APRA announces further regulatory support for loans impacted by COVID-19

The Australian Prudential Regulation Authority (APRA) has announced regulatory support for banks offering temporary financial assistance to borrowers impacted by COVID-19.

A number of authorised deposit-taking institutions (ADIs) have announced COVID-19 support packages that will provide affected borrowers with an option to defer their loan repayments. These packages have been offered to small business and home loan customers.

In response, APRA is providing regulatory relief to assist ADIs in supporting their customers through this period. For eligible borrowers, ADIs will not need to treat the period of deferral as a period of arrears or a loan restructuring.[1] This will apply to loans that are granted a repayment deferral of up to three months before the end of August 2021. This will provide banks and borrowers with additional flexibility to manage the period ahead.

The measures apply regardless of whether or not the borrower has previously been granted a repayment deferral due to the impact of the pandemic. For transparency, APRA will require ADIs to publicly disclose and report the nature and terms of any repayment deferrals and the volume of loans to which they are applied. ADIs must also still continue to provision for these loans under relevant accounting standards.

Today's announcement largely mirrors the temporary support measures APRA announced in March 2020. This temporary treatment ended on 31 March 2021. APRA will release an updated prudential standard in July 2021 formalising this new treatment, in line with the approach taken in 2020.[2]

Footnotes

[1] As in 2020, eligible borrowers include where the ADI reasonably believes that the borrower's ability to repay according to the original loan terms has been, or is likely to be, affected by the COVID-19 pandemic, and the loan was not 90 days past-due or impaired at the time a repayment deferral or restructure was provided to the borrower.

[2] This treatment will be formalised as part of APRA's prudential standards through Attachment E (COVID-10 Adjustments) to Prudential Standard APS 220 Credit Quality (APS 220) and Reporting Standard ARS 923.2 Repayment Deferrals.