



26 May 2014

To: All authorised deposit-taking institutions (ADIs)

APRA releases draft prudential practice guide on residential mortgage lending

The Australian Prudential Regulation Authority (APRA) today released for consultation a draft prudential practice guide that provides guidance to ADIs on sound risk management practices for residential mortgage lending.

Residential mortgage lending has been a significant source of balance sheet growth and profitability for ADIs over a long period. Residential mortgages constitute the largest credit exposure in the Australian banking system and, for many ADIs, well over half their total credit exposures.

Draft *Prudential Practice Guide 223 Residential Mortgage Lending* outlines prudent practice in addressing housing credit risk within an ADI's risk management framework, in applying sound loan origination criteria and appropriate security valuation methods, in the management of hardship loans and in establishing a robust stress-testing framework.

Draft *Prudential Practice Guide 223 Residential Mortgage Lending* can be found on the APRA website at: <http://www.apra.gov.au/adi/PrudentialFramework/Pages/adi-consultation-packages.aspx>

APRA welcomes comments on the draft prudential practice guide. Comments can be provided to mortgagelending@apra.gov.au by not later than 21 July 2014 and addressed to:

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Yours sincerely

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