

Reporting Form ARF 223.0 Residential Mortgage Lending

Instructions

This instruction guide is designed to assist in the completion of *Reporting Form ARF 223.0 Residential Mortgage Lending* (ARF 223.0). The purpose of this form is to provide quarterly statistics on residential lending activities, including the stock and flow of credit and composition of loans by type.

General directions and notes

Reporting entity

The form is to be completed by all Australian-owned banks, foreign subsidiary banks, any branch of a foreign bank which has received a notice from APRA under paragraph 5 of *Reporting Standard ARS 223.0 Residential Mortgage Lending*, building societies, credit unions and any other authorised deposit-taking institutions (ADIs) other than providers of purchased payment facilities.

Securitisation deconsolidation principle

Except as otherwise specified in these instructions, the following applies:

1. Where an ADI (or a member of its Level 2 consolidated group¹) participates in a securitisation that meets APRA's operational requirements for regulatory capital relief under *Prudential Standard APS 120 Securitisation* (APS 120):
 - (a) special purpose vehicles (SPVs) holding securitised assets may be treated as non-consolidated independent third parties for regulatory reporting purposes, irrespective of whether the SPVs (or their assets) are consolidated for accounting purposes;
 - (b) the assets, liabilities, revenues and expenses of the relevant SPVs may be excluded from the ADI's reported amounts in APRA's regulatory reporting returns; and
 - (c) the underlying exposures (i.e. the pool) under such a securitisation may be excluded from the calculation of the ADI's regulatory capital (refer to APS 120). However, the ADI must still hold regulatory capital for the securitisation exposures² that it retains or acquires and such exposures are to be reported on Form *ARF 120.0 Standardised – Securitisation* or Forms *ARF 120.1A* to *ARF 120.1C IRB – Securitisation* (as appropriate). The RWA relating to such securitisation exposures must also be reported in Form *ARF 110.0 Capital Adequacy* (ARF 110.0).

2. Where an ADI (or a member of its Level 2 consolidated group) participates in a

¹ Level 2 is defined in accordance with *Prudential Standard APS 001 Definitions*.

² Securitisation exposures are defined in accordance with APS 120.

securitisation that does not meet APRA's operational requirements for regulatory capital relief under APS 120, or the ADI elects to treat the securitised assets as on-balance sheet assets under *Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk* (APS 112) or *Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (APS 113), such exposures are to be included on this form.

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).

Unit of measurement

ADIs are required to complete the form in thousands of Australian dollars (AUD) 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*.

Basis of preparation

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

Definitions

Terms highlighted in *bold italics* indicate that the definition is provided in these instructions.

Definitions of security types

A *dwelling* is 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, hostels and holiday apartments) are not defined as residential property.

Investment loans are loans secured against *residential property* that is not for owner-occupation, for example, rental properties. Include holiday or vacation homes and part-time residences where these are not the borrowers' principal place of residence. Where there is doubt or ambiguity over whether a loan is secured by either *investment* property or *owner-occupied* property, report the loan as *investment*.

Residential land is any vacant land that does not have a dwelling attached but where the construction of a dwelling is allowed under zoning regulations, unless the primary purpose of the land will not be for residential purposes.

Residential property includes *residential land* and *dwellings*.

Owner-occupied loans are loans secured against *residential property* that is occupied or to be occupied by the borrower(s) as their principal place of residence. Include:

- part-time residences that are the borrower's or borrowers' principal place of residence; and
- *dwellings* and *residential land* that are vacant while under construction, but that the borrower intends to occupy as a principal place of residence.

Units or apartments are *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. Do not include duplexes, townhouses or a detached residence that includes a flat (such as a granny flat) on the same property. *Dwellings* included in this item are categorised as class 13 'Flats, units or apartments' in the Australian Bureau of Statistics' (ABS) *Functional Classification of Buildings, 1999 (Revision 2011) Cat. no. 1268.0.55.001*.

Secured in Australia refers to loans where the *residential property* used as collateral for the loan is located in Australia.

Secured overseas refers to loans where the *residential property* used as collateral for the loan is located outside Australia.

Definitions of borrower types and characteristics

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

- individuals, or groups of individuals, whose dealings with other sectors are for business purposes;
- sole proprietors, partnerships, and any other unincorporated enterprises;
- family trusts that have a controlling ownership in one or more businesses; and
- any other counterparties, such as corporations, partnerships and managed funds.

Household trusts includes family trusts that do not have a controlling interest in one or more businesses. Exclude:

- family trusts that have a controlling ownership in one or more businesses; and
- any other type of trust.

Impaired customer credit history refers to borrowers with previous record of default, bankruptcy or other credit impairment, to the extent this information is known to the ADI.

Non-residents are borrowers domiciled in a country other than Australia or its external territories, regardless of the location of the security. Individual members of households who leave the economic territory of a country and return or intend to return after a limited period (less than one year) continue to be regarded as residents of the original country.

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

Definitions of measures of loans

Loan balances outstanding refers to the amount owed by borrowers at the end of the reporting period. The balance outstanding is the original loan amount, less amortisation and other repayments, plus any redraw facilities drawn. The balance should be reported gross of provisions. Do not net any deposit balances in offset accounts against the outstanding loan amount. For **revolving credit** facilities, report the drawn amount.

For example:

- a **term loan** with an amortised value of \$100,000, excess repayments of \$20,000, and no redraws has a balance outstanding of \$80,000; and
- a **term loan** with an amortised value of \$100,000, no excess repayments, and redraws of \$10,000 has a balance outstanding of \$110,000.

Loan serviceability rate is 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.

Loan-to-income ratio is the ratio of the originated loan amount to the borrower's total gross annual allowable income, as defined by the ADI's serviceability assessment policy. Allowable income is the total of the borrower's main pre-tax income and any other pre-tax income, for example, overtime, rental income and dividends, to the extent that the ADI takes such income into account, in whole or in part, in its serviceability assessments.

Loan-to-valuation ratio (LVR) is defined in Attachment D of APS 112.

Total facility limits (including redrawable amounts) refers to the limit of facilities available to borrowers, including outstanding balances and any additional amounts available to be drawn without additional authorisation or approval. That is, the full amount of funds which may be drawn by the borrower, without any additional approval by the lender, as at the end of the reporting period.

For example, the total facility limit of a **term loan** is the sum of the amortised value and the redraw facility available. That is, a term loan with an amortised value of \$100,000 and a redraw facility of \$50,000 has a facility limit of \$150,000, even if the redraw facility is not drawn or excess repayments have been made.

Definitions of loan types and characteristics

30-89 days past-due refers to 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**. Include loans under which one or two monthly payments have been missed, even if the loan is still considered performing and is within limits.

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

Include loans:

- with temporary net income surplus less than \$0 or below the ADI's minimum serviceability threshold (e.g. bridging finance);
- with waivers to serviceability verification requirements;
- with net income surplus of more than \$0 or the ADI's minimum serviceability threshold, but where input parameters have been adjusted below policy minimum levels (e.g. changes to interest rate floors or expense assumptions); and
- where additional income outside of policy is included to achieve net income surplus above \$0 or the ADI's minimum serviceability threshold.

Exclude loans:

- that initially fail internal decision tools but meet serviceability policy requirements after income is manually added; and
- with non-serviceability policy exceptions (for example, valuation, **LVR** or **LMI** exceptions).

Hardship relief refers to loans where there is currently in effect any waiver, deferral or other concession to interest or principal payments, on the grounds of financial hardship of the borrower.

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

Impaired loans are loans that are impaired as defined in *Prudential Standard APS 220*

Credit Quality (APS 220).

Lenders mortgage insurance (LMI) refers to an acceptable LMI as defined in Attachment D of APS 112.

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

Mortgagee in possession refers to loans for which the ADI has taken possession of the property securing the loan due to borrower default.

Originated – a loan is considered originated once any portion of the funds are made available for the borrower to draw down according to the terms of the contract, irrespective of whether any funds have yet been drawn or not. Include refinancing of existing loans from within the ADI where a new application is received, a new credit assessment decision is made and a new loan replaces the existing loan. Exclude loans refinanced within the ADI that do not meet these criteria.

Offset accounts are all deposit accounts that are offset against the balance of an outstanding loan when calculating the interest owing. Exclude accounts with no outstanding loan balance associated with them, and all-in-one facilities where it is not possible to separate the loan balance from the borrower's deposits.

Past-due loans are loans that are past-due and well secured as defined in APS 220.

Refinanced from other institutions refers to loans resulting from repayment of a previous existing loan at another financial institution (that is not within the regulated ADI itself) with a new loan from the ADI of similar amount for the same security.

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 facilities are lending facilities that the borrower may repeatedly draw down in part or in full up to a limit. Exclude ***reverse mortgages*** – report these as ***term loans***.

Term loans are loans extended for a fixed period, with a maturity date by which the loan must be repaid. Include redraw facilities attached to fixed-term loans as part of the term loan. Include ***reverse mortgages***.

Third-party originated loans are 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. This includes where this third party accepts or completes applications, and is regardless of whether the third party has the ability to approve transactions or not.

Specific instructions

Section A: Outstanding loans secured by residential property

Report information on outstanding loans to *households*, *household trusts* and *SMSFs* that are secured by *residential property*.

Item 1	<p>Report <i>total facility limits (including redrawable amounts)</i> for facilities <i>secured in Australia</i> in item 1 column 1.</p> <p>Report <i>total facility limits (including redrawable amounts)</i> for facilities <i>secured overseas</i> in item 1 column 2.</p> <p>Item 1 column 1 is a derived item. Report the value of <i>total facility limits (including redrawable amounts)</i> in item 1 column 1 as the sum of:</p> <ul style="list-style-type: none"> • the value of <i>term loans - owner-occupied</i> reported in item 1.1; • the value of <i>term loans - investment</i> reported in item 1.2; and • the value of <i>revolving credit</i> facilities reported in item 1.3.
Item 1.1	Report the <i>total facility limits (including redrawable amounts)</i> for <i>owner-occupied term loans secured in Australia</i> .
Item 1.2	Report the <i>total facility limits (including redrawable amounts)</i> for <i>investment term loans secured in Australia</i> .
Item 1.3	Report the <i>total facility limits (including redrawable amounts)</i> for <i>revolving credit</i> facilities <i>secured in Australia</i> .
Item 2	Report the gross deposit balance in <i>offset accounts</i> which offset loans <i>secured in Australia</i> .
Item 3	<p>Report the <i>loan balances outstanding</i> for loans <i>secured in Australia</i> in column 1 of item 3, 4, 7 and 8.</p> <p>Report the <i>loan balances outstanding</i> for loans <i>secured in Australia</i> that are <i>past-due</i> or <i>impaired</i> in column 2 of items 3 - 8.</p> <p>Item 3 is a derived item. Report the value of <i>loan balances outstanding</i> in item 3 column 1, and <i>past-due</i> or <i>impaired</i> in column 2, as the sum of:</p> <ul style="list-style-type: none"> • the value of <i>term loans - owner-occupied</i> reported in item 3.1; • the value of <i>term loans - investment</i> reported in item 3.2; and • the value of <i>revolving credit</i> facilities reported in item 3.3.

Item 3.1	Report the value of <i>loan balances outstanding</i> for <i>owner-occupied term loans</i> .
Item 3.1.1	Report the value of <i>loan balances outstanding</i> for <i>interest-only, owner-occupied term loans</i> .
Item 3.1.2	Report the value of <i>loan balances outstanding</i> for <i>third-party originated, owner-occupied term loans</i> .
Item 3.2	Report the value of <i>loan balances outstanding</i> for <i>investment term loans</i> .
Item 3.2.1	Report the value of <i>loan balances outstanding</i> for <i>interest-only, investment term loans</i> .
Item 3.2.2	Report the value of <i>loan balances outstanding</i> for <i>third-party originated, investment term loans</i> .
Item 3.3	Report the value of <i>loan balances outstanding</i> for <i>revolving credit</i> facilities.
Item 3.3.1	Report the value of <i>loan balances outstanding</i> for <i>third-party originated, revolving credit</i> facilities.
Item 3.4	Report the <i>loan balances outstanding</i> for <i>low-documentation</i> loans.
Item 3.5	Report the <i>loan balances outstanding</i> for <i>reverse mortgages</i> .
Item 3.6	Report the <i>loan balances outstanding</i> for loans to <i>household trusts</i> and <i>SMSFs</i> .
Item 3.7	Report the <i>loan balances outstanding</i> for loans to <i>non-residents</i> .
Item 3.8	Report the <i>loan balances outstanding</i> for loans currently covered by <i>LMI</i> .
Item 3.9	Report the <i>loan balances outstanding</i> for loans where the primary security is a <i>unit or apartment</i> .
Item 4.1	Report the <i>loan balances outstanding</i> for <i>term loans</i> that were <i>originated</i> \leq 3 years before the end of the reporting period.
Item 4.2	Report the <i>loan balances outstanding</i> for <i>term loans</i> that were <i>originated</i> $>$ 3 years and \leq 5 years before the end of the reporting period.
Item 4.3	Report the <i>loan balances outstanding</i> for <i>term loans</i> that were <i>originated</i> $>$ 5 years before the end of the reporting period.

Item 5	Report <i>loan balances outstanding</i> for loans that were previously performing and have become <i>past-due</i> or <i>impaired</i> during the quarter.
Item 6	Report <i>loan balances outstanding</i> for <i>mortgagee in possession</i> loans.
Item 7	Report <i>loan balances outstanding</i> for loans <i>30-89 days past due</i> .
Item 8	Report <i>loan balances outstanding</i> for loans currently subject to <i>hardship relief</i> .

Item 9	<p>Report the <i>loan balances outstanding</i> for <i>term loans</i> grouped by <i>LVR</i> for loans <i>secured in Australia</i>.</p> <p>Report loans with an <i>LVR</i> less than 60 per cent in column 1.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 60 per cent, and less than 80 per cent, in column 2.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 80 per cent, and less than 85 per cent, in column 3.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 85 per cent, and less than 90 per cent, in column 4.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 90 per cent, and less than 95 per cent, in column 5.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 95 per cent in column 6.</p> <p>Column 7 is a derived item. Report loans with an unknown or missing <i>LVR</i> in column 7.</p>
Item 9.1	Report the <i>loan balances outstanding</i> for <i>term loans</i> grouped by <i>LVR</i> for <i>investment loans</i> .
Item 9.2	Report the <i>loan balances outstanding</i> for <i>term loans</i> grouped by <i>LVR</i> for <i>third-party originated</i> loans.
Item 9.3	Report the <i>loan balances outstanding</i> for <i>term loans</i> grouped by <i>LVR</i> for <i>past due</i> or <i>impaired</i> loans.

Section B: New loans originated during the quarter, secured by residential property

Report the total gross value of loans to *households*, *household trusts* and *SMSFs* secured by residential property that were *originated* during the quarter.

For *revolving credit* facilities, report the entire value of the credit limit from the time at which the credit is first made available to the borrower (whether or not it is drawn down within that period).

For *term loans*, report the entire committed value of the loan from the time at which the credit is first made available to the borrower (whether or not it is drawn down within that period). If the loan is disbursed over a period of time (multiple drawdowns) then report the entire loan as being originated from the time at which funds are first made available to the borrower, whether or not it is drawn down within that period.

Item 10	<p>Report the total committed value of loans <i>originated</i> and <i>secured in Australia</i> in item 10 column 1.</p> <p>Report the value of loans <i>originated</i> and <i>secured overseas</i> in item 10 column 2.</p> <p>Item 10 column 1 is a derived item. Report the value of loans <i>originated</i> in item 10 column 1 as the sum of:</p> <ul style="list-style-type: none"> • the value of <i>owner-occupied term loans originated</i> reported in item 10.1; • the value of <i>investment term loans originated</i> reported in item 10.2; and • the value of <i>revolving credit</i> facilities <i>originated</i> reported in item 10.3.
Item 10.1	Report the total committed value of <i>owner-occupied term loans</i> that were <i>originated</i> during the quarter.
Item 10.1.1	Report the total committed value of <i>interest only, owner-occupied term loans</i> that were <i>originated</i> during the quarter.
Item 10.1.2	Report the total committed value of <i>third-party originated, owner-occupied term loans</i> that were <i>originated</i> during the quarter.
Item 10.1.3	Report the total committed value of <i>owner-occupied term loans</i> that were <i>originated</i> during the quarter where the <i>loan-to-income ratio</i> is greater than or equal to 4 times.
Item 10.1.4	Report the total committed value of <i>owner-occupied term loans</i> that were <i>originated</i> during the quarter where the <i>loan-to-income ratio</i> is greater than or equal to 6 times.

Item 10.2	Report the total committed value of <i>investment term loans</i> that were <i>originated</i> during the quarter.
Item 10.2.1	Report the total committed value of <i>interest only, investment term loans</i> that were <i>originated</i> during the quarter.
Item 10.2.2	Report the total committed value of <i>third-party originated, investment term</i> loans that were <i>originated</i> during the quarter.
Item 10.2.3	Report the total committed value of <i>investment term loans</i> that were <i>originated</i> during the quarter for which the <i>loan-to-income ratio</i> is greater than or equal to 4 times.
Item 10.2.4	Report the total committed value of <i>investment term loans</i> that were <i>originated</i> during the quarter for which the <i>loan-to-income ratio</i> is greater than or equal to 6 times.
Item 10.3	Report the total committed value of <i>revolving credit</i> facilities that were <i>originated</i> during the quarter.
Item 10.4	Report the total committed value of loans <i>originated</i> that were <i>refinanced from other institutions</i> .
Item 10.5	Report the total committed value for loans to <i>household trusts</i> and <i>SMSFs</i> that were <i>originated</i> during the quarter.
Item 10.6	Report the total committed value for loans to <i>non-residents</i> that were <i>originated</i> during the quarter.
Item 10.7	Report the total committed value for loans with <i>LMI</i> that were <i>originated</i> during the quarter.
Item 10.8	Report the total committed value for loans with <i>impaired customer credit history</i> that were <i>originated</i> during the quarter.
Item 10.9	Report the total committed value for loans <i>with exceptions to serviceability policy</i> that were <i>originated</i> during the quarter.
Item 10.10	Report the total committed values for loans for which the primary security is a <i>unit or apartment</i> that were <i>originated</i> during the quarter.

Item 11	<p><i>Term loans originated by LVR – Australia</i> Report the total committed value of <i>term loans originated</i> during the quarter grouped by <i>LVR</i> for loans <i>secured in Australia</i>.</p> <p>Report loans with an <i>LVR</i> less than 60 per cent in column 1.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 60 per cent, and less than 80 per cent, in column 2.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 80 per cent, and less than 81 per cent, in column 3.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 81 per cent, and less than 85 per cent, in column 4.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 85 per cent, and less than 90 per cent, in column 5.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 90 per cent, and less than 95 per cent, in column 6.</p> <p>Report loans with an <i>LVR</i> greater than or equal to 95 per cent in column 7.</p>
Item 11.1	Report the total committed value of loans <i>originated</i> grouped by <i>LVR</i> for <i>owner-occupied loans</i> .
Item 11.2	Report the total committed value of loans <i>originated</i> grouped by <i>LVR</i> for <i>investment loans</i> .
Item 11.3	Report the total committed value of loans <i>originated</i> grouped by <i>LVR</i> for <i>interest-only loans</i> .
Item 11.4	Report the total committed value of loans <i>originated</i> grouped by <i>LVR</i> for <i>third-party originated loans</i> .
Item 12.1	Report the weighted average interest rate for variable-rate loans <i>secured in Australia</i> that were <i>originated</i> during the quarter, as the average of the individual loans' contractual interest rates, weighed by the originated amount.
Item 12.2	Report the weighted average <i>loan serviceability assessment rate</i> for loans <i>secured in Australia</i> that were <i>originated</i> during the quarter, as the average of the individual loan interest rates weighed by the originated amount.