

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Australian Prudential Regulation Authority

Question No: 76

Topic: Interest-only loans

Reference: Hansard page 114 (30 May 2017)

Senator: Ketter, Chris

Question:

Senator KETTER: I am going to come back to some of the macro prudential issues. Are you concerned that the tax system provides an incentive for the proliferation of interest-only loans?

Mr Byres: We take the tax system as a fact of life. It is a given, exogenous, variable, and we have to work within that.

Senator KETTER: Presumably you provide advice to government about these types of issues?

Mr Byres: When we were going to institute the constraints on interest-only lending, we certainly briefed the Treasurer on what we were doing, why we were doing it, why we were choosing to do that and potential reasons within the environment of why people were keen to use interest-only lending.

Senator KETTER: Can you give us a breakdown on the interest-only loans with property investors as compared to owner occupiers? Presumably it is a fairly wide margin.

Mr Byres: I would probably take it on notice but, for the purposes of this evening, it is about 20 per cent of lending to owner occupiers is interest only, and about 60 per cent of lending to investors is interest only.

Answer:

At the end of March 2017, interest-only loans accounted for 24.9 per cent of residential mortgage lending to owner-occupiers, and 65.2 per cent of residential mortgage lending to investors.



5 July 2017

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| Subject: | Supporting information - May 2017 Question on Notice - Interest-only loans |
| Sensitivity: | For Official Use Only |

Residential mortgage lending: Interest-only

(\$ billion)

| March 2017 | Interest-only mortgages | Total residential mortgage lending | Interest-only share of total residential mortgage lending (%) |
|----------------|-------------------------|------------------------------------|---|
| Owner-occupied | 241.9 | 971.1 | 24.9 |
| Investment | 341.4 | 523.7 | 65.2 |
| Total | 583.3 | 1,494.8 | 39.0 |

Notes

Data are sourced from ARF 320.8 Housing Reconciliation

Data exclude ADIs with total housing loan assets less than \$1 billion

Data include term loans to households only

At the end of March 2017, interest-only loans accounted for 24.9 per cent of residential mortgage lending to owner-occupiers, and 65.2 per cent of residential mortgage lending to investors. The balance of outstanding interest-only loans was \$583.3 billion; of which \$241.9 billion (41.5 per cent) was to owner-occupiers, and \$341.4 billion (58.5 per cent) was to investors.

The interest-only mortgage statistics presented in this response are based on data reported by 31 ADIs with over \$1 billion in residential term loans in *Reporting Form ARF 320.8 Housing Loan Reconciliation*.