

S r o .	Secti on	Sub- secti on	Text	Classi ficatio n of Text	If Action Point, Respon sible Dept.	Com plian ce To be Done	Rate of Com plian ce	If Business Rule, Interpretation/ Simplification
1	Discl aime r and Copy right	-	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 particu	Action Point	Legal/Compliance Dept.	Obtain independent professional advice regarding legislation application; Exercise independent skill/care	NA	NA

			lar circumstances and to exercise their own skill and care in relation to any material contained in this guide. 1					
2	Disclaimer and Copyright	-	APRA disclaims any liability for any loss or damage arising out of any use of this prudential practice	Information	NA	NA	NA	NA

			guide. 2					
3	Discl aime r and Copy right	-	This licenc e allows you to copy, distrib ute and adapt this work, provid ed you attribut e the work and do not sugge st that APRA endors es you or your work. 3	Busine ss Rule	NA	NA	NA	Attribute APRA when copying/adaptin g; 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 4 s.					
5	About this guide	Nature of Guide	PPGs target areas where APRA continues to identify weaknesses as part of its ongoing supervisory activities, and do not seek to provide an all-encompassing framework, or to replace or	Information	NA	NA	NA	NA

			endorse existing industry standards and guidelines. 5					
6	About this guide	Scope	This PPG aims to outline prudent practices in the management of risks arising from lending secured by mortgages over residential properties, including	Information	NA	NA	NA	NA

			owner-occupi ed and invest ment proper ties. 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

8 1 0 1 1	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 Standard CPS 220 Risk Management (CPS 220); ¹⁶ Prudential Practice 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 18 Ma 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	Lending secure d by mortg ages over residential property (residential mortgage lending) constitutes the largest credit exposure in the Australian	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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2	Back ground	Purpose	This prudential practice guide (PPG) summarises prudent lending practices in residential mortgage lending in Australia, including the need to address credit risk within the ADI's risk management framework, sound loan origination	Information	NA	NA	NA	NA

			criteria , appropriate securit y valuation practices, the management of harsh hip loans and a robust stress-testing frame work. 23					
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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 encour ages superv isors to imple ment. 24					
1 4	Back grou nd	Offsh ore Lendi ng	Althou gh the exact details may differ some what to reflect local conditi ons, APRA would expect a prude nt ADI undert aking reside ntial mortg age lendin g outsid e of	Busine ss Rule ² 829	NA ³⁰³¹	NA ³² 33	NA ³⁴ 35	Apply similarly conservative standards to offshore residential mortgage lending, reflecting local conditions ³⁶³⁷

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