

Monthly Residential Mortgages Health Check – April 2024 (February 2024 data, unless otherwise stated)

Competition remains tight for some segments of the portfolio. Asset quality remained strong but continued the trend of gradual deterioration.

New Lending:

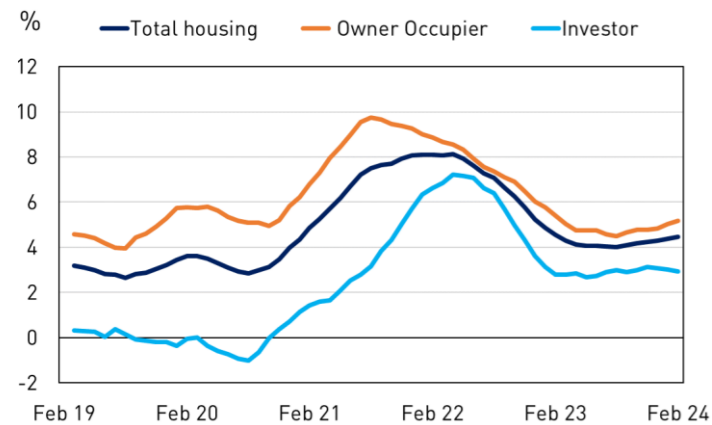
- **While investors' share of new lending commitments growing, owner-occupied credit is growing faster than investor credit.** This is potentially driven by elevated levels of sales, notably for properties purchased in the last three years. This could be investors taking profits, or borrowers that are exiting due to stress.
- **Banks' pricing is targeting new investor lending,** with the interest rate spread between new owner-occupied and investor loans the lowest it has been in several years at just 26 bps. However refinancing activity for investors has not picked up.
- **Affordability for new loans continues to worsen.** Macro Strategic Insights team's analysis shows that as a share of household income, the average new mortgage repayment for a median dwelling is at a new high. Increasing repayments and house prices will continue to stretch FHBs' loan serviceability.

Existing Lending:

- **Lenders are increasingly defensive of market shares through their back-book.** Cash rate to outstanding variable loan interest rate spreads continue to narrow, while spreads to new variable loan rates are widening. This may continue to compress banks' NIMs.
- **Asset quality remains healthy, but is gradually deteriorating,** as with the last several months. ASIC data shows the number of hardship applications increased in 2023, mostly driven by OO and high LVR borrowers (further analysis [here](#)).

Housing Credit Growth

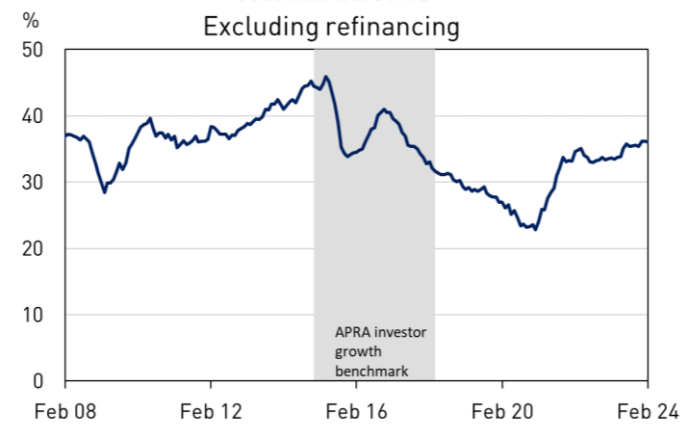
6-Month annualised growth



Seasonally adjusted. ADIs and Non-ADI Lenders
Source: RBA

Investor share of new housing loan commitments

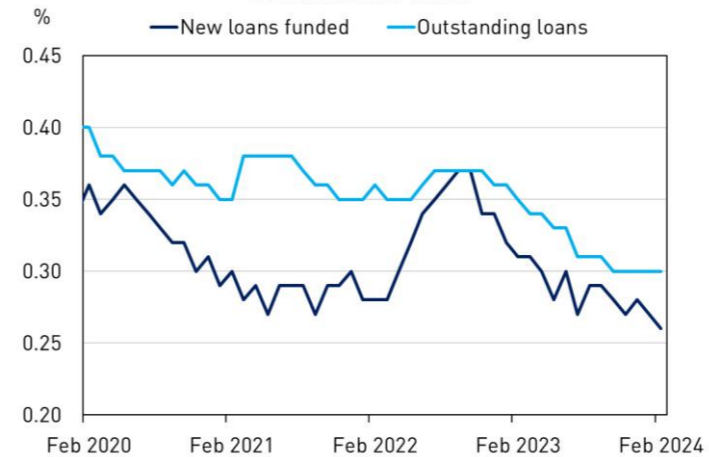
Excluding refinancing



Seasonally adjusted, ADIs and Non-ADI Lenders
Source: ABS

Lending rates: Spread between INV and OO

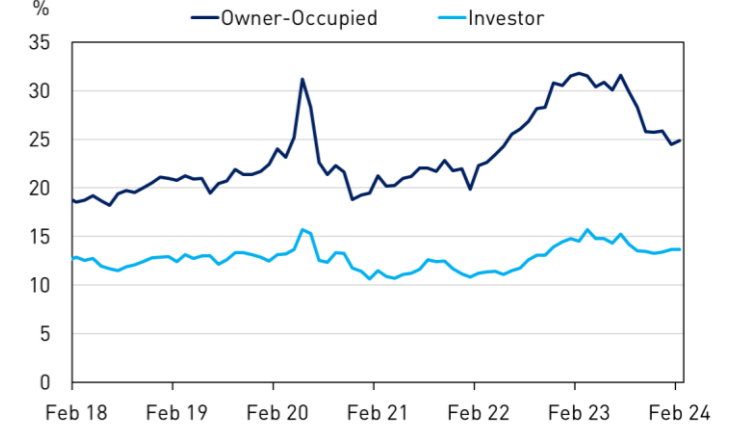
Variable rate loans



Source: RBA. ADIs and Non-ADI Lenders

External Mortgage Refinancing

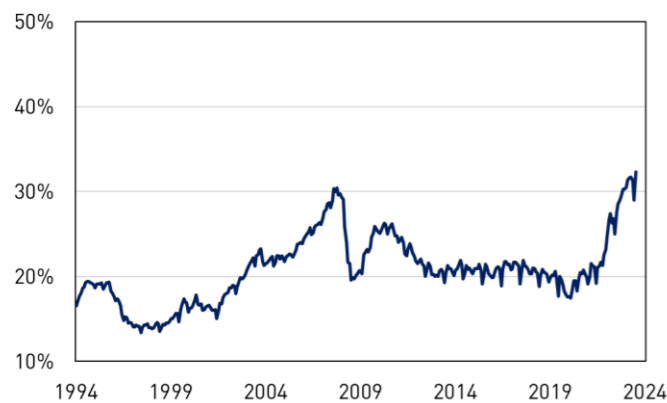
Share of total new commitments



Seasonally adjusted. ADIs and Non-ADI Lenders
Source: ABS

National Mortgage Affordability

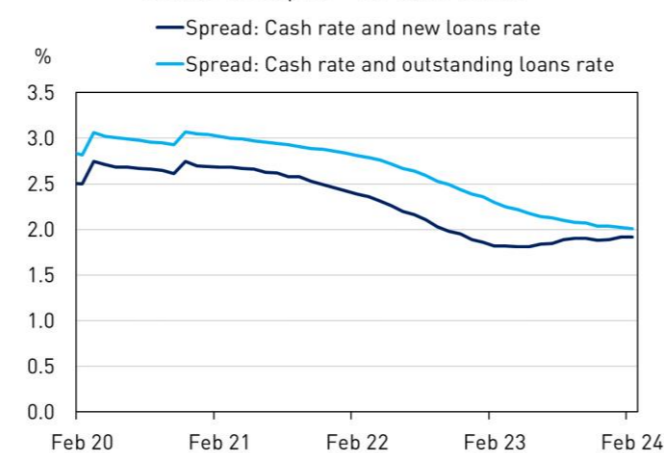
Mortgage payments on 80% of median dwelling price, as a share of household income*, monthly



*Two-person household on average incomes
Source: ABS; APRA; CoreLogic;RBA

Housing Lending Interest Rates and Margins

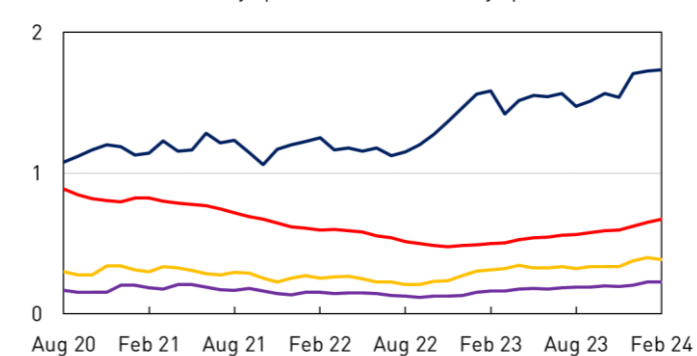
Owner-occupier - variable loans



Source: RBA. ADIs and Non-ADI Lenders

Residential Mortgage Arrears

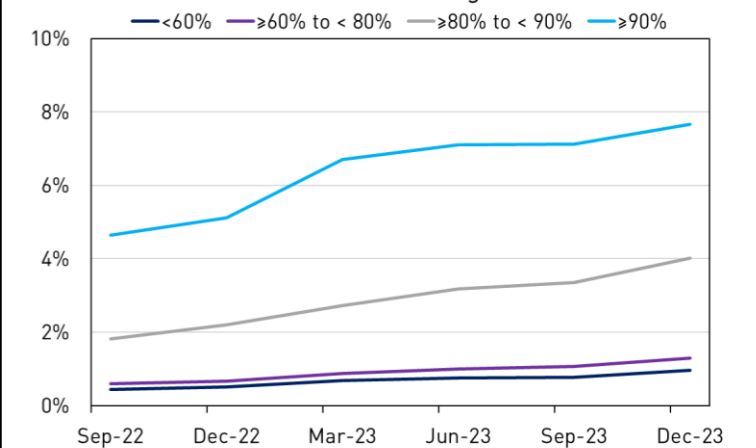
1-29 days past due, 30-59 days past due, 60-89 days past due, 90+ days past due



Source: ARF 923_0
ADIs and Best Endeavour Collection

Hardship applications by LVR

Share of outstanding loans



Source:ASIC & APRA