

S r . N o .	Section	Sub-section	Text	Classification of Text	If Action Point, Responsible Dept.	Compliance To be Done	Rate of Compliance	If Business Rule, Interpretation/ Simplification
1	Disclaimer and Copyright	-	This prudential practice guide is not legal advice and users are encouraged to obtain professional advice about the application of any legislation or prudential standard relevant to their particular	Action Point	Legal/Compliance Dept.	Obtain independent professional advice regarding legislation application; Exercise independent skill/care	NA	NA

			lar circum stance s and to exerci se their own skill and care in relatio n to any materi al contai ned in this guide. 1					
2	Discl aime r and Copy right	-	APRA disclai ms any liability for any loss or damag e arising out of any use of this prude ntial practic e	Inform ation	NA	NA	NA	NA

			guide. 2					
3	Disclaimer and Copy right	-	This licence allows you to copy, distribute and adapt this work, provided you attribute the work and do not suggest that APRA endorses you or your work. 3	Business Rule	NA	NA	NA	Attribute APRA when copying/adapting; Do not suggest endorsement

4	About this guide	Nature of Guide	Prudential practice guides (PPGs) provide guidance on APRA's view of sound practice in particular areas. PPGs frequently discuss statutory requirements from legislation, regulations or APRA's prudential standards, but do not them	Information	NA	NA	NA	NA
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			elves create enforc eable requir ement s. ⁴					
5	About this guide	Natur e of Guid e	PPGs target areas where APRA contin ues to identif y weakn esses as part of its ongoing superv isory activiti es, and do not seek to provid e an all-enc ompas sing frame work, or to replac e or	Inform ation	NA	NA	NA	NA

			endors e existin g industr y standa rds and guideli nes. ⁵					
6	About this guide	Scop e	This PPG aims to outline prude nt practic es in the manag ement of risks arising from lendin g secure d by mortg ages over reside ntial proper ties, includi ng	Inform ation	NA	NA	NA	NA

			owner-occupied and investment properties. ⁶					
7	About this guide	Reporting level / Scope	It applies to authorised deposit-taking institutions (ADIs) as well as to other APRA-regulated institutions that may have exposures to residential mortgages. ⁷	Business Rule	NA	NA	NA	Applies to ADIs and APRA-regulated institutions with residential mortgage exposure ⁸⁹

81011	About this guide 1213	Related Standards 1415	It should be read in conjunction with prudential standards for ADIs, including: Prudential Standard APS 220 Credit Risk Management (APS 220); Prudential S ¹⁶ standard CPS 220 Risk Management (CPS 220); ¹⁷ Prudential Practice	Action Point	Risk/Compliance Dept.	Read and apply this guide in conjunction with APS 220, CPS 220, CPG 220, and CPS 510	NA	NA
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			Guide CPG 220 Risk Ma ¹⁸ nagem ent (CPG 220); and Prude ntial Stand ard CPS 510 Gover nance (CPS 510). 19					
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9	About this guide	Flexibility	Subject to meeting APRA's prudential requirements, and legislative and regulatory requirements governing consumer lending by ADIs and third parties acting on their behalf, an APRA-regulated institution has the flexibility to	Business Rule	NA	NA	NA	Institutions may manage lending flexibly to suit objectives, provided requirements are met
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			manage residential mortgage lending in a manner that is best suited to achieving its business objectives. 20					
10	About this guide	Applicability	Not all of the practices outlined in this PPG will be relevant for every institution and some aspects may vary depending	Business Rule	NA	NA	NA	Apply practices based on institution size, complexity, and risk profile

			ding upon the size, complexity and risk profile of the institution. 21					
1 1	Back ground	Cont ext	Lendin g secure d by mortg ages over reside ntial proper ty (reside ntial mortg age lendin g) constit utes the largest credit expos ure in the Austra lian	Inform ation	NA	NA	NA	NA

			bankin g syste m, and for many authori sed deposi t-takin g institut ions (ADIs) constit utes over half their total credit expos ures. 22					
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1 2	Back grou nd	Purp ose	This prude ntial practic e guide (PPG) summ arises prude nt lendin g practic es in reside ntial mortg age lendin g in Austra lia, includi ng the need to addres s credit risk within the ADI's risk manag ement frame work, sound loan origina tion	Inform ation	NA	NA	NA	NA
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			<p>criteria , appropriate security valuation practices, the management of hardship loans and a robust stress-testing framework.</p> <p>23</p>					
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1 3	Back grou nd	Inter natio nal Princi ples	In develo ping this PPG, APRA has had regard to the Financ ial Stabilit y Board' s (FSB) Princip les for Sound Resid ential Mortg age Under writing Practic es (FSB princip les), which sets out minim um under writing (loan origina tion) standa rds	Inform ation	NA	NA	NA	NA
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			that the FSB encourages supervisors to implement. ²⁴					
14	Background	Offshore Lending	Although the exact details may differ somewhat to reflect local conditions, APRA would expect a prudent ADI undertaking residential mortgage lending outside of	Business Rule ² 829	NA ³⁰³¹	NA ³²³³	NA ³⁴³⁵	Apply similarly conservative standards to offshore residential mortgage lending, reflecting local conditions ³⁶³⁷

			<p>Australia to apply lending standards and risk management practices that are similarly conservative to those outlined in this PPG.</p> <p>25262</p> <p>7</p>					
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