

## Reporting Guidance

### ARF 223.0 Residential Mortgage Lending

This reporting guidance is to assist ADIs in reporting the information required by ARF 223.0 *Residential Mortgage Lending*. This guidance highlights and explains differences between the reporting instructions, prudential standards and other reporting to APRA.

#### Residential mortgage lending

ADIs are required to report on ARF 223.0 information on loans to certain counterparties that are secured residential mortgages. The definition of such loans in ARF 223.0 does not give consideration to the treatment of the loan under prudential standards.

The treatment of a loan secured by a residential mortgage under the prudential standards can be different depending on the process and circumstances of an individual ADI. One ADI may categorise some loans differently to another ADI based on its approach under the prudential standards. This is reflected on the relevant credit risk reporting forms.

The scope of loans to be reported on ARF 223.0 is defined as a specific subset of an ADI's loans. This allows for consistent reporting of loan characteristics by all ADIs. For many ADIs, this will not be consistent with what is considered residential mortgage lending under the prudential standards.

#### Households and other counterparties

ADIs are required to report on ARF 223.0 information on loans to both resident and non-resident households, household trusts and self-managed super funds (SMSFs).

The definition of households in ARF 223.0 is consistent with other reporting to APRA such as ARF 320.0 *Statement of Financial Position (Domestic Book)* and ARF 392.0 *Housing Finance*. This definition is sourced from the Australian Bureau of Statistics (ABS) *Standard Economic Sector Classifications of Australia (SESCA), 2008*.

Household trusts include trusts established and managed by households for household purposes. The inclusion of these additional counterparties is to capture loans to borrowers which have similar risk profiles to households, such as loans to family trusts and SMSFs.

#### Classification of loans by their security

Loans are classified for the purposes of ARF 223.0 on the basis of the security of the loan. APS 112 and APS 113 are also based on the security of the loan in most instances. This differs to other APRA reporting such as ARF 320.0 and ARF 392.0, which classify loans by the purpose of the loan. Hence, a given loan may be reported in a different category for ARF 223.0 and ARF 320.0.

Residential mortgages (mortgages secured by residential property) are not defined in the prudential standards.

Loans secured by residential property include:

- loans for the construction or purchase of dwellings for owner-occupied and investment purposes;

- revolving credit or redraw facilities;
- loans held by offshore operations within the Level 2 consolidated group;
- loans to non-resident households, family trusts and SMSFs; and
- loans secured by residential property overseas.

Exclude:

- any loans (e.g. credit cards) that may be indirectly secured through an ‘all monies mortgage’ or similar provision.

For the purposes of ARF 223.0, owner-occupied loans and investor loans are defined according to the loan collateral. This definition may not necessarily be consistent with other APRA reporting such as ARF 320.0 and ARF 392.0.

#### **Definition of residential property**

For the purposes of ARF 223.0, a definition of residential property has been included in the instructions to ensure consistency in reporting. This definition is sourced from the *ABS Functional Classification of Buildings, 1999 (Revision 2011)* and is consistent with definitions in ARF 320.0 and ARF 392.0.

#### **Loan-to-valuation ratio (LVR) categories**

The measurement of LVR for outstanding loans is defined in Attachment D of APS 112.

The categories (or ‘buckets’) of LVRs on ARF 223.0 have been determined to allow for monitoring of lending activity of ADIs. These buckets are different to those for the risk-weighting categories in APS 112.

#### **Residents and non-residents**

The definition of residents and non-residents is consistent with other reporting to APRA such as ARF 320.0 and consistent with SESCA.