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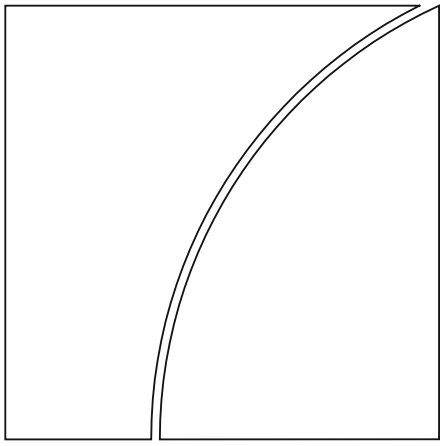

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Macroprudential policies to mitigate housing market risks

Country case study: Australia

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Macroprudential policies to mitigate housing market risks Case study – Australia

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Introduction

Macroprudential policy plays a key role in mitigating risks to financial stability and is a complement to traditional microprudential requirements. In Australia, the Australian Prudential Regulation Authority (APRA) is responsible for both microprudential and macroprudential policy. This case study examines the borrower- and lender-based measures which have been implemented since 2014 to contain housing-related risks.

1. Housing as a source of risk

APRA's macroprudential policy framework (APRA (2021a)) sets out the quantitative indicators used to assess the build-up of systemic risks. Four main indicators (set out in Table 1) are used to identify emerging threats to financial stability: credit growth and leverage; growth in asset prices; lending conditions; and financial resilience. There is no mechanical link between these quantitative indicators and policy settings and ultimately judgment is a key determinant in policy calibration.

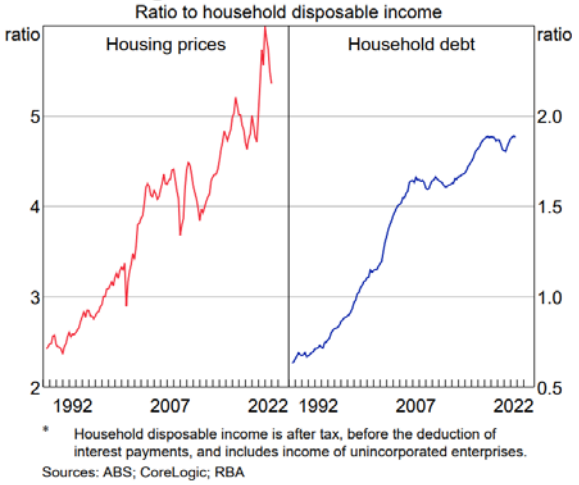
Quantitative indicators — Table 1

Macro indicators		Prudential indicators	
Credit growth and leverage	Growth in asset prices	Lending conditions	Financial resilience
• Growth in credit by sector, such as housing or business • Leverage by sector, such as debt-to-income or debt-to-GDP ratios	• Growth in asset prices linked to credit growth, such as residential property and commercial property • Growth relative to fundamentals	• Lending policies and practices • Growth in higher-risk forms of lending	• Capital ratios, including profitability and organic capital generation • Liquidity ratios • Stress test results

Macroprudential policy interventions have historically been preceded by a build-up of systemic risk associated with high household indebtedness. Risks related to housing debt can threaten the stability of the financial system as well as amplify economic shocks. In the years leading up to the initial macroprudential interventions in 2014, housing debt-to-income ratios in Australia had increased rapidly in line with very strong growth in housing prices (Graph 1). Housing indebtedness is also high relative to many other advanced economies (Graph 2).

Graph 1

Housing Prices and Household Debt*

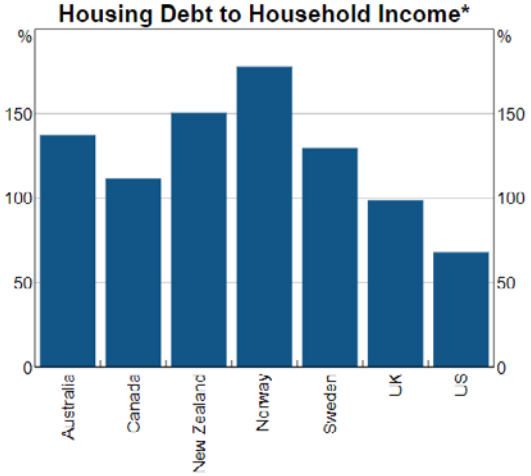


* Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises.

Sources: ABS; CoreLogic; RBA

Graph 2

Housing Debt to Household Income*



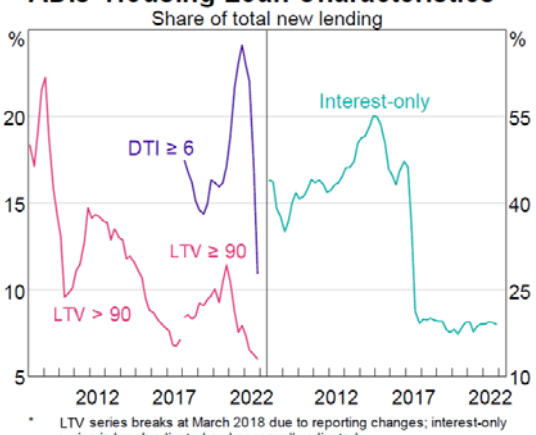
* Includes income of unincorporated enterprises

Sources: national sources; RBA; Refinitiv

The quality of new lending is another important consideration informing the systemic risk outlook. The shares of loans written at high loan-to-valuation ratios (LTV≥90) and high debt-to-income ratios (DTI≥6) are closely monitored (Graph 3). Shares of lending written on interest-only terms are also monitored. These loans typically take five or more years to begin amortising and can therefore contribute to rising household sector leverage.

Graph 3

ADIs' Housing Loan Characteristics*



* LTV series breaks at March 2018 due to reporting changes; interest-only series is break-adjusted and seasonally adjusted.

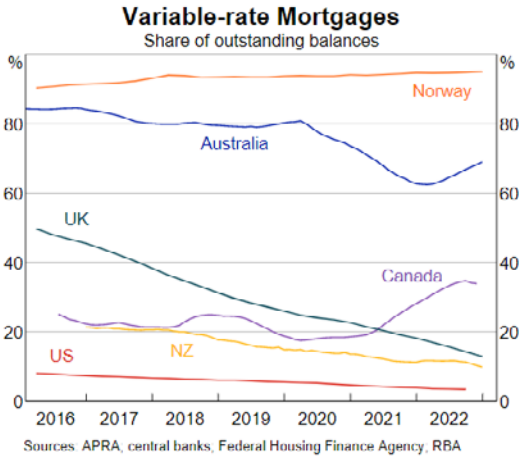
Sources: APRA; RBA

Structural factors influencing housing risk

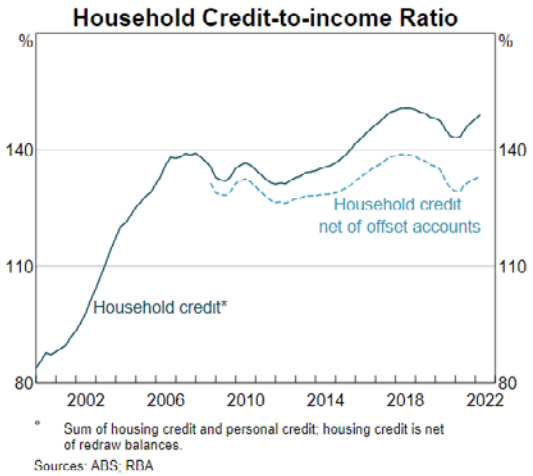
A range of country-specific factors influence how housing acts as a source of risk in Australia:

- **Exposure to housing:** The household sector in Australia has high levels of housing debt, both by historical standards and relative to international peers. Australian banks are also heavily exposed to residential mortgages, with housing assets historically comprising over three fifths of banks' balance sheets (APRA (2021b)). Stress testing exercises indicate housing is one of the largest drivers of overall banking sector losses in a severe downturn scenario.
- **Floating rate mortgages:** A large share of outstanding Australian mortgages are variable rate, compared with other advanced economies (Graph 4). Of the small share of fixed rate loans, most typically revert to a floating rate within one to two years (Lovicu et al (2023)). This dynamic, along with the high share of household debt, increases the sensitivity of household cash flows to interest rates compared to jurisdictions with predominantly longer-term fixed rate loans.
- **Prepayment facilities:** Mortgage products in Australia typically allow for prepayments. That is, borrowers can contribute extra savings towards their mortgage to reduce their interest burden. This feature incentivises (through a taxation benefit) households to store liquid savings in their mortgage facilities, providing a buffer against financial stress. In aggregate, household sector indebtedness is materially lower when considered net of offset balances (Graph 5).
- **Mortgage interest tax deductibility:** Taxation policy in Australia provides for mortgage interest tax deductibility. The ability for leveraged housing investors to deduct a portion of mortgage interest from their taxable income in certain scenarios provides incentives for households to invest in housing, and to borrow on interest-only terms.

Graph 4



Graph 5



2. Governance and objectives

2.1 Governance

In Australia, the prudential regulator and the central bank share a mandate for promoting financial stability. In contrast to many other jurisdictions, responsibility for monetary policy and macroprudential policy sit with separate authorities. Further, both micro- and macroprudential policies are administered by APRA. This model allows for close interaction between macroprudential policy tools and prudential supervisory activities to target specific pockets of risk. APRA reviews macroprudential policy settings quarterly and makes decisions in close consultation with the Council of Financial Regulators (CFR), which is chaired by the Governor of the Reserve Bank of Australia (RBA). As of 2023, macroprudential policies are enforced through legally binding prudential standards. Prior to this, macroprudential policies were not legally binding, and were enforced through supervisory oversight and suasion.

2.2 Primary macroprudential objectives

The overarching objective of APRA's macroprudential policy framework is to promote financial stability at the system-wide level. Policy objectives stem from the APRA Act (1998), which mandates APRA to pursue a financial safety objective, balanced with considerations of efficiency, competition, contestability and competitive neutrality. In conducting macroprudential policy, APRA is required to balance these additional considerations in a manner that promotes financial system stability. This ultimate objective is achieved through measures which are temporary and countercyclical (APRA (2021a)). Macroprudential policy is designed to be a complement to microprudential policies which focus on ensuring the resilience of individual regulated entities and typically do not change through the cycle.

2.3 Intermediate macroprudential objectives

APRA's overall objective to promote financial system stability is achieved through different intermediate objectives. Historically, the objectives targeted by macroprudential policies in Australia have been policy-specific and have depended on the combination of risks being targeted. That is, different macroprudential policy settings will promote financial stability through prioritising different intermediate objectives.

Policies intended to be held constant through the cycle are typically embedded in regulatory rules rather than through macroprudential policy. For example, the pecuniary externalities associated with the underpricing of investor and interest-only lending were ultimately addressed through higher capital requirements in APRA's ADI Capital Framework (APRA (2021b)).

Resilience objectives

Promoting resilience at the lender level is crucial to achieving stability at the system-wide level. In complementing microprudential policy, macroprudential measures have typically been implemented to uplift the resilience of regulated lenders. For example, the investor and interest-only limits introduced in 2014 and 2017 sought to strengthen the lending standards and resilience of individual banks (APRA (2019a)).[1] Other tools have aimed to increase the resilience of borrowers in the first instance, which in turn increases lenders' resilience to shocks. For example, APRA's increase to the serviceability assessment buffer

[1] These benchmarks also reduced shares of these higher-risk loans, which increased resilience at the borrower and system-wide levels.

in 2021 sought to mitigate rising leverage in the household sector and the share of highly indebted borrowers vulnerable to shocks to their income and expenses (APRA (2021c)).

Dampening exuberance in housing markets

APRA's macroprudential framework sets out that policies aim to operate countercyclically, ie they guard against a build-up of risk in an upswing and support the financial sector during a downturn. To the extent that higher-risk lending contributes to growth, policies may have a moderating effect on the credit cycle. However, this is not a direct objective of macroprudential policy. Likewise, while not a direct objective, APRA has acknowledged the benefits of macroprudential policies for mitigating adverse consumption effects in a downturn. In increasing the level of the serviceability buffer in October 2021, APRA acknowledged that highly indebted households are more likely to sharply reduce their consumption in the event of a shock, which can contribute to the amplification of economic downturns (APRA (2021c)).

3. Macroprudential instruments in practice

APRA has introduced a range of policy measures (both macro- and microprudential) in recent years.[2] Each of these policies has applied to APRA-regulated lenders. However, APRA has the power to extend macroprudential measures to non-regulated lenders under the Banking Act (1959) if it deems this sector is posing material risks to financial stability. Historically, all macroprudential policy measures have been implemented through public letters to authorised deposit-taking institutions (ADIs), which have not constituted binding legal requirements. However, in 2023 APRA formalised its suite of macroprudential tools as legally binding prudential requirements through Prudential Standard APS 220 Credit Risk Management.

Investor benchmark (2014)

In December 2014, APRA announced a "limit" on investor lending. The policy limited the rate at which individual banks could grow their stock of investor credit to 10% annually. The intermediate objective of the policy was to improve the resilience of individual lenders (APRA (2019a)). In implementing the policy, APRA also acknowledged the potentially speculative role of lending to property investors, which can contribute to a further build-up of systemic risk. The policy was not set as a hard limit, but rather expressed as a trigger point for supervisors to consider whether more intensive supervisory action – including higher capital requirements – could be warranted (APRA (2019a)). A proportionate approach was also taken: smaller banks which experienced a "spillover" of unanticipated demand for investor credit were afforded some leniency in the enforcement of the benchmark.

At the time of implementation, growth in investor credit was high by historical levels. Rising investor activity was seen to be excessively boosting housing prices and increasing the risk of a sharp unwinding and economic downturn. There were also signs of competitive pressures amongst lenders, a loosening of mortgage underwriting standards and an increase in shares of higher-risk forms of lending (APRA (2019a)). These dynamics led to an increase in average borrowing capacity, which placed further upwards pressure on household leverage. Shares of interest-only lending were also high, at around two fifths of new loan originations. These forms of lending can be indicative of speculative activity – particularly

[2] A chronology of housing policies is set out in Table 2.

when coinciding with strong growth in housing prices – and can contribute to high household indebtedness and the cyclicality of credit-asset price cycles.

The investor credit benchmark interacted with several targeted microprudential measures with related resilience objectives. These included:

- Prudential credit guidance for prudent mortgage lending (2014), including minimum underwriting settings for a prudent loan assessment.
- Expectations for banks to introduce a minimum interest rate of 7% and buffer of 2% above the prevailing loan rate when calculating a borrower's capacity to repay the loan applied for.
- Increased supervisory intensity on forms of lending considered higher risk (eg high LTV and high LTI loans).

The benchmark was removed in April 2018 on a case by case basis, subject to ADI boards attesting to meet APRA's minimum guidance on loan assessment criteria (APRA (2018a)).

In February 2018 APRA had released proposed changes to the ADI Capital Framework that set out higher risk weights for investor mortgages. This consultation provided incentives for banks to maintain higher loan pricing for investor (and interest-only) mortgages, maintaining the mechanism which disincentivised borrowers from taking out these loans.

Interest-only benchmark (2017)

In 2017 APRA introduced a limit on the share of new lending that individual ADIs could write on interest-only terms at 30% of new lending. Calibration of this setting incorporated expert judgment with regard to historical and international flows of lending on interest-only terms. This policy was expressed more firmly than the investor benchmark: in its letter to ADIs APRA stated that it "will likely impose additional requirements on an ADI if the proportion of new lending on interest-only terms exceeds 30 per cent of total new mortgage lending, over the course of each quarterly period", and "APRA expects all ADIs to immediately take steps" (APRA (2017)).

The limit targeted resilience at both the borrower and lender levels. At the borrower level, the policy helped manage the stock of borrowers that are subject to a "repayment shock" once loans revert to full repayments. At the lender level, it constrained the maximum concentration a lender could have to these riskier loans. By increasing the share of loans which are fully amortising, the policy also leaned against the build-up in the stock of highly indebted households.

The limit was introduced in an environment of high housing prices, high and rising household indebtedness, subdued household income growth, historically low interest rates, and strong competitive pressures. APRA took the view that in this environment, the shares of interest-only lending were too high: they were elevated by both historical and international standards. Similar to the investor benchmark, the interest-only limit interacted heavily with additional guidance and prudential supervision. Specifically, APRA expected regulated lenders to:

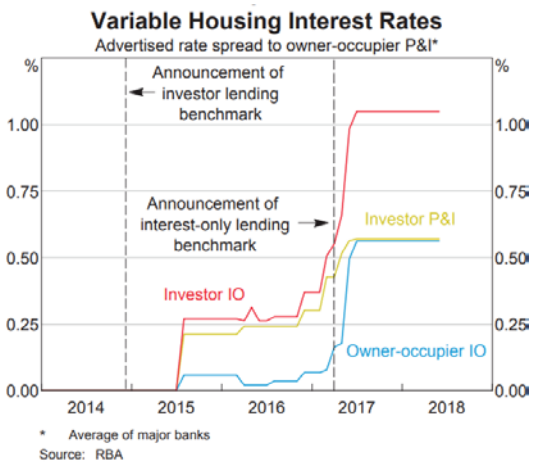
- place strict internal limits on the volume of interest-only lending at loan-to-value ratios (LTVs) above 80%; and
- ensure there is strong scrutiny and justification of any instances of interest-only lending at an LTV above 90%.

In April 2018 APRA wrote to ADIs that the interest-only limit would be removed on a case by case basis. Removal was conditional upon board assurances to meet minimum serviceability and underwriting standards (APRA (2018b)).

Transmission mechanisms

Both the investor and interest-only measures were effected predominantly through banks' loan pricing. Following ineffective attempts from lenders to control growth through lending standards, differential pricing was introduced. On average, lenders ultimately increased loan pricing for investor and interest-only loans by around 50 bp each (Graph 6).

Graph 6



Adjustments to the serviceability assessment standards (2019)

In July 2019, APRA wrote to regulated ADIs with updated guidance removing the expectation for a minimum serviceability assessment buffer of at least 7%. Instead, lenders were tasked with setting their own internal interest rate floors. At the same time, APRA increased the minimum interest rate buffer used in loan assessments to at least 2.5 percentage points above the loan rate (2.25% was the prevailing buffer rate at the time). Following this policy change, and alongside reductions in the cash rate, the average loan assessment rate reduced from around 7.5% in June 2019 to around 5.5% in June 2020 (RBA (2022)). The decision acknowledged that a prescriptive floor was no longer appropriate given the prevailing low interest rate environment and the developments in differential pricing for mortgage products (APRA (2019b)).

Increase to the serviceability assessment buffer (2021)

In October 2021, APRA increased the interest rate buffer by 50 basis points, to at least 3 percentage points above the prevailing loan rate, in response to systemic risks associated with rising household indebtedness. The measure was designed to ensure that banks were lending to borrowers that could afford to repay their loans in the event of a shock to their income or expenses (APRA (2021c)). In turn, this also protected lenders from losses by increasing the resilience of individual borrowers.

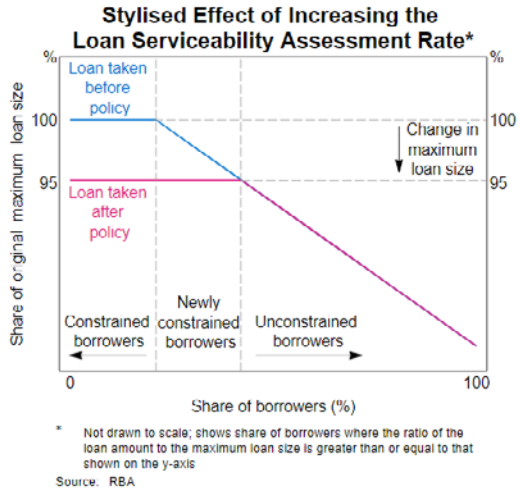
The policy also acknowledged that reducing the share of highly indebted borrowers mitigates adverse consumption effects in the event of a shock. Upon implementation, APRA formalised the serviceability assessment buffer as an adjustable tool; the level could be set between 2.0 and 5.0% through the economic cycle.

In designing the policy, consideration was given to the impact on the flow of credit, ie to not unduly constrain lending to creditworthy borrowers. The policy was calibrated to have a modest effect on aggregate housing credit growth. Estimates suggested that for the typical borrower, the higher assessment rate would reduce maximum borrowing capacity by around 5% (Graph 7; RBA (2021)).

Alternative policy tools could have been used to address the identified risks (eg a limit on new lending at high debt-to-income (DTI) multiples). However, a DTI limit was considered more operationally complex to deploy and could have led to higher mortgage interest rates for some borrowers. RBA analysis showed that in uplifting borrower and lender resilience in aggregate, a DTI limit could constrain some creditworthy borrowers (RBA (2021)). High DTI borrowers tend to hold larger liquidity buffers and have larger incomes. A high DTI lending limit is also more likely to constrain investors, which were not considered to be driving rising indebtedness at the time.

To address rising shares of high DTI (>6x) lending, APRA issued guidance to the industry. This was further enforced at the microprudential level: board attestations were required from outlier ADIs and these institutions also faced increased supervisory oversight (Byres (2022)). This approach allowed ADI boards to set their own flexibility margins for high DTI lending, and to introduce sub-limits on riskier intersections of high DTI lending, for example loans with both a high DTI and a high LTV.

Graph 7



Revisions to the ADI Capital Framework (2023)

In January 2023 APRA's revised ADI Capital Framework came into effect. The framework was calibrated to address several aspects of mortgage risk:

- Capital requirements for residential mortgages increased overall, recognising the significant concentration Australian lenders have to this asset class.
- Capital requirements for higher-risk forms of lending (eg investor, interest-only, high LTV) were increased via higher risk weights for standardised banks.
- Risk weight floors were introduced for IRB banks (both at the individual exposure level and overall).
- The default level of the countercyclical capital buffer (CCyB) was increased from 0% to 1% of risk-weighted assets (RWA). This increase to the default setting was designed to ensure ADIs could absorb losses in a downturn and continue to lend and support economic activity.

4. Effectiveness

4.1 Measuring success

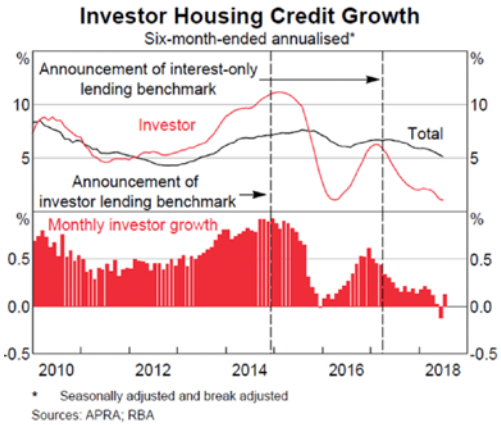
There are no set metrics for determining the effectiveness of macroprudential policy. Policies are designed to respond to specific pockets of elevated risk, and so the metrics for success are bespoke to each policy intervention. In Australia, policy effectiveness has typically been evaluated through a combination of i) measurable effects on housing credit, lending standards and prices; and ii) counterfactual exercises.

Investor and interest-only benchmarks

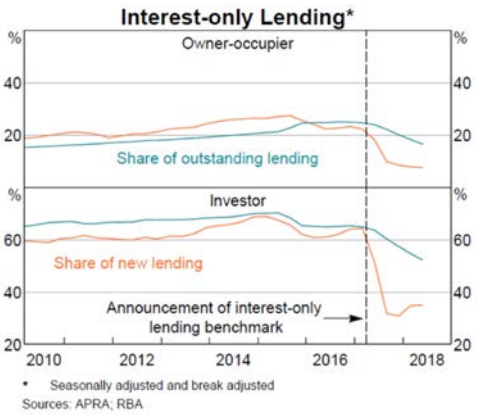
In its review of housing policies in January 2019, APRA concluded that the investor and interest-only measures had been effective in strengthening resilience at both the individual lender level and the financial system level. The report examined shares of higher-risk lending pre- and post-policy implementation. Following implementation of the investor benchmark, shares of investor credit reduced significantly (Graph 8; RBA (2018)).

Similarly, following the interest-only benchmark, shares of this form of lending reduced from around two fifths to one fifth of all new lending (Graph 9). This has been an enduring trend: since the policy was removed in 2019, shares of interest-only lending have remained at around one fifth of new lending. As a large share of investor loans have historically been written on interest-only terms, the policy was also effective at reducing growth in investor credit.

Graph 8



Graph 9



Garvin et al (2021) measured policy effectiveness using a regression to construct counterfactual scenarios for credit growth, assuming no policy intervention. Results suggest there is little evidence that the supply of housing credit in aggregate was constrained following the investor benchmark. Rather, effects were observed at the compositional level. Garvin et al conclude that "our results are consistent with the objective being achieved. Commitments growth in the targeted mortgage products – products that were judged to be contributing to systemic risk at the time – dropped markedly, after growing strongly prior to the policies". RBA (2018) estimated the effect of the investor benchmark to be a 13% reduction in investor loan approvals in the four quarters following the announcement. This was offset by an estimated commensurate increase in owner-occupier approvals. The estimated net effect on the flow of housing credit was neutral.

Serviceability assessment buffer

The objective of the serviceability buffer is to ensure that banks are "lending to borrowers that are able to repay their loans in a range of scenarios … not only for rises in interest rates over the life of the loan, but also for any unforeseen changes in a borrower's income or expenses" (APRA (2023)). Following policy implementation in October 2021, high DTI lending reduced from around a quarter of new lending to less than a tenth in March 2023.

However, a reduction in flows of high DTI lending alone is not indicative of policy success; other factors may be attributed to the decline. For example, greater supervisory oversight of banks' risk appetite limits for high DTI lending accompanied the policy intervention. Increases to the cash rate from April 2022 also reduced borrowing capacity by around 30%, which mechanically constrains the maximum available DTI for a given borrower. Therefore, while there was a reduction in some key risk indicators in the months following policy implementation, it is difficult to determine what portion is attributable to the higher minimum serviceability assessment rate.

4.2. Factors influencing success

Several factors have influenced the success of policy interventions:

- Macroprudential policy interventions interacted heavily with microprudential policies. For example, accompanying guidance on high LVR lending interacted with the quantitative limits on investor and interest-only lending. Garvin et al (2021) concluded that the declines in investor and interest-only lending were more concentrated in high LVR loans.
- Enforcement through supervision also played an important role in influencing policy success. For example, the investor benchmark was initially expressed as a suggestion. APRA subsequently increased supervisory pressure to ensure these suggestions were met, which resulted in significant progress by mid-2015 (Ellis and Litrell (2017)).
- The language used to communicate policies may also have influenced the speed and effectiveness of banks' compliance. In its review of the mortgage measures, APRA noted that in setting a strict quantitative limit for interest-only lending, "the experience with the benchmark on lending to investors indicated that the industry would respond most quickly and decisively to a tactical industry-wide regulatory expectation".
- Implementation difficulties produced lags in policy effectiveness. Following the benchmark on investor lending, banks' systems initially lacked the capacity to control growth in the targeted mortgage types.
- All macroprudential interventions were introduced countercyclically; ie they were introduced in response to rising systemic risks. For the investor benchmark, acting quickly (and recalibrating if needed) was prioritised over a lengthy consultation which risked intervening too late in the cycle (APRA (2019a)).

Several factors have confounded the evaluation of policy success:

- Supervisory activities with related objectives which occur contemporaneously with the macroprudential policy. For example, following the introduction of the investor benchmark APRA encouraged banks to tighten assumptions in their underwriting models, which reduced maximum borrowing capacity for some classes of borrowers by around 15% (Richards (2016)). These changes are more punitive on investors and make it difficult to isolate the effects of the investor benchmark.

- Monetary policy settings can also confound policy effectiveness. For example, increases to the cash rate constrain borrowing capacity. Interest rate expectations are also important. In an environment where monetary policy is expected to tighten, borrowers' demand for mortgage credit may decline.
- Data limitations (including at the loan level) obstruct the ability to abstract policy effects from broader industry trends.

4.3 Leakages

Several leakages were evident in the investor and interest-only interventions:

- Leakages occurred through the definition of annual growth by loan purpose. To avoid higher loan pricing, some borrowers switched their loan purpose from investor to owner-occupier. This reduced banks' stocks of investor credit, and in turn their reported annual growth. Amendments to the calculation of investor growth were subsequently required to address loan purpose switching.
- Non-bank lenders have not been subject to APRA's macroprudential policies. Non-bank credit increased rapidly following both policy interventions (Graph 10). Hudson et al (2023) also finds preliminary evidence that high loan-to-income (>6x) lending increased at non-banks following an increase to the serviceability buffer, despite remaining stable at regulated ADIs. To mitigate these potential leakages, under Part IIB of the Banking Act 1959, APRA can make rules in relation to non-ADI lenders if those lenders are considered to materially contribute to risks of instability in the Australian financial system. Currently, non-bank lending comprises around 4% of mortgage lending and is not considered to be presenting material risks to financial stability.
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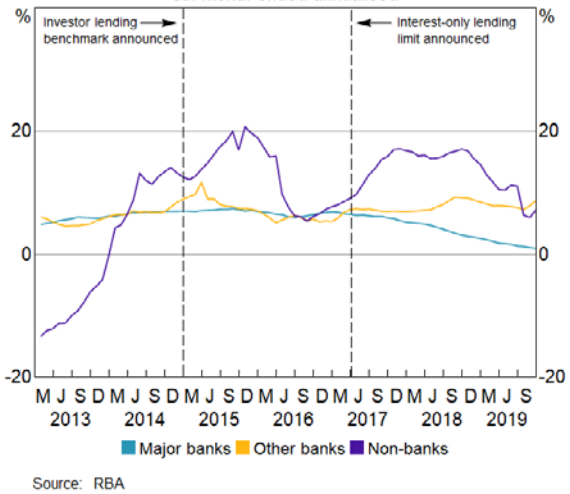
Graph 10

Credit growth by lender type

Six-month-ended annualised



Source: RBA

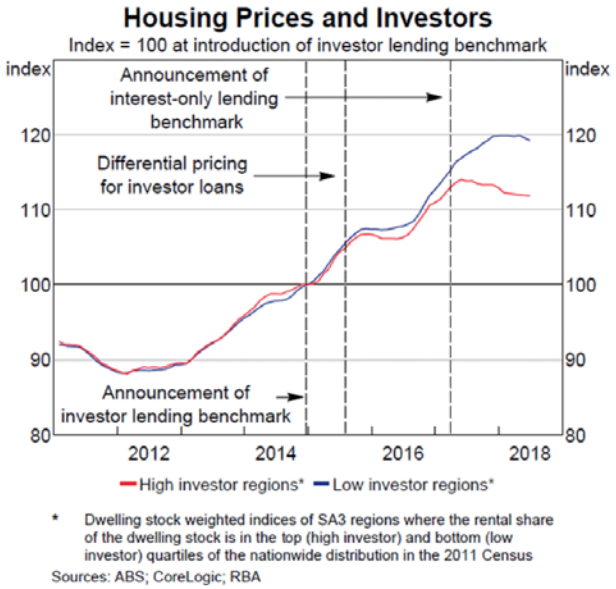
5. Costs, benefits and unintended consequences

Estimating aggregate economic costs is an important consideration when designing policies and calibrating policy settings. In aggregate, the cost of policy settings can represent constraints on growth in housing credit. In determining whether policy settings are calibrated too tightly, APRA monitors whether creditworthy borrowers are able to access credit (APRA (2023)). Garvin et al (2021) suggest through counterfactual scenarios that policy interventions had little effect on the overall flow of credit. Rather, policies were effective in shifting the flow of credit from higher-risk to lower-risk borrowers. It is difficult to quantify policy costs relative to benefits. While policy interventions may address the targeted risks to financial stability, there are trade-offs and other risks may build. Ultimately, expert judgment is used to assess and manage these trade-offs.

Unintended consequences are measured by assessing how evenly distributed policy effects are across both lenders and borrowers. During the investor growth limit, some smaller banks which were growing above system prior to the policy change were observed to have had their growth constrained (RBA (2018)). By contrast, the largest ADIs (which had finer control over their lending flows) picked up the greatest market share in investor lending. Policies have also presented distributional consequences for borrowers, which is a key consideration in policy design and calibration. For example, policies which constrain borrowers relative to their deposit size (eg LTV limits) are likely to have a disproportionate impact on first-home buyers (APRA (2019a)).

Effects on housing prices are another indirect effect of the policies. For example, analysis by the RBA estimates that following the introduction of the investor lending limit, regions with heavy concentrations of investment properties exhibited weaker housing price growth post-policy implementation compared to regions with heavier concentrations of owner-occupier dwellings (RBA (2018); Graph 11).

Graph 11



Chronology of housing policy measures

Table 2

Date	Policy measure
Nov 14	APRA issues mortgage guidance setting out its expectations for sound residential mortgage lending practices (APG 223).
Dec 14	i. Investor lending benchmark announced, with supervisors paying particular attention to annual investor credit growth exceeding 10%. ii. Serviceability assessments standardised across ADIs (minimum 2 percentage point interest rate buffer and 7% interest rate floor). iii. Guidance that ADIs should not undertake large volumes of, or increase their share of, higher-risk lending. This included lending at very high LTVs or very long terms and interest-only lending to owner-occupiers for extended periods.
May 15	Results of the first hypothetical borrower exercise released, covering larger ADIs. The exercise found that serviceability practices had weakened in response to competition and contributed to a programme of supervisory action to rectify these practices and a subsequent update of APRA's guidance to ADIs on residential mortgage lending practices.
Sep 15	Results of a follow-up hypothetical borrower exercise released. The exercise found significant improvements in existing serviceability practices resulting from APRA's actions, particularly in relation to: haircuts on irregular sources of income and rental income; the use of borrower-declared expenses when these are greater than calculated benchmarks; scaling expense benchmarks with income; interest rate buffers and floors, including on existing debt.
Feb 17	Amendments to Prudential Practice Guide APG 223 finalised. These focused on prescribing minimum standards for serviceability practices as highlighted by APRA's hypothetical borrower exercises.
Mar 17	i. Interest-only lending benchmark announced, at 30% of new lending. ii. ADIs expected to place strict internal limits on interest-only lending with an LTV greater than 80%, and ensure there was strong scrutiny of any instances of lending with an LTV greater than 90%. iii. Investor benchmark reinforced, with breaches prompting an immediate review of the adequacy of the ADI's capital arrangements.
Apr 18	APRA announces the removal of the 10% investor benchmark from July 2018 on an ADI by ADI basis, provided that: annual investor credit growth was below 10% for the prior six months; ADIs provide assurances on the strength of lending policies and practices; serviceability standards implemented since 2015 remain in place. ADI boards were also asked to set limits on residential lending with debt-to-income (DTI) ratios exceeding six.
Jul 19	APRA removes prescribed minimum floor rates; allows ADI boards to set minimum serviceability floor rates. The serviceability assessment buffer is increased to at least 2.5%.
Oct 21	APRA increases the minimum serviceability assessment buffer from 2.5% to 3.0%.

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