



RBAFOI-262718

An application was received by the Reserve Bank seeking access to documents as detailed below.

Summary of Request	Documents created by or provided to the RBA in relation to negative equity for first home buyers and other housing and investor borrowers since 1 April 2026.
Notes/context to any specific documents released:	Routine monitoring, briefing and analysis by the Financial Stability Department, to underpin the analysis in the Financial Stability Review and the RBA's ongoing monitoring of financial resilience more generally.

Mortgage buffers and arrears

Saving and equity buffers

-
- <1% of borrowers in negative equity (adjusting for Sec bias), below the pre-pandemic level ~2%.

Outstanding LVR Distribution*

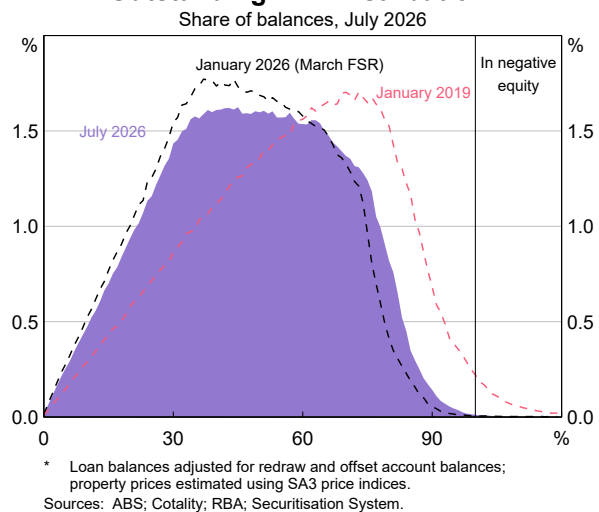


Table: Share of borrowers in negative equity under different uniform price declines

Housing prices decline by	Estimated share in negative equity*
5 per cent	<1½
10 per cent	<2
15 per cent	<2½
20 per cent	<5

* Estimate adjusted for Securitisation System bias using bank reporting. Shares are approximated due to limited data on the 5 per cent deposit guarantee scheme.

From:
To:
Cc:
Subject: July 2026 Securitisation System Data Update [SEC=OFFICIAL]
Date: Thursday, 3 September 2026 10:19:37 AM
Attachments:

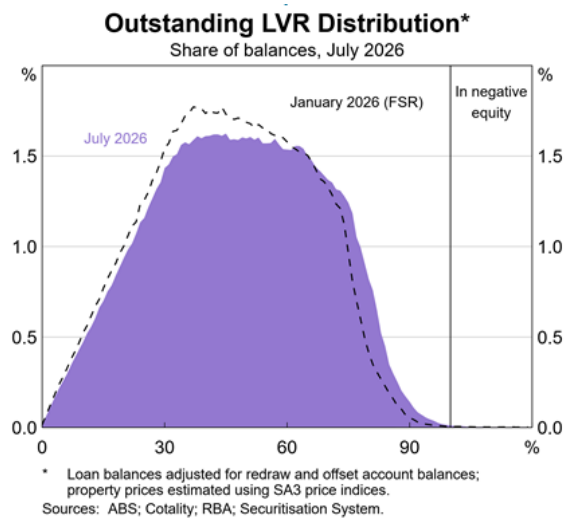
RESTRICTED

Hi all,

The July 2026 Securitisation data show that most households maintain large savings and equity buffers, and arrears remain low.

-
- The distribution of LVR for outstanding loans has shifted slightly higher compared to January, but the share of loans in negative equity remains very small (<1 per cent, even after adjustment for known bias in Sec ([D26/278504](#))) (Graph 5).
-
-

Graph 5



Thanks,

| Lead Analyst | Households, Businesses and Credit | Financial Stability Department
RESERVE BANK OF AUSTRALIA
w: www.rba.gov.au

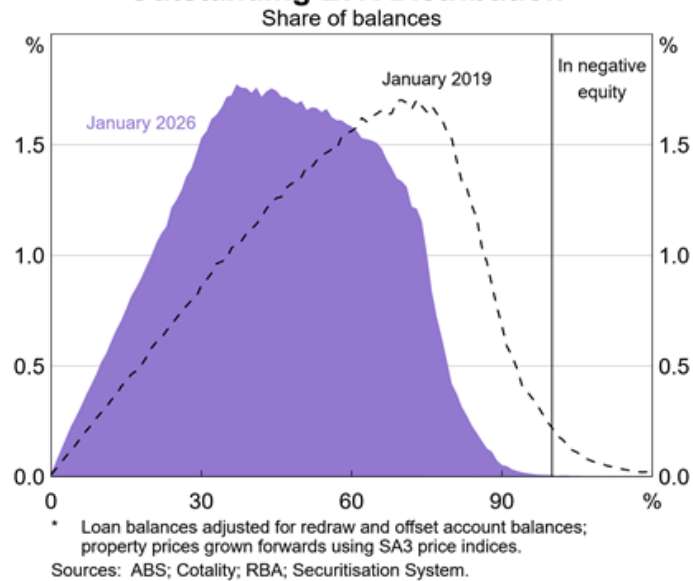
From:
To:
Cc:
Subject: HBC News Monitor (28 May – 3 June) [SEC=OFFICIAL]
Date: Wednesday, 3 June 2026 4:31:46 PM
Attachments: [image001.png](#)

GENERAL

HBC News Monitor (28 May – 3 June)

- [The Daily Telegraph](#) reported on analysis from AMP suggesting that Australian capital cities housing prices are “overvalued” (measured by comparing long-term housing prices to rental yields). Commentary suggested that a fall in housing price could lead to an increase in the share of borrowers in negative equity.
 - Data from the Securitisation System suggests that mortgagors’ equity positions are strong, with less than 1 per cent of households currently in negative equity – a meaningfully lower share than before the pandemic.

Outstanding LVR Distribution*



From:
To:
Cc:
Subject: HBC News Monitor (4 June - 10 June) [SEC=OFFICIAL]
Date: Wednesday, 10 June 2026 4:49:00 PM

HBC News Monitor (4 June – 10 June)

Households

- [The Australian](#) reported on the risk of negative equity for recent first-home buyers, noting that softer property prices could erode thin equity buffers for those who entered with low deposits. The article uses a 10 per cent price-fall scenario to suggest a large cohort (up to 100,000 people) who used the 5% Deposit Scheme could be pushed into negative equity.

From:
To:
Cc:
Subject: HBC News Monitor (25 June – 2 July) [SEC=OFFICIAL]
Date: Thursday, 2 July 2026 3:49:25 PM

GENERAL

HBC News Monitor (25 June – 2 July)

- Some analysts are concerned that the weakness in the housing market may cause some borrowers to fall into negative equity, particularly first-time buyers that recently entered the market under the 5% deposit scheme ([Daily Telegraph](#)).
 - HBC analysis finds that less than 1 per cent of borrowers in the latest data are in negative equity. Of those in negative equity, only a small share is in cash flow shortfall. While our data does not yet capture borrowers using the new deposit scheme, the number of these borrowers is small and would not materially affect these estimates.

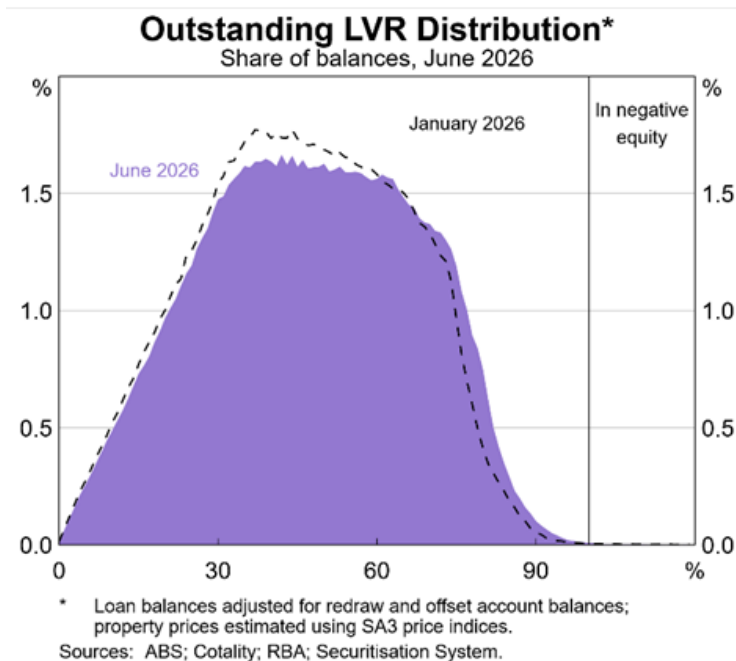
From:
To:
Cc: [JONES, Bradley](#)
Subject: HBC News Monitor (30 July – 5 August) [SEC=OFFICIAL]
Date: Wednesday, 5 August 2026 3:15:12 PM
Attachments: [image001.png](#)

GENERAL

HBC News Monitor (30 July – 5 August)

Households

- Numerous outlets reported on July 2026 housing price data from Cotality, which showed a decline in housing prices ([Daily Telegraph](#), [SMH](#), [The Guardian](#), [AFR](#)). Some articles argued that these declines will lead to large increases in the share of borrowers in negative equity, particularly for recent borrowers who used the Australian Government's 5% Deposit Scheme.
 - The [AFR](#) noted that there are sizeable differences between different price points. Housing prices in the upper end of the market appear to be declining at a slightly faster pace.
 - Securitisation System estimates suggest negative equity has increased slightly but remains low. Adjusting for the underrepresentation of high-LVR loans, the share of properties in negative equity remains consistent with our March FSR estimate of less than 1 per cent.
 - For more information, see DAT's latest [Housing Markets Review](#).



From:
To:
Cc:
Subject: HBC News Monitor (6 – 12 August) [SEC=OFFICIAL]
Date: Wednesday, 12 August 2026 3:53:36 PM

GENERAL

HBC News Monitor (6 – 12 August)

- Negative equity remained a focus, with [SMH](#) noting the impact is largely theoretical, unless the owner is planning to sell.
 - Using Housing Australia data and their own house price index at the SA4 level, [RealEstate.com.au](#) estimated that only 0.2 per cent of first-home buyers using the 5 per cent deposit scheme are in negative equity.
 - Some outlets ([The Guardian](#), [SMH](#)) reported on statements from the MPB press conference that the share of borrowers in negative equity is less than 1 per cent and would remain below 5 per cent even if house prices fell 20 per cent.

Note FS: Adjusting Securitisation data to examine the share of borrowers in negative equity¹

The RBA uses Securitisation System data to monitor the share of borrowers in negative equity. However, it is well documented that high-LVR loans are underrepresented in this dataset. We propose an approach to weight the LVR distribution in Securitisation System data to better capture high-LVR lending. Applying this method, we continue to find that very few borrowers are in negative equity, even under a large hypothetical house price decline.

Negative equity is an important financial vulnerability indicator

A borrower is in negative equity if the outstanding balance of their loan is greater than the updated value of the property i.e., their current loan-to-value ratio (LVR) exceeds 100 per cent. The share of properties in negative equity is a key vulnerability measure monitored by HBC. Borrowers with loan balances that exceed the value of the property are unable to “self-cure”, which would allow them to recover from financial stress by selling the property and repaying the loan in full.²

Securitisation System (Sec) data provides a loan-level snapshot of outstanding loans each month. Loan balances, including offset and redraw balances, are updated each month by the lender, and property values are updated by the RBA using house price indices at the SA3 level, which allows us to calculate a borrower’s current (or *dynamic*) LVR.

All mortgages being used for securitisation are reported in Securitisation System data, covering about one-quarter of all outstanding mortgages. However, mortgages in Sec are not representative of the overall mortgage market on some dimensions – in particular, higher-LVR lending is underrepresented in Sec. This is a key reason why the share of high LVR loans in Sec can be significantly lower than those reported by banks.³ We therefore use public reporting by major banks to reweight the LVR distribution in Sec, which allows us to better monitor the actual share of borrowers currently in negative equity.⁴ We can also estimate who would be at risk of falling into negative equity under different housing price projections.

Securitisation System data must be adjusted to accurately monitor negative equity

The four major banks (CommBank, NAB, ANZ, and Westpac), which represent around three-quarters of outstanding mortgages in Australia, all report the share of mortgage balances in dynamic LVR buckets in their half-yearly reports (Figure 1). These data are manually collected for each period we want to analyse, and used to reweight observations in Sec so that the share of lending (by value) in each dynamic LVR bucket in Sec matches public reports for that period for that lender.⁵

¹ Thanks to _____ for helpful comments. This analysis builds on work by _____, who applied a version of this method in past FSRs ([March 2026](#), [October 2025](#)).

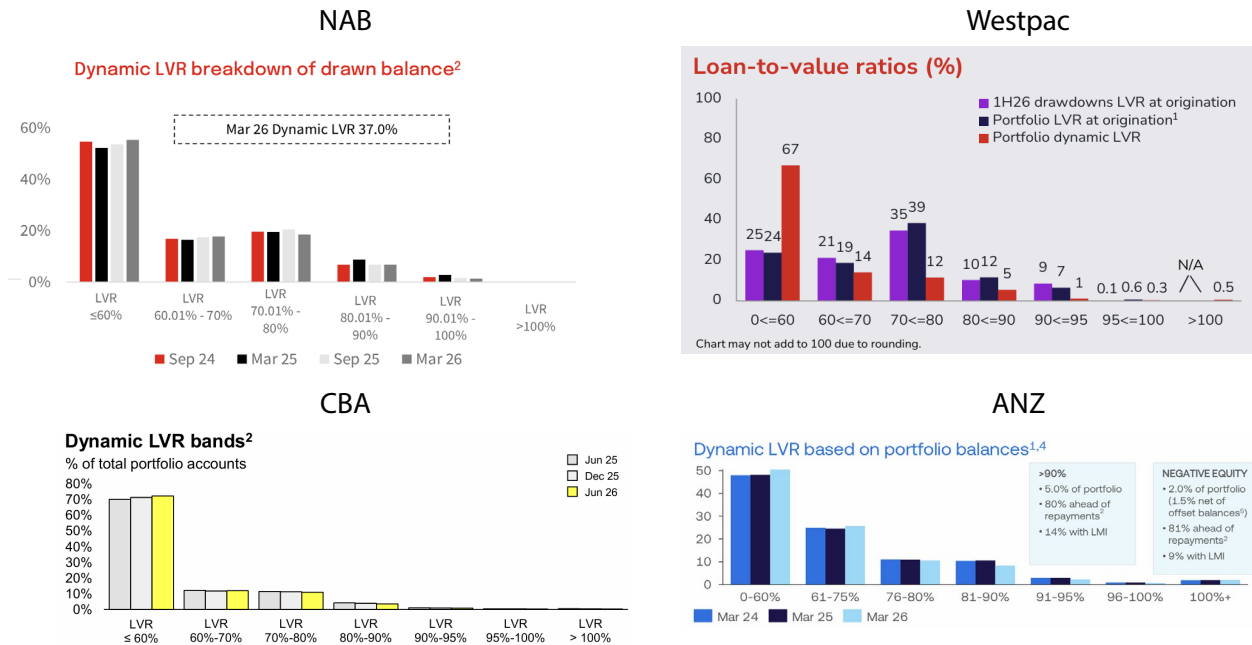
² [Bergmann \(2020\)](#) finds that a borrower is much more likely to enter foreclosure if they experience an income shock (such as unemployment or illness) and have negative equity. If the loan is in negative equity, the borrower cannot sell the property to avoid foreclosure, and foreclosure would lead to losses at the lender.

³ [Hughes \(2024\)](#) provides an overview of Securitisation System data and its strengths and weaknesses for monitoring financial vulnerabilities. _____ compares bank reporting of LVR to Sec, and determines that data representativeness and calculation method (count versus value) are most important in determining differences.

⁴ Ideally, we would have the full, granular distribution for the most recent time period. Given that this is not available, we judge that the best approach possible is by leveraging information on the share of loan balances in LVR buckets reported in banks’ public financials. We also considered using the distribution of LVR in HILDA survey (but data is very lagged and the wealth module is only conducted every four years), or LVR buckets from APRA reporting (but the property value is not updated after loan origination, and there is no bucket for LVR>100%).

⁵ As an example, if public reports show 18 per cent of loans are in the LVR 70-80 bin, and Sec shows 12 per cent for that lender, we apply a scaling factor of $18/12=1.5$ to those observations for that lender in Sec. Because most banks show the chart with no labels, we must approximate the level from the chart by overlaying horizontal gridlines. ANZ reports different bins than other banks, and acquired Suncorp Bank in 2024, which we account for.

Figure 1: Major Bank Dynamic LVR Distribution Reporting

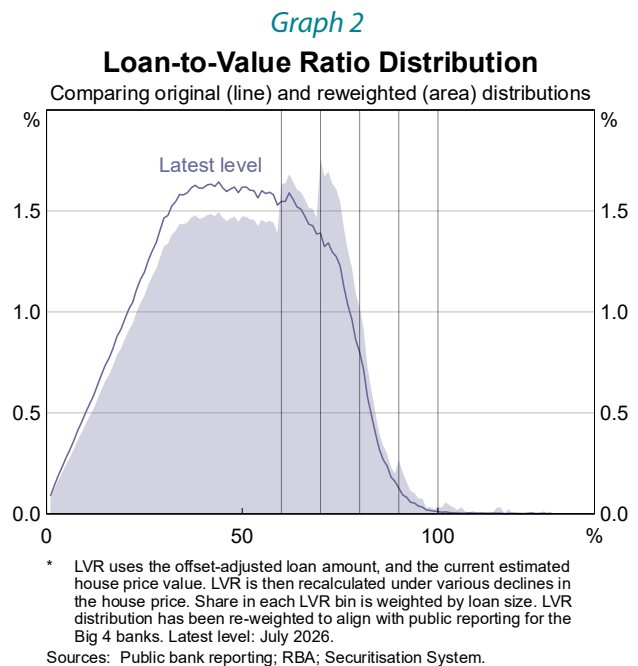


Source: half-year investor reports from majors. These figures are also collected by AFS in their [Profit report figures](#) dashboard.

Sec and the public financials align well for lower LVR bins, but high-LVR loans are underrepresented in Sec as expected (for a comparison by bank, see the restricted [Appendix](#)). The bias also appears to have increased from 2019 to 2026 (Graph 1). We do not reweight non-banks as we assume that Sec is sufficiently representative of their full portfolio, given their reliance on securitisation. For non-major banks we apply the average scaling factors from the majors.⁶

Because the LVR re-weighting is based on large bins, the reweighted LVR distribution has jumps at the endpoints of each bin, most notably at LVR 60 and LVR 70 (Graph 2). Within a given bin, the shape of the distribution is the same as the original but is translated up or down depending on the scaling factor.

S45



⁶ If we instead apply the average scaling factor for the majors to non-banks, the adjusted share of loans in negative equity increases slightly. However, most non-ADIs do not publicly report sufficient information on dynamic LVR for us to determine the more appropriate method.

Note that this re-weighting approach relies on the distribution of loan amounts (by value) across LVR bins. However, HBC often prefers to examine the share of *borrowers* in negative equity, rather than the share of lending. In the absence of better data, we use the same scaling factors for the negative equity share by both count and dollar amount. Because high-LVR loans tend to be larger than low-LVR loans, this approach potentially *overstates* the share of borrowers in negative equity.

Even if house prices decline considerably, few borrowers would be in negative equity

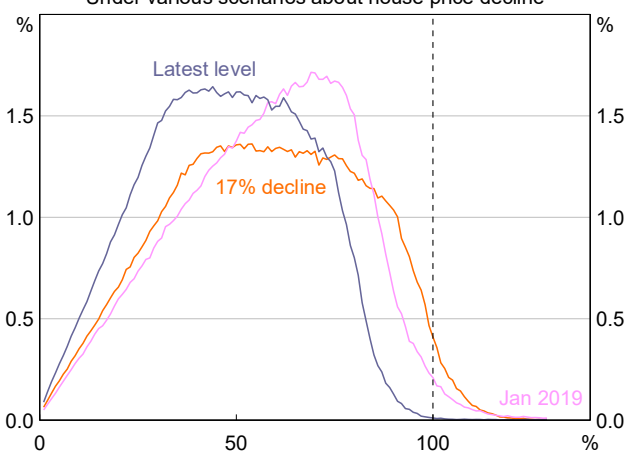
To examine changes in negative equity under a hypothetical house price decline, we recalculate the LVR for each loan under various uniform house price declines.⁷ After applying scaling factors, our analysis continues to suggest that very few borrowers would be in negative equity, even if housing prices decline considerably (Graph 3, Graph 4). The re-weighting method gives us more confidence in estimating the share of borrowers (by number) and share of loans (by loan balance) that would be in negative equity under various house price scenarios. For example, the share of borrowers in negative equity following a 10 per cent decline in housing prices is 0.8 per cent under this approach, compared to 0.3 per cent when not rescaling the distribution.⁸

Using this approach, we can estimate the uniform housing price decline required to bring the share of borrowers in negative equity back to 2019 levels, which were significantly higher than the current level. The adjusted share of borrowers in negative equity as of December 2019 was around 2 per cent. To return to this level, we estimate that housing prices would need to uniformly decline by around 17 per cent (Graph 5). We find a similar estimate when the distribution is not reweighted, providing additional confidence in the robustness of these results.

Graph 3

Loan-to-Value Ratio Distribution (Unweighted)

Under various scenarios about house price decline



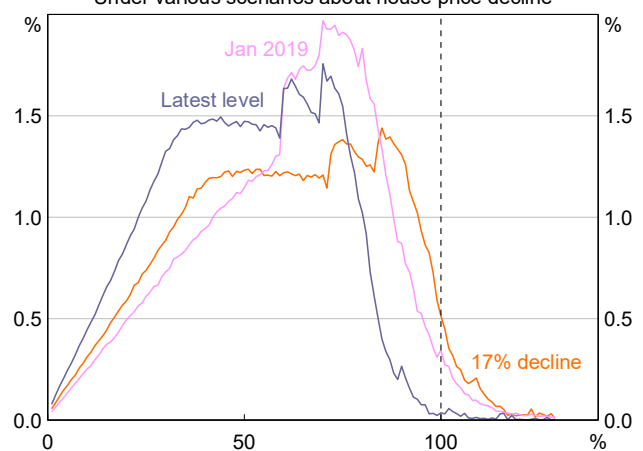
* LVR uses the offset-adjusted loan amount, and the current estimated house price value. LVR is then recalculated under various declines in the house price. Share in each LVR bin is weighted by loan size. Latest data: July 2026.

Sources: RBA; Securitisation System.

Graph 4

Loan-to-Value Ratio Distribution (Weighted)

Under various scenarios about house price decline



* LVR uses the offset-adjusted loan amount, and the current estimated house price value. LVR is then recalculated under various declines in the house price. Share in each LVR bin is weighted by loan size. LVR distribution has been re-weighted to align with public reporting for the Big 4 banks. Latest data: July 2026.

Sources: Bank reporting; RBA; Securitisation System.

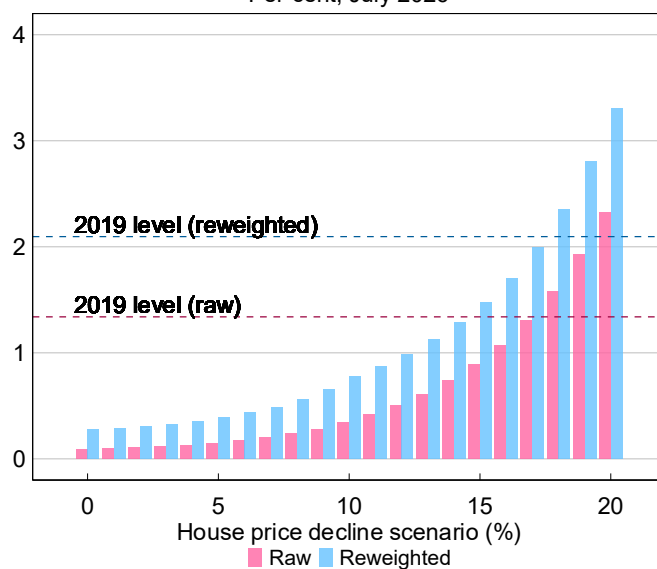
⁷ For the simulation we consider discrete uniform declines to borrowers' current collateral values ranging from 1 per cent to 20 per cent. We do not adjust the loan size.

⁸ When *publicly* reporting shares in negative equity, we add a buffer to these estimates to account for uncertainty. For instance, there is a lag for new loans to appear in Sec (~18 months on average), which means that most borrowers in the expanded 5% deposit scheme are not yet observed as of mid-2026. These loans are more likely to be in negative equity than more seasoned loans, so are more susceptible to housing price declines.

Graph 5

Share of Borrowers in Negative Equity

Per cent, July 2026



* LVR uses the offset-adjusted loan amount, and the current estimated house price value. LVR is then recalculated under various declines in the house price. Observations in Sec are reweighted to match public reporting of LVR bands.

Sources: Public bank reporting; RBA; Securitisation system.

Lead Analyst
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Financial Stability Department
2 September 2026

Appendix

[D26/278498](#) (RESTRICTED ACCESS – results by bank)