



10 January 2018

**TO: ALL AUTHORISED DEPOSIT-TAKING INSTITUTIONS**

**RESPONSE TO SUBMISSIONS – REPORTING RESIDENTIAL MORTGAGE LENDING ACTIVITIES**

On 24 October 2016, the Australian Prudential Regulation Authority (APRA) released proposed revisions to the residential mortgage lending reporting requirements for authorised deposit-taking institutions (ADIs), *Reporting Standard ARS 223.0 Residential Mortgage Lending* (ARS 223.0) and accompanying reporting guidance.

On 23 May 2017, APRA released a revised ARS 223.0, which responded to submissions received and proposed a small number of additional data items. APRA sought feedback on these additional data items.

APRA received six submissions from ADIs and industry associations in response to the May 2017 proposals. No submissions objected to the proposals, but changes and clarifications were suggested.

APRA has made minor clarifications to reporting requirements and amended the reporting guidance as a result of these comments (see attached).

Today APRA released the final ARS 223.0. Reporting will commence:

- for ADIs that currently report on *Reporting Form ARF 320.8 Housing Loan Reconciliation* (ARF 320.8), from the reporting period ending 31 March 2018; and
- for ADIs that do not currently report on ARF 320.8, from the reporting period ending 30 September 2018.

APRA will conduct a webinar for ADIs in the coming weeks, to facilitate understanding of the changes.

The updated reporting requirements are available on the APRA website.<sup>1</sup>

Yours sincerely,

Katrina Ellis  
General Manager  
Data Analytics

<sup>1</sup> <http://www.apra.gov.au/adi/PrudentialFramework/Pages/Residential-mortgage-lending-reporting-requirements-response-Jan-2018.aspx>

## **ATTACHMENT – CHANGES TO REPORTING REQUIREMENTS**

### ***Loan-to-income (LTI) and debt-to-income (DTI) ratios***

APRA received feedback in two submissions that using gross income for LTI and DTI may not reflect ADIs' risk management practices. However, ADIs that apply more conservative discounts or 'haircuts' to income will report higher LTI and DTI measures, limiting comparability. In APRA's view, using gross income for reporting purposes is necessary to allow comparison between all ADIs, acknowledging that it does have limitations.

Two submissions asked for additional guidance on the definition of gross income. The definition of gross income for LTI and DTI reporting has been amended to exclude compulsory superannuation contributions. Further detail has been included in the reporting guidance.

### ***Additional increases in lending***

One submission sought clarity on whether loans to self-managed superannuation funds (SMSFs) and non-residents should be included in this item. The instructions have been updated to include such loans.

Two ADIs noted in submissions that they do not expect to report this item, as all increases in credit limits are already captured as new loans funded. APRA confirms that loans subject to a credit assessment should be reported as loans funded, and not as an additional increase.

### ***Lending to private unincorporated businesses***

APRA proposed that ADIs report two data items on loans to private unincorporated businesses that are secured by residential mortgages. The definition of private unincorporated businesses is consistent with the *Economic and Financial Statistics* (EFS) proposed by APRA, the Australian Bureau of Statistics and the Reserve Bank of Australia.<sup>2</sup>

Three submissions stated that collecting information on 'family trusts with a controlling interest in a business' would be problematic. APRA has amended the definition to include all family trusts, not just family trusts with a controlling interest in business. The EFS definitions were also amended accordingly.

Two submissions suggested expanding the reporting to cover loans to all trading companies, to provide a more complete picture of ADIs' lending activity. APRA does not propose to expand reporting beyond private unincorporated businesses. ARS 223.0 is intended to capture household (and similar) lending only. Commercial lending for property is captured on other reporting forms.

### ***External refinancing***

The current definition of external refinancing is limited to loans for substantially the same purpose as the loan they replace. One submission noted that it is not feasible for an ADI to know the predominant purpose of external loans. In line with EFS, the reference to the loan being for substantially the same purpose has been removed from the definition in ARS 223.0.

---

<sup>2</sup> <http://apra.gov.au/adi/PrudentialFramework/Pages/EFS-collection-response-Aug17.aspx>

### ***Loan vintage***

Two submissions questioned if loan vintage should be measured from the date of a refinance or from the date of the original loan. As per the instructions, loan vintage is to be reported from when the loan is funded, meaning the date of a refinance should be used.