July 2006

Reporting Form RRF 394.0

Personal Finance

Instruction Guide

The purpose of this survey is to provide monthly statistics on the provision of finance to individuals for personal (non-business) use. The statistics are used by APRA for regulatory purposes, and may be provided to the Reserve Bank of Australia (**RBA**) and the Australian Bureau of Statistics (**ABS**) for policy and statistical purposes. Published aggregate statistics from this collection are used for research and policy formulation by economists, State and Federal Governments and the housing industry.

A separate form for personal finance in all eight states should be completed:

- *RRF 394.0.1 Personal Finance in NSW*;
- *RRF 394.0.2 Personal Finance in VIC*;
- *RRF 394.0.3 Personal Finance in QLD*;
- *RRF 394.0.4 Personal Finance in SA*;
- *RRF 394.0.5 Personal Finance in WA*;
- *RRF 394.0.6 Personal Finance in TAS*;
- *RRF 394.0.7 Personal Finance in NT*; and
- *RRF 394.0.8 Personal Finance in ACT*.

General directions and notes

Reporting entity

This form is to be completed for the *Domestic books* reporting entity. For corporations registered under the *Financial Sector (Collection of Data) Act 2001* (e.g. finance companies and general financiers), report consolidated figures for all related corporations within the same Registered Financial Corporation (**RFC**) category.

Reporting period

The information provided should be for the month up to and including the last day of the month. This form is to be reported as at the last day of the reporting period. All RFCs should submit the completed form to APRA within 10 business days of the end of the month.

Unit of measurement

All RFCs are asked to complete the form in thousands of Australian dollars rounded to the nearest whole number (no decimal place).

Amounts denominated in foreign currency are to be converted to AUD using the spot exchange rate effective as at the reporting date.

Basis of preparation

Unless otherwise specifically stated, information reported on this form should comply with Australian accounting standards.

Definitions

A separate form for personal finance in all eight states should be completed. Where the entity has no activity in any state, check the "nil form" box. The form requests details of new commitments to provide personal finance to individuals for personal (non-business) use. Only the Australian activities of the business should be included on the form. If exact figures are not available please provide careful estimates. Please note that the items listed under 'Include' and 'Exclude' are examples and should not be taken as a complete list of items to be included or excluded.

What is a "commitment"?

A commitment is a firm offer to provide finance which has been accepted by the client. A commitment generally exists once a loan application has been approved, and a loan contract or letter of offer has been issued to the borrower.

With the exception of unsecured loans for alterations and additions (Question 6) and unsecured loans for owner-occupied housing (Question 7), commitments are to be reported regardless of whether they are secured or unsecured and, if secured, regardless of the type of security.

Include:

- new lending commitments which have also been cancelled during the month;
- commitments to provide finance to your employees; and
- commitments for revolving credit loans secured by mortgage (mortgage backed overdrafts) on residential properties where the stated purpose at application is as a personal line of credit (see *III. Home Equity Loans - Guidelines*).

Exclude:

- commitments to non-residents;
- commitments to secured loans for the construction or purchase of dwellings intended for owner occupation or for alterations and additions to owner-occupied

dwellings, which should be reported on *RRF 392.0 Housing Finance* (**RRF 392.0**);

- commitments to individuals for use in connection with a business carried on by them, which should be reported on *RRF 391.0 Commercial Finance* (**RRF 391.0**); and
- commitments for revolving credit loans secured by mortgage where the primary purpose at application is for the purchase of owner-occupied residential property (see *III. Home Equity Loans*).

What is a 'dwelling'?

A dwelling is a place of residence which is:

- contained in a building which is an immobile structure;
- private (i.e. not generally accessible to the public); and
- self-contained (i.e. includes bathing and cooking facilities).

Specific instructions

Part A: Commitments for fixed loans - By purpose

The purpose of the loan is that specified by the borrower. Multi-purpose loans should be split and each component reported in the appropriate purpose classification. Where this is not possible, the whole loan should be classified to the major purpose.

Fixed loans generally involve:

- a commitment for a fixed period for a specific purpose; and
- repayments over that fixed period which reduce the loan, but do not make further finance available.

1. Purchase of motor cars

Include:

- cars, station wagons, 4WD and forward control passenger vehicles/vans.

Exclude:

- trucks, buses, special vehicles, utilities, panel vans (include in Question 3); and
- motor cycles/scooters (include in Question 2).

3. Purchase of other motor vehicles

Include:

- trucks, buses, special vehicles, utilities and panel vans.

Exclude:

- motor cycles/scooters (include in Question 2).

6. Unsecured loans for alterations and/or additions to dwellings

Include:

- all structural and non-structural changes to dwellings (e.g. garages, carports, pergolas, re-roofing, re-cladding etc).

Exclude:

- repairs and maintenance, swimming pools, and other home improvements that do not involve building work (include in Question 13).

9. Debt consolidation

Include:

- commitments where the principal purpose is to consolidate and pay out amounts owing by borrowers to third parties.

Exclude:

- commitments for the principal purpose of refinancing existing personal loans (include in Question 11).

11. Refinancing

Include:

- commitments for the principal purpose of refinancing existing personal loans.

Exclude:

- commitments where the principal purpose is to consolidate and pay out amounts owing by borrowers to third parties (include in Question 9); and

- refinancing of personal investment loans (include in Question 12).

12. Loans for personal investment purposes

12a. Dwellings for rent/sale

Include:

- only commitments for dwellings to be occupied by persons other than the owner.

12b. Other personal investments

Include:

- commitments for the purchase of shares and other investment assets..

12c. Refinancing

Include:

- refinancing of loans for personal investments, e.g. purchase of shares and other investment assets, purchase of dwellings for rent/resale.

Exclude:

- refinancing of personal loans for the purposes listed in Question 1-10 and Question 13, these should be reported in Question 11.

13. Other

Include:

- commitments for swimming pools and home improvements (other than alterations and additions), motor accessories and any other purpose not covered above.

Part B: New commitments for revolving credit loans

Revolving credit facilities involve a commitment for a credit or borrowing limit and where the extent of the borrowings used at any one time may be for any amount up to the authorised limit. Repayments (other than of charges and/or interest) reduce the borrowings thereby increasing the amount of unused credit available e.g. overdraft limits, secured revolving credit facilities (mortgage backed overdrafts), credit card facilities and other personal lines of credit.

15. New credit limits and increases to existing credit limits approved during the month

15a. Secured

Include:

- mortgage backed overdrafts where the primary purpose of the commitment at application is NOT owner-occupied residential property. (see *III. Home Equity Loans – Guidelines*).

Exclude:

- mortgage backed overdrafts where the primary purpose of the commitment at application is owner-occupied residential property (report on *RRF 392.0 Housing Finance* (**RRF 392.0**)) (*see III. Home Equity Loans – Guidelines*).

18. Cancellations of and reductions in previously approved credit limits

Include:

- the actual value of credit limits cancelled and the value by which existing credit limits were reduced during the month.

Exclude:

- amounts used as balancing or adjustment items (such as adjustments between states). These should be reported in Question 19; and

- repayments which reduce the used portion of the credit facility, but not the total credit available. These should be excluded from the form altogether.

19. Balancing item (+/-)

If the previous month's 'total credit limits available' (Q16 last month) plus (+) 'total new limits approved' (Q15c) minus (-) 'cancellations' (Q18) does not equal the current month's 'total credit limits available' (Q16), please provide the amount and reason for this discrepancy.

Part C: Comments

20. Please provide comments

- on any of the information you have supplied on this form;

- on any questions which caused problems; and

- if you would like to suggest improvements to this form.

Home equity loans - guidelines

Introduction

The increasing use of home equity loan products by individual (household sector) borrowers as a source of funding has necessitated some additional clarity in how these products should be treated in reporting to RRF 392.0 and *RRF 394.0 Personal Finance* (**RRF 394.0**). Please contact APRA for further advice on these guidelines.

Home equity loans

A home equity loan is a secured revolving credit facility which is secured by the borrower's equity in the home. In effect, the assets of the borrower (in equity in the home) are freed up so as other activities may be funded.

A home equity loan may be taken to fund a range of activities, including the purchase of a property (for owner-occupation), the refinancing of the borrower's existing home (as for all home loan refinancing, this would only be reported if the refinancing involved changing the lender), or any other activity - investment purchases (shares or property), household consumption spending (cars, boats, holidays) or working capital for a small business. A feature of home equity loans which causes reporting difficulties for lenders is that often the borrower intends to use the home equity loan for a combination of the purposes mentioned.

Reporting of home equity loans on RRF 392.0 and RRF 394.0

- Attach one of two major (or primary) purposes to each home equity loan commitment- either "Housing" (for Owner-occupation) or "Other" (than housing for owner-occupation).

- Primary purpose "Housing" commitments to be reported under Question 10 (Part C) - secured revolving home loans - on RRF 392.0.

- Primary purpose "Other" commitments to be reported as secured personal revolving credit (Question 15) on RRF 394.0, with all drawdowns, re-payments and re-borrowing of principal in subsequent months to be reflected in the value of credit used (Question 17).

- Where it is not possible to isolate the credit used (Question 17) for RRF 394.0 on a sub-group of all home equity loan commitments, then some manipulation must be undertaken to ensure the reported value of credit used is conceptually consistent with the total value of used and unused credit (Question 16), and previously reported values of new revolving credit commitments on RRF 394.0.

The intention of the table which forms Question 1a-1e on RRF 392.0 is to monitor the total "stock" of all commitments not advanced. New commitments to lend are added to the stock while advances of commitments and cancellations are removed from the stock. With a fixed term amortising loan, the commitment is either advanced when the finance is settled, or the commitment lapses and is cancelled. Where only part of the initial commitment is advanced, then it may be necessary to report a value advanced and a value cancelled, so that the (previously reported) commitment is wholly removed from the stock of all commitments not advanced. Some lenders may not cancel lapsed commitments until many months after the commitment is made. We prefer that lapsed commitments are reported as cancellations as regularly as possible. Once a commitment is cancelled or advanced, it plays no further role in the table in Questions 1a-1e of RRF 392.0.

The treatment of home equity loan commitments in Questions 1a-1e is problematic. Given that a home equity loan commitment will be reported for RRF 392.0 only if its primary purpose is the purchase of owner-occupied housing, it is reasonable to assume that the majority of the commitment will be advanced in a comparable timeframe as for a regular standard variable loan commitment. As for all new commitments, the new home equity loan commitment should be added to the stock of undrawn commitments (Question 1b). Any amount advanced (for the purchase of owner-occupied housing) in the same or subsequent months should be reported as an advance (Question 1c); at the same time the balance of the commitment (if any) reported as a cancellation (Question 1d). The home equity loan commitment (like all housing finance commitments) will take no further part in reporting to RRF 392.0.

Where it is impossible to identify the timing of the drawdown of a home equity loan for the purchase of owner-occupied housing, it is acceptable to assume that the entire value of the commitment is drawn down in the month of the commitment, so that the internal consistency of the Question 1 is preserved.