



11 March 2016

To all authorised deposit-taking institutions

REPORTING HOUSING LOANS DATA TO APRA

A number of ADIs have recently reported significant changes in housing loan purpose between investment and owner-occupied. This letter provides guidance to assist authorised deposit-taking institutions (ADIs) report these data to APRA consistently and accurately.

These data are used in public policy decisions, prudential supervision and statistical publications. Where the change in loan purpose is not reported correctly (i.e. from the period that the change occurred), APRA, the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS) are impeded in accurately ascertaining the underlying movements in housing loans.

Reporting of fixed term housing loans must reflect the current purpose of the loan because the split by housing loan purpose is important for monetary policy and financial stability considerations.

Use of data

APRA uses these data for supervision and publication. The data are also used by the RBA and the ABS.

The classification of investment and owner-occupied housing loans is used by the RBA to:

- calculate the financial aggregates;
- assess the transmission of monetary policy through the financial system;
- assess potential risks to financial stability; and
- meet international statistical standards and reporting obligations.

The ABS uses the domestic books data to compile Gross Domestic Product, of which ADIs are a major component.

Reporting guidance

To assist ADIs report housing loan data accurately and consistently, Appendix 1 of this letter provides guidance on reporting investment and owner-occupied housing loans on the following reporting forms:

1. *ARF 320.0 Statement of Financial Position (banks);*
2. *ARF 323.0 Statement of Financial Position (Credit Unions and Building Societies);*
3. *ARF 320.8 Housing Loan Reconciliation (ADIs);*
4. *ARF 392 series Housing Finance (ADIs);*
5. *ARF 394 series Personal Finance (ADIs); and*
6. *ARF 220.0 Impaired Assets (Banks).*

Please inform APRA at statistics@apra.gov.au if you intend to revise any reporting forms you have previously submitted to APRA as a result of reviewing the guidance. This will assist APRA to identify and explain the proposed changes to submitted data to users prior to any resubmissions to APRA.

If you have any queries regarding the guidance in this letter or require further information, please email statistics@apra.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Ashcroft', written in a cursive style.

Barton Ashcroft
Senior Manager, Data Collection

Appendix 1: Reporting guidance

Banks' reporting of *Statement of Financial Position ARF 320.0 (ARF 320.0)*

In order to report loan data on the ARF 320.0 accurately each period, according to whether a loan is owner occupied or investment housing, ADIs must report data for existing (non-revolving) housing loans by current loan purpose.

The instructions to ARF 320.0 item 5.1.1.1 owner-occupied housing loans state that the figure reported must:

Include:

- the value of housing loans to Australian households, for the construction or purchase of dwellings for owner occupation; and
- revolving credit or redraw facilities originally approved for a purpose of predominantly owner-occupied housing.

The instructions to ARF 320.0 item 5.1.1.2 investment housing loans state that the figure reported must:

Include:

- the value of investment housing loans to Australian households, for the construction or purchase of dwellings for non-owner occupation; and
- revolving credit or redraw facilities originally approved for a purpose of predominantly non-owner-occupied housing.

Therefore:

- when an ADI becomes aware there is a change in the purpose of an existing (non-revolving) housing loan between investment and owner-occupied, the ADI must report that loan under the new purpose on the ARF 320.0 from the month that the change in purpose occurred; but
- for housing loans to households comprising revolving credit secured by residential mortgage, the instructions state that the loan must NOT be reported under the new purpose but continue to be reported under the purpose of the loan for which it was originally approved.

Loans must be reported according to the purpose of the loan. Where the purpose of a loan is not for the purchase or construction of a dwelling, the loan should NOT be recorded under item 5.1.1.1 or 5.1.1.2 of ARF 320.0: the loan should be reported under the relevant loan item elsewhere in ARF 320.0. In particular, non-housing loans that are secured by residential property mortgages should not be reported under item 5.1.1.1 or 5.1.1.2, but reported under the relevant loan item elsewhere in ARF 320.0. For example, a loan to a sole trader business secured by a residential property mortgage would be reported in item 5.3 *Loans to non-financial corporations*.

Credit unions' and building societies' reporting of *Statement of Financial Position ARF 323.0 (ARF 323.0)*

In order to report data on the ARF 323.0 accurately each period, according to whether a loan is owner occupied or investment housing, ADIs must report data for existing (non-revolving) housing loans by current loan purpose. Switching of purpose between investment and owner-occupied housing loans should be recorded under the new purpose on the ARF 323.0 from the month that the change in purpose occurred.

As per the ARF 323.0 instructions, fixed term housing loans should be reported per the current purpose and therefore should change category when the purpose changes. Revolving credit and

redraw facility housing loans should continue to be reported under the purpose that the loan was originally approved for.

Housing Loan Reconciliation ARF 320.8 (ARF 320.8)

Loans which switched purpose between investment and owner-occupied housing loans should be reported under the new purpose in the outstanding stocks on ARF 320.8 Tables 1, 2 and 3.

In Table 1 of ARF 320.8, if the changed purpose of housing loans is recorded in an ADI's system as an internal refinance, then the change in classification should be reported as 'Excess repayments due to sale of property or refinancing' under the original purpose, and also as 'Drawdowns (new loans and redraws)' for the new purpose. An example of an internal refinance is when a new contract is signed by the customer. If the reclassifying by housing loan purpose is not recorded in your system as an internal refinance, then the reclassification should be recorded as 'Other adjustments' under both the original and new purpose. Once the reclassifying by housing loan purpose has occurred, any other flows related to that loan should be recorded under the new purpose.

In Table 1, the flow for the reporting period should be recorded under the new purpose. Opening balances in Table 1 of the supplementary information template should be reported as nil. In Tables 2 and 3, the balances should be recorded under the new purpose.

As per the *Housing Finance* ARF 392 series and *Personal Finance* ARF 394 series instructions, reclassifying by housing loan purposes should not be reported as a new loan approval if there is no change in the property offered as security or the lender. As such, it should not be captured in Table 4.

Housing Finance ARF 392 (ARF 392) series

The general instructions for ARF 392 (page 5) state that institutions should exclude commitments to refinance existing loans where there is no change in the property offered as security and the institution was the original lender. Therefore, switching of purpose between existing investment and owner-occupied housing loans should not be reflected in the housing approvals reported on the ARF 392. Loan purpose switching does not qualify as a new commitment, nor is it an external refinance.

Personal Finance ARF 394 series

Switching of purpose between existing investment and owner-occupied housing loans should not be reflected in new commitments reported on the ARF 394 in 'Loans for personal investment purposes - dwellings for rent/resale' and 'Loans for personal investment purposes - refinancing'. Loan purpose switching does not qualify as a new commitment, nor is it an external refinance.

Banks' reporting of Impaired Assets ARF 220.0

Loans which switched by purpose between impaired investment and owner-occupied housing loans and between past due investment and occupied housing loans should be recorded under the new purpose categories on the ARF 220.0 Parts 1B and 2B from the reporting period that the reclassification occurred.