Glossary

ADI refers to an authorised deposit-taking institution, meaning a body corporate authorised under section 9 of the Banking Act 1959, to carry on banking business in Australia (e.g. a bank, building society or credit union).

Building societies are locally-incorporated ADIs that assume or use the expression 'building society' in relation to their banking business.

Credit limits is the maximum amount of funds available to the borrower without additional authorisation or approval. This amount should include the credit outstanding and any other funds that can be drawn without additional approval by the lender.

Credit outstanding is the balance owed by borrowers at the end of the reporting period (including capitalised interest or fees). The credit outstanding is the original loan amount, less any repayments, plus any redraw facilities drawn.

Credit unions are locally-incorporated ADIs that assume or uses the expression 'credit union' or 'credit cooperative' in relation to their banking business.

Commercial property exposure limits are the aggregate of all claims, commitments and contingent liabilities arising from on and off-balance sheet transactions with the counterparty. This includes the outstanding balances of all loans and advances, all unused off-balance sheet commitments and the credit equivalent amounts of all market-related contracts (e.g. interest rate hedging contracts).

Commercial property exposures are facilities for the development, acquisition and improvement of real estate, where the servicing and repayment of the facility is dependent on cash flows generated by the property itself or other properties owned by the borrower. Excluded are housing loans for owner occupation and loans to individuals or families for residential-property investment. Loans to construction companies which are paid by third parties are also excluded, where such payment is not dependent on the proceeds of the sale or rental of the property upon completion.

Commercial property exposures: *Industrial* are facilities for the development, acquisition or improvement of Industrial property, and the servicing and repayment of the facility is dependent on the cash flows generated by the Industrial property itself through sale or rental income, and/or from cash flows generated from other Industrial properties owned by the borrower.

Commercial property exposures: *Land development/subdivisions* are facilities for the development and/or subdivision of land, and the servicing and repayment of the facility is dependent on the cash flows generated through sale of the land, and/or from cash flows generated from other land development or subdivision activity owned by the borrower.

Commercial property exposures: *Office* are facilities for the development, acquisition or improvement of office buildings, and the servicing and repayment of the facility is dependent on the cash flows generated by the office property itself through sale or rental income, and/or from cash flows generated from other office properties owned by the borrower.

Commercial property exposures: *Other residential* are exposures to residential property excluding all loans to individuals or families and excluding loans to private family companies or family trusts for owner occupation.

Commercial property exposures: *Retail* are facilities for the development, acquisition or improvement of retail buildings, and the servicing and repayment of the facility is dependent on the cash flows generated by the retail property itself through sale or rental income, and/or from cash flows generated from other retail properties owned by the borrower.

Commercial property exposures: *Tourism and leisure* are facilities for the development, acquisition or improvement of land and buildings used in the tourism and leisure or hospitality industries, and the servicing and repayment of the facility is dependent on the cash flows generated by the property itself through sale or rental income, and/or from cash flows generated from other tourism and leisure properties owned by the borrower.

Debt-to-income is the ratio of the credit limit of all debts held by the borrower, to the borrowers' gross income.

Dwellings refers to a self-contained room or suite of rooms, including cooking and bathing facilities, intended for long-term residential use. A dwelling is private (not generally accessible by the public) and is contained within a building that is an immobile structure. A dwelling may comprise part of a building or the whole of a building. Regardless of whether they are self-contained or not, rooms within buildings offering institutional care (e.g. hospitals) or temporary accommodation (e.g. hotels, motels or hostels) are not defined as dwellings.

Exceptions to serviceability policy refers to loans funded either with negative serviceability, below ADI's serviceability threshold, or that have been granted other credit policy waivers related to serviceability.

Externally refinanced are loans where a new loan is obtained to replace an existing loan that was provided by a different lender (that is not within the regulated ADI itself).

Foreign bank branches are foreign banks licensed to conduct banking business in Australia through branches, subject to a condition which specifically restricts the acceptance of retail deposits (referred to as Foreign ADIs under the Banking Act).

Foreign subsidiary banks are foreign banks authorised to carry on banking business in Australia through a locally incorporated subsidiary.

Funded – a loan is considered funded once any portion of the funds is made available for the borrower to draw down according to the terms of the contract, whether or not it is drawn down within that period. This includes refinancing of existing loans where a new application is received, a new credit assessment decision is made or a new loan replaces the existing loan.

Households are individuals (that is, natural persons), or groups of individuals, whose dealings are for personal or household purposes.

Interest-only loans are loans on which only interest is paid during a set period and no principal is automatically amortised. These loans will typically revert to principal-and-interest repayments at the end of the interest-only period.

Investment loans are loans for the purpose of housing, where the funds are used for a residential property that is not owner-occupied. This refers to the occupation status of the residential property that has been obtained, not the occupation status of the property used as security. It includes holiday or vacation homes and part-time residences that are not the borrower's principal place of residence.

Loan serviceability assessment rate refers to the interest rate used in the ADI's serviceability assessments, such as an interest-rate floor or actual interest-rate rate plus interest-rate buffer.

Loans 30-89 days past-due but not impaired are loans that are at least 30 days past-due but less than 90 days past-due, whether or not the loan is well secured or impaired. This should be based on the original contractual terms of the loan, not restructured terms or temporary concessions.

Loan-to-income ratio is the ratio of the credit limit of the loan to the borrower's gross income.

Loan-to-value ratio (LVR) is the ratio of the outstanding amount of the loan to the value of the property that secures the exposure.

Loans funded LVR<60% are loans funded with a loan-to-valuation ratio less than 60 per cent during the quarter.

Loans funded 60%≤LVR<80% are loans funded with a loan-to-valuation greater than or equal to 60 per cent but less than 80 per cent during the quarter.

Loans funded 80%≤LVR<90% are loans funded with a loan-to-valuation greater than or equal to 80 per cent but less than 90 per cent during the quarter.

Loans funded 90%≤LVR<95% are loans funded with a loan-to-valuation greater than or equal to 90 per cent but less than 95 per cent during the quarter.

Loans funded LVR≥ 95% are loans funded with a loan-to-valuation greater than 95 per cent during the quarter.

Loans with LVR not reported are outstanding loans with a loan-to-valuation that is unable to be reported.

Loans with offset facilities are loans with an offset account, typically a deposit account, in which the balance is either wholly or partly offset against the loan balance for the purposes of calculating interest.

Loans with redraw facilities are loans that allow the borrower to make advance repayments with the option of subsequently withdrawing the accumulated excess down to the extent of the loan balance specified in the loan schedule.

Low-documentation loans refers to a loan for which the lender has not, prior to loan origination, fully documented and verified the income of the borrower.

Major banks are the Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, the National Australia Bank Limited, Westpac Banking Corporation and their subsidiary banks.

Mortgagee in possession refers to loans for which the ADI has taken possession of the property securing the loan due to borrower default. It does not include loans where the property has been sold.

Non-housing purposes is a loan secured by residential property where the funds are not used for the purchase, renovation or development of residential property**.**

Non-residents are borrowers whose centre of predominant economic interest (i.e. principal place of residence) is outside Australia's economic territory.

Non-performing loans are loans that have been recognised as either impaired or 90 days past due, consistent with the methodology in *APS 220*.

Other ADI consist of ADIs that are not banks, building societies or credit unions. This includes providers of purchased payment facilities and specialist credit card institutions.

Other domestic banks are locally-owned banks excluding those defined as majors.

Owner-occupied refers to a loan for the purpose of housing, where the funds are used for a residential property**,** that is occupied or to be occupied by the borrower(s) as their principal place of residence.

Residential land is any vacant land that does not have a dwelling attached, where the construction of a dwelling is allowed under zoning regulations.

Residential property refers to residential land and dwellings

Residential property exposures are loans for the development, acquisition and improvement of housing for owner occupation or investment by individuals or families.

Reverse mortgages are loans secured by residential property in which repayments are generally deferred and capitalised, with full repayment due when the owner dies, sells the property or moves out of the house.

Revolving credit refers to lending facilities that the borrower may repeatedly draw down, in part or in full up to an authorised credit limit, and repay any credit drawn, in part or in full, on multiple occasions without the facility being cancelled.

Security held is the value of security held in relation to the reporting party's exposure to commercial property.

Self-managed superannuation funds (SMSFs) has the meaning given by sections 17A and 17B of the *Superannuation Industry (Supervision) Act 1993.*

Serviceability verification waivers are loans with material waivers to serviceability verification requirements, which may impact the reliability of the serviceability assessment.

Term loans refer to loans extended for a fixed period, with a maturity date by which the loan must be repaid.

Third party originated refer to loans where the ADI’s primary contact with the borrower at origination is through a mortgage broker or another party (including a related body corporate) that is not within the regulated ADI itself.

Units and apartments refers to dwellings in a building that has more than two dwellings. These dwellings do not have their own private grounds and usually share a common entrance foyer or stairwell. It does not include duplexes, townhouses or a detached residence that includes a flat (such as a granny flat) on the same property.

Variable rate loan is a loan with a variable or floating interest rate.