



1 May 2020

TO: ALL APRA-REGULATED ENTITIES

EFS GUIDANCE ON LOAN PAYMENT DEFERRALS

The following guidance applies to loans and finance leases that have been granted relief, such as a repayment holiday or deferral, as part of a COVID-19 support package.

Loans and finance leases past due and impaired

In line with APRA's recent guidance, loans that have been granted relief as part of a COVID-19 support package should be excluded from the reporting of loans and finance leases past due and impaired. Similarly, these loans need not be regarded as restructured and should not be reported as internal refinancing commitments.

Provisions

Reporting entities must continue to provision for loans and finance leases that have been granted relief under the relevant accounting standards. [EFS FAQ 97](#) sets out how entities should report expected credit loss provisions in the EFS collection.

Interest rates

For the purposes of the EFS collection, the interest rate is the contractual interest rate to be paid by the borrower. **Interest charged** refers to the interest that has been charged or notified to the customer by adding it to the balance of their loan account(s) on a contractual basis, regardless of whether or not it is actually paid. This is distinct from interest accrued on an accounting basis. Interest that has accrued but not yet been charged to a customer is recorded as interest receivable (item 10.1 on ARF 720.0).

Where a loan has been granted relief as part of a COVID-19 support package, **interest charged** to a customer (but not received) should be added to the loan balance and included in credit outstanding. Capitalisation will depend on the terms of the contract – in the case of mortgages, for example, this would often happen on a monthly basis. Interest charged should be reported at item 7.6 on ARF 742.0A/B and item 5.6 on ARF 743.0.

Where a loan has been granted relief as part of a COVID-19 support package, the contractual interest rate for the loan should be included in all **weighted-average interest rate** calculations. Loans temporarily not being charged interest should be excluded from all weighted average interest rate calculations.

Stocks and flows reconciliation – ARF 742.0A/B and ARF 743.0

Where a loan has been granted relief as part of a COVID-19 support package, institutions are still required to report **scheduled repayments** regardless of whether or not a payment is actually received. For the purposes of a loan that has been granted relief as part of a COVID-19 support package, the scheduled payment is the minimum amount (interest plus principal) that would have been required to be paid in order to fully amortise the principal (and any fees or charges as appropriate) by the existing loan maturity date.

In the case of missed repayments or deferred repayments, report the amount by which scheduled repayments exceed actual repayments in **repayment deficiencies** at item 7.10 on ARF 742.0A/B or item 5.10 on ARF 743.0.

Where a borrower's **available redraw** is used to cover a missed repayment or deferred repayment, this should not be reported as a repayment deficiency. Instead, report the amount that is drawn from available redraw balances to cover the repayment in **other drawdowns** at item 7.3 on ARF 742.0A/B or item 5.3 on ARF 743.0. A corresponding decrease in available redraw should be reported at item 6.3 on ARF 743.0.

Yours sincerely,

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Executive Board Member