General Manager

Policy Development

Policy and Advice Division

Australian Prudential Regulation Authority

REVISIONS TO PRUDENTIAL PRACTICE GUIDE APG 223 RESIDENTIAL MORTGAGE LENDING

Dear Sir/Madam,

Thank you for the opportunity to provide comment on your proposed changes to Residential Mortgage Lending Floor Rate.

Given that the current downturn in wages, spending, home prices and home loan applications, it is imperative to make the right calls in terms of the economy. With the threat of the CLO market bringing as much pain as the CDO's to 2007/2008, it is appropriate to ensure that the interest rate floor used for home lending builds in enough padding to withstand a large spike in cash rates being driven upwards by large amounts of corporate debt maturing and requiring restructuring in a cash market that is not as liquid. This strain can lead to fast increases in home loan rates as the funding costs for Australian ADI's increase rapidly.

Given that the buffer has been in place since 2014 and that there are no dramatic impacts to lending, which is more impacted by the lack of wage growth and the fact that properties are selling for 10-12 times the median annual income in most states.

When you look at the big 4 banks, their interest rates advertised are 4.5% already and adding 2.5% is 7%. Any future interest rate reductions by the RBA will be soaked up by the banks to fund increased funding costs and also to pay for the remediation works that each have under way.

Yours faithfully

Anthony Barham