely Auckland.

Government Benefits

Under a quarter of respondents (21%) received some type of Government benefit; with the majority listing superannuation as the type. Other government benefits listed in order of frequency included Domestic Purposes Benefit, Unemployment Benefit, Family Assistance, Widows Benefit and Sickness Benefit.

3 analysis of survey results

3.1 Application for obtaining Credit

Q1. Have you applied for a loan, mortgage, hire purchase, credit card or other forms of financial credit in the last five years?

Q2. If your answer is no, what were your reasons for not applying?

The results from the survey indicated that 79% of the sample population applied for some form of financial credit within the last five years. While 20% had not applied for credit within the same period, only 1% of respondents had never applied for credit.

Of those, who had a negative response to question one, 60% indicated that their reason for not applying for credit was due to their ability to live within their income. Another reason given was inability to repay the credit given their current income level; this applied to just 3% of respondents. The remaining 37% of this group did not specify any reason.

3.2 Credit Types, Limits and Combined Credit

Q3. If your answer to Question 1, was yes, what type(s) of credit did you apply for:

- a. Loan
 - b. Mortgage
 - c. Hire Purchase
 - d. Credit Card
-

Q4. For each type, how much credit did you apply for:

- a. Less than \$1,000
 - b. \$1,001 - \$5,000
 - c. \$5,001 - \$10,000
 - d. \$10,001 - \$50,000
 - e. \$50,001 - \$100,000
 - f. Greater than \$100,000
-

Q5 When you applied for credit, was your application with

- a. Own name
 - b. Husband
 - c. Partner
 - d. Other Person
-

In general, women applied for the whole range of financial credit types covered in this survey. The most common type of credit applications lodged were for credit cards (29%), closely followed by mortgages (27%), hire purchases (22%) and loans (19%).

Naturally there was dramatic difference between the amounts of credit applied for according to the credit type. The differences in the average amounts of credit can be attributed to the most common usage for these credit types. For example, loans are commonly used for purchasing cars, holidays overseas, or paying off credit card debts. Mortgages are used for large asset purchases and upgrades to existing assets and therefore require a large investment of credit.

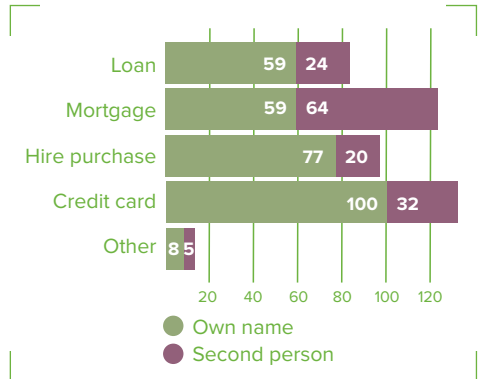
Type of Credit	< %1,000	\$1,001 - \$ 5,000	\$5,001 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	> \$100,000
Credit Cards	12%	51%	25%	8%	2%	2%
Mortgages	2%	2%	5%	16%	26%	49%
Hire Purchase	24%	57%	15%	2%	1%	1%
Loans	2%	27%	35%	21%	6%	9%
Other	22%	34%	13%	13%	9%	9%

The most commonly applied for credit level for credit cards, hire purchases and other forms of credit was \$1,001 - \$5,000. Slightly less than 50% of mortgages were for over \$100,000 and loans were most often for \$5001 - \$10,000. Of those mortgages with over \$100,000 credit, analysis revealed that 52% of the respondents lived in one of the major centres, such as Auckland, Wellington and Christchurch, where higher houses prices in these areas may have been an influential factor.

Credit applications were most often in the respondents' names, except in the case of mortgages, when 52% of the time joint applications were made. Joint applications for loans occurred 29% of the time, while credit cards and hire purchases recorded 24% and 21% respectively.

Respondents indicated that when there was more than one applicant, the other applicant usually was their husband. In case of joint applications for loans and credit cards 87% and 84% were recorded respectively. The frequency with which the husband was identified as the joint applicant decreased somewhat for mortgages, to 77%.

Figure 3.1 **Distribution of individual and combined applications**



3.3 Reasons for selecting different types of Institutions

Q6. What type(s) of institutions did you apply to for each type of credit?

- (a) Trading Bank
- (b) Credit Union
- (c) Private Institution
- (d) Retail Outlet
- (e) Other

Q7. Why did you choose this/these types of institution(s)?

The survey found that trading banks were the preferred institution for obtaining credit. The only credit type that differed was hire purchases, which saw

most respondents using credit facilities offered by retail outlets. It is predicted that the retail outlets were frequently the point-of-sale and some respondents commented that this was the case.

Type of Credit	Trading Banks	Credit Unions	Private Institutions	Retail Outlets	Other
Loans	62%	14%	15%	2%	7%
Mortgages	83%	2%	8%	2%	5%
Hire Purchase	3%	3%	10%	78%	6%
Credit Cards	85%	1%	3%	10%	1%
Other	58%	0	17%	25%	0

When giving their reasons for choosing a particular institution for accessing credit, some of the common themes offered by the women included convenience and ease with which the transaction could transpire, existing banking history and accounts, by recommendation from family or friends, perceived security, and low interest rates or incentives.

The respondents had the following to say:

“Credit card was offering air points. Loan and Mortgage – have banked with this bank for over 30 years.”

“Already a customer of bank providing mortgage.”

“Traditional lender of mortgage money.”

“Ease of access, responsiveness, security.”

“I trust my bank above all other options.”

“Best known institution.”

“It was the obvious choice in applying for a credit card. All my finances could be in one bank.”

“Bank also held other accounts with them, incentive program associated with particular type of credit card.”

“Went through Mortgage Broker. Mortgage & c/card linked. Part flexi Mortgage. Ease of access & competitive rates.”

“Didn’t know who else to go to.”

“Credit offered by bank. Easy automatic repayments.”

“Bank seemed most logical option in most cases – I was able to discuss options with people who knew my a/c details and could advise appropriately.”

“Rates for mortgage were (originally) lower at the institution than trading bank. (Not by much now). Stayed with them as had credit rating. Loan at private institution again because of history.”

“Because I wanted a loan – travel. – telephone – hire purchase. Mainly because they advertise and say it’s so easy to apply and I don’t have available cash.”

“Didn’t actually think of anything other than a bank.”

The respondents opted to use credit facilities at the retail outlets for the following reasons:

- “Hire purchase was where purchase was from”
- “I only HP when interest rate is 0% & cost is reasonable.”
- “Regular user of store”
- “They offer wholesale prices and cash discounts. Service provided is excellent.”
- “HP from retail outlet was considered when first trying to establish a ‘flat’- financial knowledge of retail staff less than useless!”
- “Only had half the cash required and they were offering 24 months interest free. (Only place in town to supply what I wanted)”

3.4 Success and Failure of Credit Applications

Q8 Have you been declined a mortgage, loan, hire purchase, or other form(s) of credit over the last ten years? If yes please specify the type(s) of credit declined and the reasons given?

- (a) Insufficient Income
- (b) Insufficient Collateral
- (c) Student Loan
- (d) Existing Debt
- (e) No Credit History
- (f) Other

Out of the 332 responses received, 82% indicated that their applications for credit had been successful, while 18% had been declined credit over the last five years. Several of the 60 respondents had been declined credit on more than one occasion and were therefore able to furnish more than one reason for being declined.

Insufficient income was the most common reason given for credit applications being declined, especially for credit cards. Insufficient collateral and the lack of credit history were also significant factors in determining the respondents’ success in securing credit.

3.4.1 Profile of Women Declined Credit

To investigate whether any barriers to women’s ability to access credit exist, comparison was made between the sample profile and the profile of those specific women declined credit.

Age group	<18	18 - 25	26 - 40	41 - 65	>65
Percentage declined	-	5%	39%	53%	3%

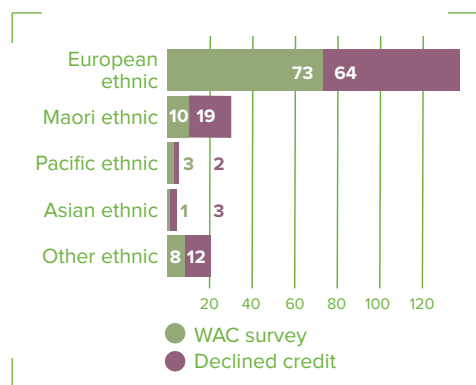
A large percentage of women declined credit was in the 41 – 65 years age group. This is not surprising given women in this age range made up 55% of respondents. The results of this comparison were seen as being consistent with what would be predicted.

Credit type	Insufficient Income	Insufficient Collateral	Student Loan	Existing Debt	No Credit History	Other
Loan	5	5	1	3	0	2
Mortgage	6	5	1	1	0	3
Hire Purchase	6	2	0	2	4	3
Credit Card	18	1	2	2	4	4
Other Credit	2	1	0	1	3	1
Total	37	14	4	9	11	13
Percentage	42%	16%	4%	10%	13%	15%

The next largest group was the 26 – 40 year olds.

Those women declined credit were more likely to belong to an ethnic origin other than European. Maori were represented more highly in the group declined credit with 19%. A third of the Maori respondents had been declined credit over the last five years. The over-representation of Maori women in this group was considered statistically significant.

Figure 3.2 Distribution by ethnicity



Of those Maori declined credit, all had some educational qualification. Almost half of this group had an undergraduate qualification.

According to a survey conducted by the Ministry of Social Development, 23 percent of Maori and 27 percent of Pacific peoples were unable to keep up to date on their hire purchase, credit or store card payments. This compares with 8 percent of Europeans and 11 percent of other consumers.¹ The

Ministry of Consumer Affairs in a bid to educate consumers about their rights under consumer contracts undertook a survey in 2004, which identified the demographic profile of the ‘at risk’ group, the characteristics of which were:

- A younger age profile, i.e. likely to be under 40, with 32% aged between 18 – 29.
- A significantly greater proportion are Maori
- A significantly greater proportion are full-time salary and wage earners
- More likely to be living in a household with children.

The Ministry also opted to add Pacific People to the ‘at risk’ group due to their indicated lack of knowledge regarding consumer rights.²

Over all, most women who were declined credit had achieved an educational qualification. The distribution between the education level registered for respondents to this survey and the women who were declined credit displayed two areas of significant difference. There was low representation in the “declined group” of women with their highest qualification being Higher School Certificate or University Bursary (8%), and a higher representation in the Under- and Postgraduate grouping (9%).

Considering the results of this survey, education level whilst having an influence on a person’s ability to secure employment, and a higher level of earning potential; it does not have any

	SC/NCE1	UE/NCE2	HSC	UB	UGDeg	PGDeg	No Qual
WAC	17%	11%	7%	3%	27%	22%	5%
Declined Credit	18%	15%	2%	-	33%	25%	7%

NB: Some respondents did not provide information on their education.

recognisably significant influence on a woman's access to credit.

Of those women declined credit, 57% were married, and the same percentage had children. Of the Maori women declined credit 73% recorded they were married, and 82% had children. In statistical terms, having dependent children could be an influential factor in accessing credit.

A greater percentage of women in the declined credit group were in full-time paid employment and a lesser percentage were retired, in comparison with the statistics collected for all respondents.

	Pd/casual P/T	Pd F/T	Unem- ployed	H/W	Ret	UnPd Emp	Student	self emp
WAC	27%	41%	1%	5%	10%	3%	1%	7%
Declined Credit	27%	49%	3%	5%	3%	3%	2%	7%

NB: 5% of respondents were unwilling to provide information on their employment status

In terms of employment, no Maori respondents indicated that they were unemployed. Most were in paid, full-time employment (45%), or paid, casual or part-time employment (27%). The remainder were either retired, a student or self-employed. Considering the level of employment of this group, a comparison under government benefits has not been analysed.

Again, in statistical terms the employment status has been consistent across the sampled population. In the case of Maori women declined credit, the employment status has not been a major influential factor.

	Major City	Provincial City	Provincial Town	Rural Area
WAC	48%	23%	13%	10%
Declined Credit	49%	24%	15%	12%

NB: 6% of respondents were unwilling to provide information on their locality of residence.

There was little variation between the statistics collected for all respondents versus the declined credit group. The location of a person's residence was not seen as a significant factor when it came to securing access to credit.

3.5 Conditions of Repayments

Q9 If you were granted credit, what were the conditions of repayment. [For example, penalties for early repayment, flexible default conditions.]

Some respondents indicated that they were penalised for late payments, particularly on credit cards, whereas others were subject to penalties arising from early repayment. Most respondents reported that “standard terms” were the only conditions faced when dealing with credit repayments. The conditions were used by some banks as an incentive for securing business.

“Penalty if paid late, normal credit card conditions.”

“Credit card: interests are high if repayments not paid on time but mortgage is very straight forward.”

“Floating – no penalties.”

“Standard Visa conditions i.e. interest on non-payment. Payment can be made at any time.”

“Flexible with no penalties.”

“Penalties for early repayment.”

“Have both fixed and flexible terms.”

“No penalties for early payment but one pays interest first then principal which sucks!”

“Must have life insurance, both parties. Original 2 yr fixed term fixed interest rate had early repayment penalties.”

“Bank required an \$84,000 term deposit as collateral (+ investment house title).”

“No penalties. Hire Purchase – no encouragement to pay it off in the interest-free period, but we will.”

“Loan/Mortgage – Penalties for early repayment. Hire Purchase – no penalties if paid off within interest free period.”

“Mortgage – no penalty for up to 10k repay”

3.6 Effects of Student Loans

Q10 Do you currently have, or have had a student loan?

(a) Yes (b) No

What year did you first take out your loan?

Q11 What was the total amount you borrowed through the student loan scheme?

- (a) less than \$5,000
 - (b) \$5,001 - \$10,001
 - (c) \$10,001 - \$25,000
 - (d) \$ 25,001 - \$50,000
 - (e) \$50,001 - \$75,000
 - (f) Greater than \$75,000
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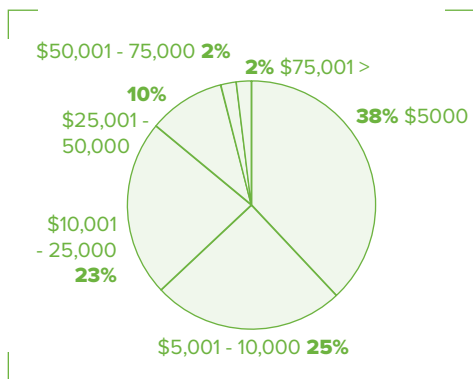
Q12 How much do you still owe on your student loan?

- (a) Less than \$5,000
 - (b) \$5,001 - \$10,000
 - (c) \$10,001 - \$ 25,000
 - (d) \$25,001 - \$50,000
 - (e) \$50,001 - \$75,000
 - (f) Greater than \$75,000
-

Only 15% of the sample population (51 out of 332 respondents) has, or has had, a student loan. Of these, most respondents (86%) indicated that they had borrowed \$25,000 or less against the student loan scheme.

The most common amount borrowed was less than \$5000.

Figure 3.3 **Total amount borrowed**



A total of 49% of the respondents with existing student loans owed less than \$5,000, whereas only 13% have student debts greater than \$25,000.

Security against Credit	%
Credit not declined with assets	46%
Credit declined with assets	8%
Credit not declined with information on assets	37%
Credit declined with information on assets	9%

Respondents were asked if they had been required to provide information on their assets which could be used to support their credit application. More than half of the respondents (54%) had provided such information on their applications; 8% of those respondents were still declined credit. Of the 46% of respondents who had not been required to supply such information, 9% were declined credit.

< \$5000	\$5001 - \$10,000	\$10,001 - \$25,000	\$25,001 - \$50,000	\$50,001 - \$75,000	\$75,001 >
49%	19%	19%	5%	5%	3%

Over the last ten years, 37% of respondents who have, or have had, student loans failed to obtain access to credit. Only two of 19 respondents in this sub-group indicated that having a student loan was the grounds for which their credit application was declined.

3.7 Security Against Credit

Q13 Did you have any current or fixed asset that you could use against the credit types you applied for? If yes, specify credit type(s)

Q14 What was your average debt (liabilities) over the last five years?

Q15 What was your average income over the last five years?

Considering the results of the survey, security against credit was viewed as less influential than the applicant's earning potential coupled with dependents and existing level of debt.

3.8 Survey Respondents Experience

Q16 Please provide any further comments you may have on your experience in accessing credit facilities in New Zealand?

Gender Bias

Some of the anecdotal evidence provided by respondents suggested that gender bias had impacted on a woman's ability to access credit and therefore her economic independence. The first

hand experience of some respondents left them asking whether there was a “level playing field”, when independently possessing sufficient means to repay debt, the respondents were requested to make joint credit applications. Some respondents felt that having a male involved in their applications favourably influenced the success rate.

“For a married woman it is hard to apply without one’s husband. Also signing even though you just want it in your name. With Credit Card that we both have any extras, e.g. airpoints go automatically to his name not a woman’s. Did query this and they said it automatically goes to man’s name”.

“I found the application for an American Express Credit Card most frustrating as I had the collateral and income to support the application but because I was not in “paid” employment I was denied the card. However once my accountant (male) and estranged husband contacted American Express I was finally given the card! Given I had managed our family’s finances for the last 17 years; including credit card repayments etc, I felt annoyed with the treatment I received!”

“Because I have always worked jointly with my husband when accessing credit, I have not experienced any difficulty.”

“I continually find it frustrating and embarrassing that because of my low income over the last 4 years of trying to build my business – constant reference is made to my husband’s salary..

While I appreciate no lending institution can make another party liable for a partner’s debt, or allow this scenario to occur, at no time over the last 5 years of trying to build a business, has my lending officer even offered me a means to being more in control and responsible for even a \$2,000 extension to my overdraft limit.”

“Westpac Bank did not approve my application for credit card despite the fact that I used to be employed on a full time basis. But they granted my jobless husband (at the time) a credit card although he did not have income and when he asked for an additional card for me, no questions were asked! I am a business woman who turns a \$200 investment into a \$150,000/yr turnover (and still growing). I am responsible to giving employment to my husband, but it is not easy to get approval without him. But I have a very good credit from my suppliers worth thousands of dollars! Very Unfair and unbelievably stupid! Is it because I am a woman and I am Asian!?!...”

Having Dependents

Some respondents reported that being a single woman, or a single woman with children, can also influence the likely success of accessing credit.

“What annoys me most is the fact that I can run a home, bring up 3 children, pay my bills on one income, (low income at that) have an excellent credit rating and still be declined for a personal loan or credit card through the bank which I have been with since starting work, leaving college. I would not apply for these if I didn’t think I could manage the payments. Yet young students can go out there and manage to get everything handed to them and run up huge debts and that seems O.K.?! They give them more credit. And as a woman on her own with no “financial Partner” (male) well is that possible?”

“As a single parent I was declined a credit card unless I received endorsement from my parents (which I did not ask for).”

Student loans and Access to credit

Some found it too easy to get credit and the chances of getting into financial trouble were high. There is a high level of competition between trading banks to attract Students to open accounts; overdraft facilities are one of the first items offered to entice young people.

"I think that having a student loan has been and will be a large obstacle in me getting credit. It feels very disempowering knowing that you need to rely on your family's income if you want to buy a house or a car."

I am looking for a job overseas, in hope that I will get a better income and hence be debt-free sooner."

"Almost too easy – no wonder people get into difficulty".

"I found the trading banks to be very 'free' in the amount of credit they gave me. I worried that if I was not a person who regularly pays her credit cards bills – that I could get into 'trouble'."

"I didn't actually pursue the application for a mortgage, but was pleasantly surprised to discover that I would have been eligible for quite a hefty loan – bank happy to lend on collateral of UK home and property with offer to extend loan beyond the years when I actually plan to be 'retired'."

The passage of time

Many respondents drew comparisons between their experiences decades ago versus the present. Some felt moneylenders had changed their approach towards women seeking credit. While others felt the passage of time and maturing of the individual had no impact on remedying a poor credit history.

"Currently no problem 20 yrs ago disgusting."

"I personally have had no difficulties in accessing credit facilities. It is only in the last 3 years that this has occurred – there were no delays and no embarrassing questions."

"Have not experienced problems in last 30 years."

"I think if a person has had a bad credit rating or bad debts from 30 years or 20 years ago and it's gone through the courts or finance-retrieval systems and if you've had a clean credit rating and debt free ten years, it matters zilch to the banks or money lenders or hireage firms and companies – because your old record will still stand and be the deciding "no" to your requests. One cannot get credit or a loan without the credit card, but they come with employment in a steady job and higher qualifications."

Different approaches to credit

Many respondents used the zero interest hire purchase deals and paid off during the given period. Most respondents applied for credit only when they are able to repay it with their income. Good credit history had helped many respondents to receive better credit and heavy debts had a negative impact on their chances.

Some respondents avoided using credit facilities altogether.

"Do not buy or borrow credit, if possible pay cash."

"I have always had a philosophy to save rather than borrow for my needs."

¹ Review of Ministry of Consumer Affairs targeted policies and programmes, 4 May 2005, www.mca.govt.nz

² Ministry of Consumer Affairs, *Identifying Consumers at Risk, Benchmark survey of Consumer Credit Behaviour and Knowledge*, November 2004.

4 conclusion and summary

The key findings from this survey conclude that women applied for the whole range of financial credit types with most common types being for credit cards (29%), closely followed by mortgages (27%), hire purchases (22%) and loans (19%). Strong preference was shown towards the various institutions offering credit dependent on the type of credit being sought, i.e. trading banks were most commonly used for mortgages.

Credit applications were most often in the respondent's name, except in the case of mortgages, when 52% of the time joint applications were made.

The vast majority of respondents had not been declined credit. Of the 18% who had been declined, some had experienced this on more than one occasion and were able to provide multiple reasons for their unsuccessful bids to access credit. The most common grounds given were "insufficient income", "insufficient collateral" "student loan", "existing debt", "no credit history" and "other".

Respondents provided anecdotal evidence of gender bias, and the impact of having dependents, including the disadvantage to single parents on the consumer's ability to access credit.

Those women declined credit were more likely to belong to an ethnic origin other than New Zealand European. Maori were represented more highly in the group declined credit.

Of those women declined credit, 57% were married, and the same percentage had children. Of the Maori women declined credit 73% recorded they were married, and 82% had children.

Over the last ten years, 37% of respondents who have, or have had student loans, failed to obtain access to credit. Only two of 19 students in this sub-group indicated that having a student loan was the grounds for which their credit application was declined.

Improvements in women's access to credit were also noted by respondents.

The survey findings indicate some statistical significance for Maori women and having dependent children may also have some influence over a woman's ability to access credit.

Based on the findings of this report it is recommended that the following research be undertaken:

- A specific study on Maori Women's access to credit.
- Identification of the influence of dependent children on a person's ability to access credit and in particular a single parent's ability to access credit.
- Study on the implication of easy access credit facilities provided by trading banks to students.

Less than \$5,000

\$5,001 - \$10,000

\$10,001 - \$ 25,000

\$25,001 - \$50,000

\$50,001 - \$75,000

Greater than \$75,000

Less than \$5,000

\$5,001 - \$10,000

\$10,001 - \$ 25,000

\$25,001 - \$50,000

\$50,001 - \$75,000

Greater than \$75,000

Less than \$5,000

\$5,001 - \$10,000

\$10,001 - \$ 25,000

\$25,001 - \$50,000