

Reporting Form ARF 320.8

Housing Loan Reconciliation

Instruction Guide

This instruction guide is designed to assist in the completion of *Form ARF 320.8 Housing Loan Reconciliation*. The purpose of this form is to provide quarterly statistics on housing lending activities, including the flow of credit and composition of loans by type.

General directions and notes

Reporting entity

The form is to be completed on a domestic books basis by all Australian-owned banks, foreign subsidiary banks, credit unions, building societies, and branches of foreign banks with total housing loan assets greater than \$1 billion.

The domestic books of a reporting entity relate to the Australian books of the reporting entity and have the following scope:

- is an unconsolidated report of the ADI's operations/transactions that are booked inside Australia;
- exclude offshore branches of the Australian licensed ADI from this reporting unit;
- exclude offshore banking units based overseas from this reporting unit;
- do not consolidate Australian and offshore controlled entities or associated entities that are not ADIs;
- include Australian-based offshore banking units of the licensed ADI; and
- exclude transactions with non-residents recorded on Australian books.

Reporting period

The information provided in this form should be for the three calendar months up to and including the last day of the stated quarter (i.e. September, December, March and June). Australian-owned banks, foreign subsidiary banks and branches of foreign banks are required to submit the completed form to APRA within 20 business days of the end of the relevant reporting quarter. Credit unions and building societies are required to submit the completed form to APRA within 15 business days of the end of the relevant reporting quarter.

Unit of measurement

Banks are asked to complete the form in thousands of Australian dollars (AUD). All other reporting entities are asked to complete the form in whole dollars with no decimal place.

Amounts denominated in foreign currency are to be converted to AUD in accordance with *AASB 121 The Effects of Changes in Foreign Exchange Rates*.

The general requirements of AASB 121 for translation are:

1. foreign currency monetary items outstanding at the reporting date must be translated at the spot rate at the reporting date. Items outstanding at the previous reporting date (opening balance) should be reported at the spot rate prevailing at the previous reporting date;¹
2. foreign currency non-monetary items that are measured at historical cost in a foreign currency must be translated using the exchange rate at the date of the transaction;²
3. foreign currency non-monetary items that are measured at fair value will be translated at the exchange rate at the date when fair value was determined.

Transactions arising under foreign currency derivative contracts at the reporting date must be prepared in accordance with *AASB 139 Financial Instruments: Recognition and Measurement (AASB 139)*. However, those foreign currency derivatives that are not within the scope of AASB 139 (e.g. some foreign currency derivatives that are embedded in other contracts) remain within the scope of AASB 121.

For APRA purposes equity items must be translated using the foreign currency exchange rate at the date of investment or acquisition. Post acquisition changes in equity are required to be translated on the date of the movement.

As foreign currency derivatives are measured at fair value, the currency derivative contracts are translated at the spot rate at the reporting date.

Exchange differences should be recognised in profit and loss in the period which they arise. For foreign currency derivatives, the exchange differences would be recognised immediately in profit and loss if the hedging instrument is a fair value hedge. For derivatives used in a cash flow hedge, the exchange differences should be recognised directly in equity.

The ineffective portion of the exchange differences in all hedges would be recognised in profit and loss; and

¹ Monetary items are defined to mean units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Spot rate means the exchange rate for immediate delivery.

² Examples of non-monetary items include amounts prepaid for goods and services (e.g. prepaid rent); goodwill; intangible assets; physical assets; and provisions that are to be settled by the delivery of a non-monetary asset.

4. translation of financial reports of foreign operations.

A foreign operation is defined in AASB 121 as meaning an entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Exchange differences relating to foreign currency monetary items that form part of the net investment of an entity in a foreign operation, must be recognised as a separate component of equity.

Translation of financial reports should otherwise follow the requirements in AASB 121.

Valuation adjustments arising from exchange rate fluctuations should be recorded in the 'other' column.

Basis of preparation

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

Sector definitions

The definition of households is as per the instruction guide for *Form ARF 320.0 Statement of Financial Position (Domestic Books)* (**ARF 320.0**):

Households comprise individuals, or groups of individuals, whose dealings with other sectors are for personal or household purposes.

Exclude:

- Sole proprietors, partnerships, family trusts, and other unincorporated enterprises owned by households.

Specific instructions

The aim of this form is to reconcile changes in the outstanding balance of housing term loans over the quarter. It does this by beginning with the previous quarter's closing balance for loans, and then accounting for the movement over the quarter by identifying the components due to new drawdowns, interest, repayments and other adjustments.

Owner-occupied loans are mortgage loans secured against property occupied by the borrower.

Investment loans consist of the value of secured and unsecured housing loans to households for the construction or purchase of an investment property (for non-owner occupation). They include loans secured against non owner-occupied properties.

Any changes between owner-occupied and investment loans should be reflected under their correct category as at the end of the quarter.

Loans secured against a property but not used for property purchase purposes (i.e. personal loans) are not to be reported on this form.

Exclude loans that have been securitised or written off.

Previous closing balance

This figure should match with the closing balance in previous submissions, and be equal to total housing loans minus revolving housing credit as recorded in ARF 320.0 or *Form ARF 323.0 Statement of Financial Position (Licensed ADI) (ARF 323.0)* at the end of the previous quarter. The balance should be reported gross of provisions.

Drawdowns (new loans and redraws)

Report all loan amounts drawn down during the quarter and any increases (top-up amounts) on existing loans. This represents the gross increase in credit associated with newly originated loans as well as redraws on existing fixed-term loans.

Interest charged

Report the interest charged by the lender on outstanding loan balances during the current period, whether or not it is actually received from the borrower. This amount would be recognised as interest income in the reporting institution's income and profit and loss accounts.

Scheduled repayments

Report the total (interest plus principal) value of repayments due during the period in accordance with the loan conditions, whether or not the repayments were actually received from the borrower. This is the contracted or agreed repayment amount.

Excess repayments due to sale of property or refinancing

Report the total value of loans, net of scheduled repayments, that are repaid in full during the period as a result of the borrower either selling the property or refinancing the loan (internally or externally).

Other excess repayments³

Report the sum of the amount by which actual repayments exceeded scheduled repayments, for each loan for which actual repayments exceeded scheduled repayments over the quarter. Exclude loans that were paid out due to refinancing or sale of the property, and loans for which scheduled repayments equalled or exceeded actual repayments. Payment deficiencies are recorded in the next column.

³ Excess repayments and repayment deficiencies will generally both have non-zero entries as they are calculated at the individual loan level.

Repayment deficiencies⁴

Report the sum of the amounts by which scheduled interest payments and loan repayments exceeded actual repayments for each loan that was in payment deficiency at the end of the quarter. Exclude loans that did not record a payment deficiency.

Net write-offs

Report the value of loans written-off during the period less the amount recovered from any previously written-off loans that were subsequently recovered during the period.

Other adjustments

Report any other adjustments to the outstanding loan balance not previously reported. The adjustment must be entered as a positive or negative as appropriate. This could include changes due to loan sales or adjustments due to the securitisation of loans, exchange rate valuation adjustments for foreign-currency-denominated loans, fees associated with the loan that are not paid by the borrower and which are instead capitalised against the loan balance during the current period, and changes in the purpose of the loan, etc.

Closing balance

Report the value of outstanding loans at the end of the quarter. This total should be equal to the sum across the previous columns, and be equal to total housing loans minus revolving housing credit as recorded in ARF 320.0 or ARF 323.0.

Available redraw balance

Report the total value of accumulated excess (advance) repayments as at the end of the quarter that are accessible to households at a later date. This item represents the maximum amount that could be drawn down without bringing the balance of the loan account above that specified in the loan schedule.

Gross closing balance of loans with offset facilities

Report the gross outstanding balance of all loans with an offset account attached to them. An offset account is typically a deposit account in which the balance is either wholly or partly offset against the loan balance for the purposes of calculating interest. Where the account is an all-in-one facility (that is, where the loan and deposits are effectively combined in a single account) and it is not possible to separate the loan balance from the borrower's deposits, report the net balance for those accounts.

Closing balance of offset facilities

Report the gross balance in all deposit accounts that are offset against the balance of an outstanding loan when calculating the interest owing. Where the account is an all-in-one facility and it is not possible to separate the loan balance from the borrower's

⁴ Refer to footnote 3.

deposits, report zero for those accounts.

Gross closing balance of interest-only mortgages

Report the gross balance of all interest-only residential mortgage loans.

Gross closing balance of reverse mortgages

Report the gross balance (including principal and accrued unpaid interest) of all reverse mortgages and similar loan products. These are generally loans where the loan is repayable when the borrower is deceased or no longer lives in the property.

Note: the form relates only to fixed-term housing loans that have regular repayment schedules. However, reverse mortgages and similar loan products should be included regardless of whether they have a fixed term.

Gross closing balance of low-documentation loans

Report the gross balance of all loans where the lender has not, prior to loan approval, documented, assessed and verified the ability of the borrower to meet the repayment obligations (see APS 112 Capital Adequacy: Standardised Approach to Credit Risk, Attachment C).

Gross closing balance of other non-standard loans

Include all other loans not meeting the definition of a standard loan in APS 112 Attachment C paragraph 6.

Number of loans

Report the number of individual residential mortgages outstanding as at the end of the quarter. Exclude loans that have been securitised or written off.

Number with offset facilities

Report the number of individual residential mortgages outstanding as at the end of the quarter with an offset facility attached to them. Exclude loans that have been securitised or written off.

Number with redraw facilities

Report the number of individual residential mortgages outstanding as at the end of the quarter with a redraw facility attached to them. Exclude loans that have been securitised or written off.

Number of interest-only mortgages

Report the number of individual interest-only residential mortgages outstanding as at the end of the quarter. Exclude loans that have been securitised or written off.

Number of reverse mortgages

Report the number of individual reverse mortgages outstanding as at the end of the

quarter. Exclude loans that have been securitised or written off.

Note: the form relates only to fixed-term housing loans that have regular repayment schedules. However, reverse mortgages and similar loan products should be included regardless of whether they have a fixed term.

Number of low-documentation loans

Report the number of individual low-documentation mortgages outstanding as at the end of the quarter. Exclude loans that have been securitised or written off.

Number of other non-standard loans

Report the number of other individual non-standard loans outstanding as at the end of the quarter. Exclude loans that have been securitised or written off.

Total principal amount approved

Report the total value of residential mortgages approved, whether or not the funds have been advanced to the borrower, during the quarter.

Low-documentation loans approved

Report the total value of low-documentation loans approved during the quarter.

Interest-only loans approved

Report the total value of interest-only loans approved during the quarter.

Other non-standard loans approved

Report the total value of non-standard loans approved. Non-standard loans include reverse mortgages and low-documentation loans.

Third-party originated loans approved

Report the total value of broker-originated mortgages and other third-party originated loans approved during the quarter.

Loans approved outside serviceability policy

Report the total value of loans approved as an exception to your institution's serviceability policy, either by overriding a minimum requirement or any other mechanism that advances credit below the policy minimum.

Loans approved LVR>60%

In accordance with Attachment C of Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk, determine the ratio of the outstanding amount of the loan to the value of the residential property or properties that secure the exposure (loan-to-valuation ratio, LVR).

Report the total value of loans approved with an LVR greater than or equal to 60 per cent but less than 80 per cent during the quarter.

Loans approved LVR>80%

Report the total value of loans approved with an LVR greater than or equal to 80 per cent but less than 90 per cent during the quarter.

Loans approved LVR>90%

Report the total value of loans approved with an LVR greater than or equal to 90 per cent during the quarter.