

5 November 2019

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Dear Heidi

APRA Consultation on Government's First Home Loan Deposit Scheme (FHLDS).

Thank you for the opportunity to make this submission to the Australian Prudential Regulation Authority (APRA) consultation on Government's First Home Loan Deposit Scheme (FHLDS).

MyState Limited (MYS) is the Non-Operating Holding Company of a diversified financial services group listed on the ASX and is a leading provider of banking, trustee and wealth management services to customers across the country through our retail brands - MyState Bank and Tasmanian Perpetual Trustees.

MyState Limited was formed in September 2009 following the merger of MyState Financial, an authorised deposit-taking institution, and Tasmanian Perpetual Trustees (TPT), a trustee and wealth management company. On 1 December 2011, MyState Limited acquired The Rock Building Society (The Rock) based in Central Queensland. On October 6, 2014, following APRA authorisation MyState Financial changed its name to MyState Bank (MyState). On 30 September 2015 MyState Bank received regulatory approval to fully transfer all of the business undertakings of The Rock into MyState Bank Limited.

MyState Bank Limited is a member of the Australian Bankers Association (ABA).

Our submission specifically relates to the treatment of the loans under the Government's First Home Loan Deposit Scheme (FHLDS). The key points are as follows:

Capital Treatment of these loans

As stated in the consultation paper date 28 October 2019, APRA intends to give effect to this lower capital requirement by adjusting the mortgage capital requirements set out in Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112). Specifically, recognising both the minimum 5% deposit required of borrowers and the Government guarantee of 15% of the property purchase price, APRA proposes to allow ADIs to treat eligible FHLDS loans in a comparable manner to mortgages with a loan-to-valuation ratio of 80%. Thus allowing FHLDS loans to be risk-weighted at 35% under APRA's current capital requirements. MyState is very supportive of this recommendation and appreciates the positive support APRA is showing towards this initiative by addressing one of the key hurdles that may impact lender appetite for these loans.

High LVR flow limits

While APRA does not have specific limits defined for high LVR lending, all lenders are encouraged to define risk limits for loans $\geq 80\%$ LVR. APRA has encouraged a tempered appetite for such loans.

The FHLDS loans by the very nature of their structure will be included within these limits and will therefore restrict the lenders ability to support the scheme. As stated in the APRA consultation paper, APRA recognises the fact that these loans are supported by a government guarantee up to 15% of the value of the loan, furthermore the customer is required to put up 5% of the loan amount. The effective LVR of these loans is therefore 80% and not 95% based on current calculations. MyState recommends that these loans not be included in the High LVR definitions (i.e $\geq 80\%$) consistent with the capital treatment.

Please reach out to the MyState CRO Mandakini Khanna at [REDACTED] in the event you have any clarifications on our response.

Yours sincerely

[REDACTED]

Melos Sulicich
Managing Director & CEO