From: LIU, Eva
Sent: Wednesday, 27 March 2019 1:33 PM
To: HACK, Mark
Subject: RE: RBNZ easings of LVR restrictions [SEC=UNCLASSIFIED]

Hi Mark,

There were two LVR easings. One announced in November 2017 and another announced in November 2018:

1. From 1/1/2018:
   No more than 15 percent (currently 10 percent) of each bank's new mortgage lending to owner occupiers can be at LVRs of more than 80 percent.
   No more than 5 percent of each bank's new mortgage lending to residential property investors can be at LVRs of more than 65 percent (currently 60 percent).

2. From 1/1/2019 :
   Up to 20 percent (increased from 15 percent) of new mortgage loans to owner occupiers can have deposits of less than 20 percent.
   Up to 5 percent of new mortgage loans to property investors can have deposits of less than 30 percent (lowered from 35 percent).

A list of their LVR adjustments can be found here.

Please let me know if there's anything missing.

Cheers,
Eva

From: HACK, Mark
Sent: Wednesday, 27 March 2019 12:51 PM
To: LIU, Eva
Subject: RBNZ easings of LVR restrictions

Hi Eva,

Can you please send me a short list of the easings that the RBNZ has made to its LVR restrictions? These would have occurred in the last year or so. From memory, there was an easing in November last year (at the same time as their FSR), which was the second easing that they had done.

Thanks,
Mark

From: FLOOD, Darren
Sent: Wednesday, 27 March 2019 1:57 PM
To: HACK, Mark
Subject: RE: RBNZ LVR policy easings [SEC=UNCLASSIFIED]

Thanks

From: HACK, Mark
Sent: Wednesday, 27 March 2019 1:39 PM
To: FLOOD, Darren
Subject: RBNZ LVR policy easings

Darren,

Here is a summary of the RBNZ's LVR policies. As flagged there have been two small easings in the past two years.

Date announced (effective)	Owner occupier lending	Investor lending	Direction of policy
(Oct '13)	≤ 10% of new lending at LVR > 80%	≤ 10% of new lending at LVR > 80%	Tightening
(Nov '15)	≤ 10% of new lending at LVR > 80% ≤ 15% of new lending at LVR > 80%	≤ 5% of new lending at LVR > 70% for AKL investors ≤ 15% of new lending at LVR > 80% for non-AKL investors	Tightening for AKL investors Easing for borrowers outside AKL
(Oct '16)	≤ 10% of new lending at LVR > 80%	≤ 5% of new lending at LVR > 60% for AKL investors	Tightening (except AKL owner-occupiers)
Nov 2017 (1 Jan '18)	≤ 15% of new lending at LVR > 80%	≤ 5% of new lending at LVR > 65%	Easing
Nov 2018 (1 Jan '19)	≤ 20% of new lending at LVR > 80%	≤ 5% of new lending at LVR > 70%	Easing

Mark James Hack | Manager | Policy & International | Financial Stability Department
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From: HACK, Mark
Sent: Thursday, 30 April 2020 2:59 PM
To: KEARNS, Jonathan; FLOOD, Darren; FS P&I
Subject: FW: Media release: Reserve Bank removes LVR restrictions for 12 months

Full press release below.

Key points:

- the RBNZ has decided to remove its LVR policies for 12 months – starting from tomorrow (1 May)

- Deputy Governor Bascand: *"Given the current uncertainty around the economic outlook, the Reserve Bank considers that it is unlikely that banks will weaken lending standards to high risk borrowers. The more likely risk is that banks are overly cautious with lending to credit-worthy borrowers,"*

- There are currently two macro-prudential LVR restrictions in place:
  - Banks are permitted to make no more than 20% of their residential mortgage lending to high-LVR (less than 20% deposit) borrowers who are owner occupiers
  - Banks are permitted to make no more than 5% of residential mortgage lending to high-LVR (less than 30%deposit) borrowers who are investors.

From: Reserve Bank of New Zealand [mailto:no-reply@lists.rbnz.govt.nz]
Sent: Thursday, 30 April 2020 2:50 PM
To: HACK, Mark
Subject: Media release: Reserve Bank removes LVR restrictions for 12 months

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View this email in your browser

Reserve Bank removes LVR restrictions for 12 months

30 April 2020

The Reserve Bank has today decided to remove mortgage loan-to-value ratio (LVR) restrictions for 12 months. The decision was made to ensure LVR restrictions didn't have an undue impact on borrowers or lenders as part of the mortgage deferral scheme implemented in response to the COVID-19 pandemic.

The Reserve Bank's decision was made in line with its financial stability mandate. The Bank reached its conclusion after reviewing a Regulatory Impact Assessment and robust feedback received from submitters over the consultation period, Deputy Governor and General Manager of Financial Stability Geoff Bascand says.

"The Reserve Bank received more than 70 submissions from members of the public and industry, expressing a wide range of views. The Reserve Bank also directly approached a number of NGOs - including Māori and Pasifika groups to make them aware of the proposed changes, and to provide them a chance to provide feedback on the proposals.

"Although the consultation period was short by the Reserve Bank's typical standards, this was necessary to respond swiftly to an unprecedented set of economic events. The feedback raised a number of valid points and concerns which were all carefully considered."

Views on the proposals were mixed, reflecting both the costs and benefits of borrowing restrictions.

Some submitters recognised that removing the restrictions might allow more first home buyers to purchase a home.

All locally incorporated banks who responded were in favour of removing LVR restrictions, noting this will allow them to support customers through the impact of COVID-19.

Of those submitters that were against the removal of the LVR policy, many were concerned about potential adverse impacts on financial stability, such as the risk of bank failure. They also noted that the economy has weakened and job security has reduced, and the ability of people to service a mortgage will likely decline in the coming months.

"Given the current uncertainty around the economic outlook, the Reserve Bank considers that it is unlikely that banks will weaken lending standards to high risk borrowers. The more likely risk is that banks are overly cautious with lending to credit-worthy borrowers," Mr Bascand says.

The Regulatory Impact Assessment concludes that removing LVRs now does not weaken the resilience of the system. Rather, removing LVR restrictions now supports financial stability by removing one potential obstacle to the flow of credit in the economy, helping to soften the downturn.

Mr Bascand says the action will also avoid any uncertainty around the implications of LVR limits from the mortgage deferral scheme. "It is important banks continue to provide support to credit-worthy borrowers during these extraordinary times."

The decision is effective as of 1 May. The change will be made via a change in bank Conditions of Registration.

"The Reserve Bank will monitor lending activity and feedback from retail banks over the next 12 months as the economic impact of the COVID-19 pandemic becomes clearer. While we've eased the restrictions completely for the next twelve months, we will review the most appropriate setting for LVRs in a year's time," Mr Bascand says.

Background

LVR restrictions were imposed as a counter-cyclical macro-prudential financial stability tool in October 2013. LVR restrictions have been effective in supporting financial system stability during the upswing in the credit and housing cycles since the introduction of the restrictions in 2013. By significantly improving the equity positions of mortgage borrowers, it is likely that a significantly smaller number of borrowers will have to sell their house or default on their mortgage as a result of the current economic shock. The current economic conditions resulting from the COVID-19 crisis have led to the Reserve Bank removing LVR restrictions, given the counter-cyclical nature of the LVR policy.

More information:

- Regulatory Impact Assessment – Removal of Loan-to-Value Restrictions following the onset of COVID-19 (PDF 811KB)

- Proposed removal of Loan-to-Value Restrictions: Summary of Submissions (PDF 484KB)
- Media release: Reserve Bank proposes to remove LVR restrictions, 21 April 2020
- Media release: LVR restrictions promote financial stability, evaluation finds, 22 May 2019
- Reserve Bank Bulletin: *Review* of the Reserve Bank's loan-to-value ratio policy, 6 May 2019
- Loan-to-value ratio restrictions FAQs

Media contact:

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  DDI: +64 9 366 2643 | MOB: 021 923 217
  Email: Brendan.Manning@rbnz.govt.nz

From: NORMAN, David
Sent: Wednesday, 11 November 2020 8:36 AM
To: HATZVI, Eden
Cc: KURIAN, Samuel
Subject: Re: RBNZ announcements [SEC=OFFICIAL]

Thanks Eden

On 11 Nov 2020, at 7:21 am, HATZVI, Eden wrote:

The RBNZ announced:

- A further delay to the increase in the prudential capital buffer by another year to July 2022. Other aspects of the reforms will proceeds from July 2021. More info to be released on 17 November.
- It will consult in December on reinstating LVR restrictions, effective 1 March 2021
- Dividend restrictions will be retained until 31 March 2021, or later if required.

Eden Hatzvi | Senior Manager, Policy & International | Financial Stability
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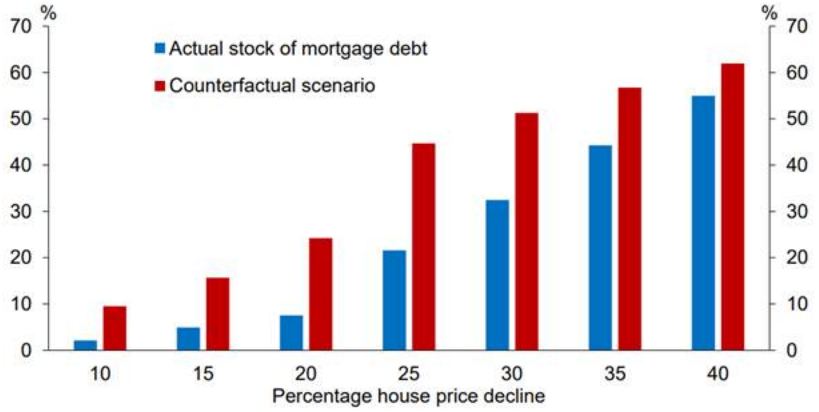
From: JOHNSON, Claire
Sent: Wednesday, 11 November 2020 5:18 PM
To: BULLOCK, Michele
Cc: FS Analysts; RANKIN, Ewan; JACOBS, David
Subject: Briefing on RBNZ's intention to reinstate LVR restrictions [SEC=OFFICIAL]
Attachments: RBNZ monetary policy meeting - 11 November 2020 [SEC=OFFICIAL]

The RBNZ made several policy announcements today, both from the MPC's meeting and from a series of 'Further regulatory steps to promote cashflow confidence and stability'. The latter included plans to reimpose restrictions on high LVR lending in March 2021. A summary of this policy is below.

LVR restrictions in NZ before Covid-19

- The RBNZ first introduced limits on high LVR mortgage lending in 2013, which have been tweaked over time. Immediately prior to the pandemic, the restrictions had been:
    - Cap of 5 per cent of new lending to investors for LVRs > 70 per cent
    - Cap of 20 per cent of new lending to owner occupiers for LVRs > 80 per cent
- In their May 2020 FSR, the RBNZ noted the success of these policies in strengthening households' balance sheets. The following graph (from the RBNZ May 2020 FSR) shows estimates of housing debt at risk of negative equity with LVR restrictions alongside a counterfactual (without LVR restrictions).

Figure 2.6
Housing debt at risk of negative equity, given declining house prices
(% of housing debt)



Source: RBNZ *LVR Lending Position Survey*, RBNZ estimates.

Note: The counterfactual scenario estimates the LVR distribution that would have been likely to occur in the absence of LVR restrictions since 2013. This data is indicative and uncertain. Furthermore, the actual LVR distribution of the current stock of housing debt is reported by banks using the value of houses at the time of their last credit event, e.g. when a mortgage was last topped up, rather than the current house value.

The RBNZ temporarily removed their LVR restrictions in May

- This was done for two reasons:

(i) remove a potential obstacle to credit supply; and

(ii) to ensure the restrictions did not pose undue impact on borrowers or lenders as they implemented the mortgage deferral scheme introduced in response to Covid-19.

- At the time, Deputy Governor Bascand considered it 'unlikely that banks will weaken lending standards to high risk borrowers' and that 'the more likely risk is that banks are overly cautious with lending to credit-worth borrowers'.

- At the time, the RBNZ said the limits would not be reimposed for at least 12 months.

High LVR lending has increased dramatically in recent months. The RBNZ is now looking to reintroduce the limits in March 2021

- The following graph shows the increase in the volume of high LVR lending since the restrictions were removed.
- The increase has been particularly notable for investor loans, which are classified as 'high LVR' when the LVR exceeds 70 per cent. Very few of these loans have LVRs exceeding 80 per cent.
- Consultations about reintroducing the policy will commence in December.

Claire Johnson | Analyst | Financial Stability Department
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From: JACOBS, David
Sent: Thursday, 12 November 2020 10:49 AM
To: ADAMS, Nicole; ID Morning Briefing
Cc: ERON, Sertac; HACK, Mark; JOHNSON, Claire
Subject: RE: ID morning briefing - 12 November 2020 [SEC=OFFICIAL]

Thanks to everyone who briefed this morning, including the extra work from Ashvini on the RBNZ and Mark Hack and Claire Johnson for the FS take on yesterday's announcements.
Dave

RBNZ

LVR measures

- They also announced yesterday that they are proposing to re-introduce LVR limits, which had been suspended back in May for a year.
    - The banks themselves had asked for the restrictions to come back in
    - In particular (this graph from FS) – there has been quite a pick up in high LVR credit to investors.
- FS: Only a v. small number of other economies have tightened or reimposed macropru policies since the onset of COVID

Major markets

CENTRAL BANKS

- **The RBNZ will consult on the reintroduction of loan-to-value ratio (LVR) restrictions** (press release). The RBNZ has recently observed a marked acceleration in higher risk loans, and may reimpose restrictions to slow the build-up of riskier lending on bank balance sheets

Nicole Adams | Analyst | Market Analysis | International Department
RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000

From: JACOBS, David
Sent: Wednesday, 25 November 2020 9:58 AM
To: RAVIMOHAN, Ashvini; ID Morning Briefing
Cc: SCHOFER, Lorenzo
Subject: RE: ID Morning Briefing - 25 November 2020 [SEC=OFFICIAL]

RBNZ FSR

- Confirmed that that they're planning to reinstate same LVR speed limit restrictions that were in place before (20% new OO >80; 5% new Invt > 70); won't bite on OOs
- Effective 1 March but banks are voluntarily running ahead: BNZ, ANZ and Westpac already imposed investor restrictions

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From: RAVIMOHAN, Ashvini
Sent: Wednesday, 25 November 2020 8:11 AM
To: ID Morning Briefing <IDMorningBriefing@rba.gov.au>
Cc: SCHOFER, Lorenzo <SchoferL@rba.gov.au>
Subject: ID Morning Briefing - 25 November 2020 [SEC=OFFICIAL]

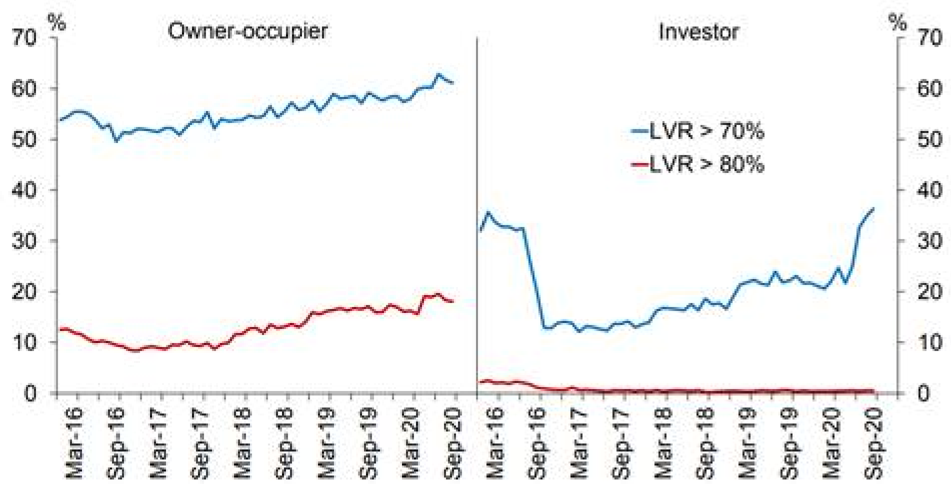
Major markets

CENTRAL BANKS

RBNZ Financial Stability Report – Nov 2020 (Press release; FSR)

- NZ financial system has not been tested by pandemic as severely as it could have been, as the economy has been relatively resilient so far.
- RBNZ acknowledged that actions to support the economy have also spurred on activity in the housing market, resulting in an increase in higher-risk lending, particularly to property investors. THE RBNZ intends to re-impose LVR restrictions to guard against continued growth in high-risk lending.

Figure 1.3
High-LVR mortgage lending shares by buyer type



Source: Reserve Bank *LVR New commitments survey*.
Note: Buyer type refers to collateral-based definition. Data is before policy exemptions.

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| w: www.rba.gov.au

What is driving house price dynamics in New Zealand?

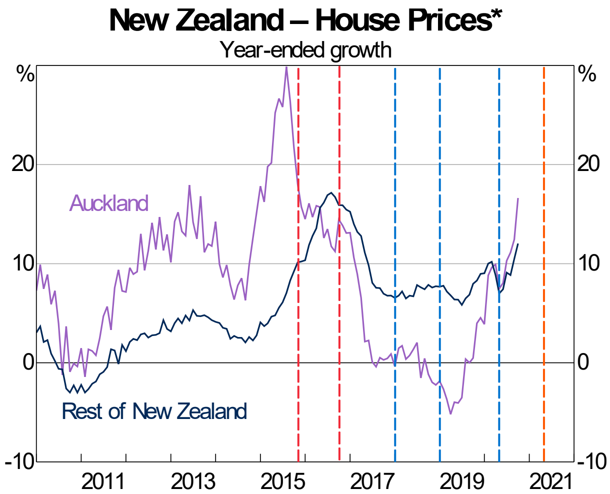
New Zealand house prices grew by 14 per cent over the year to October 2020 despite the economy being in recession.

- The temporary removal of LVR restrictions in May, which has led to an increase in lending to investors with higher LVRs (70-80 per cent)

Please see below for supporting charts.

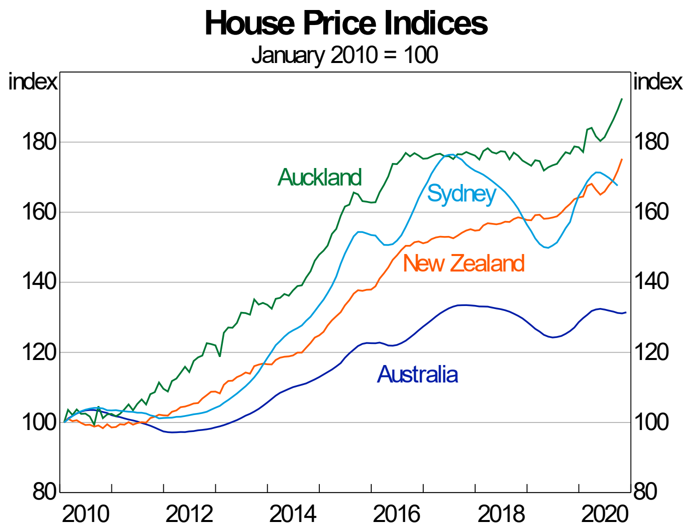
House price growth has accelerated throughout 2020

Price growth has been broad based across regions, but especially strong in Auckland. Over the past decade, prices in New Zealand have grown by 75 per cent in New Zealand, and 90 per cent in Auckland. Over the same period, Australian house prices grew by 30 per cent, and 68 per cent in Sydney.



* The dashed lines indicate changes to LVR restrictions. Red lines show tightening, blue lines show relaxing, and the orange line indicates scheduled tightening following the temporary relaxation in May 2020 due to COVID-19.

Sources: RBA; RBNZ; REINZ

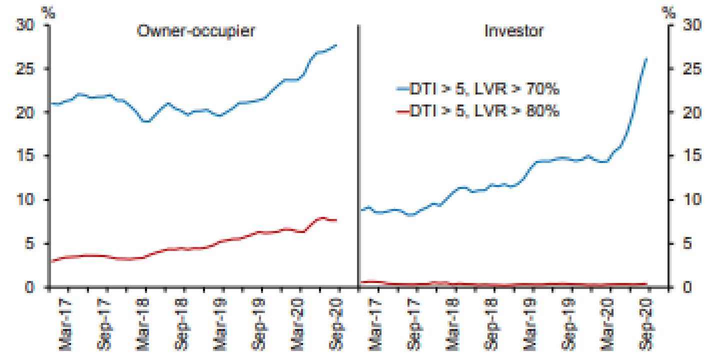


Sources: CoreLogic; REINZ

Since LVR restrictions were removed earlier this year, there has been an increase in higher risk lending to investors.

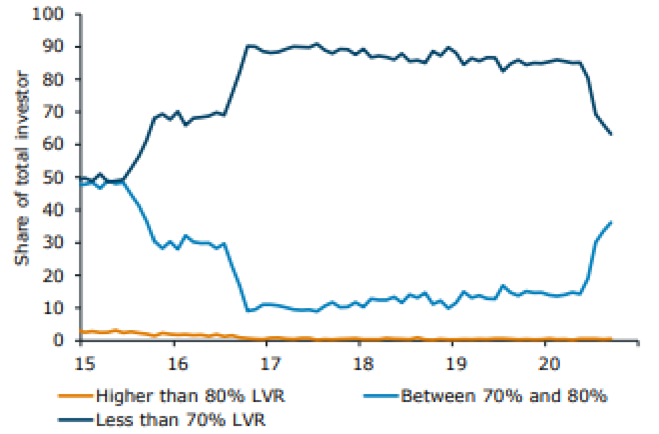
The RBNZ intends to reinstate the pre-pandemic LVR restrictions in March 2021.

Figure 2.10
Higher-risk segments of new mortgage lending, by buyer type
(% of new mortgage lending values, three-month moving average, collateral-based definition)



Source: Reserve Bank *LVR New commitments survey*, *DTI New commitments survey*, Reserve Bank estimates.
Note: DTI>5 refers to new lending at debt-to-income ratios greater than five.

Figure 2. Investor lending by loan-to-value ratio



Source: RBNZ, ANZ Research

Claire Johnson and Rachel Adeney
Policy & International
Financial Stability Department
30 November 2020

From: SCHOFER, Lorenzo
Sent: Wednesday, 9 December 2020 8:56 AM
To: Notes policy groups
Subject: IFM Global Markets Briefing

CENTRAL BANKS

RBNZ releases consultation paper on reinstating LVR restrictions from 1 March 2021.
The proposal would reinstate loan-to-value (LVR) restrictions at the level they were at before the onset of COVID-19:

- **For owner-occupiers** – a maximum of 20 percent of new lending at LVRs greater than 80 percent (after exemptions, e.g. new build housing)
- **For investors** – a maximum of 5 percent of new lending at LVRs greater than 70 percent (after exemptions).

The RBNZ noted that an increase in highly leveraged borrowing against an uncertain economic backdrop was beginning to create financial stability risks. Annualised house price inflation is running above 10 percent nationally and at 15 percent in Auckland. The restrictions are expected to moderate house price inflation by around 1-2ppts.

FS FILE NOTE: INTERNATIONAL EXPERIENCES WITH REGIONAL MACROPRUDENTIAL POLICIES

Table 1: International examples of regional macroprudential policy use

Country	Tool used	Period used	Reason	How are boundaries defined?	Reported policy evaluation	Selected Links
New Zealand	Regional LVR limits for investors – separating Auckland and the rest of the country.	2015-2016	Increases in Auckland prices were being driven by credit-fuelled investor demand while prices were moderating in the rest of the country.	Local authority boundaries (Auckland super-city boundary)	**There were spill-over effects** to surrounding areas that led the RBNZ to extend stricter investor requirements to the rest of the country.	link 1 link 2

Key Questions:

- Which countries use, or have used, regionally focused macroprudential policies?
- What tools have they used?
- How were the regional boundaries defined? Were there any issues in defining them?
- What does the evaluation of these policies show? Were there any spill-overs or unintended consequences?

Summary

applying regional LVR limits resulted in unintended spill-over effects. Specifically, applying separate LVR rules only for one region caused property markets in adjacent regions to heat up.

International experience with regional macroprudential tools: Findings

New Zealand first implemented a regional macroprudential policy in 2015. Following the initial introduction of LVR limits in 2013, house price growth in Auckland remained strong, while price growth in the rest of the country began to moderate. As a result, the Reserve Bank of New Zealand (RBNZ) decided to implement differentiated LVR limits. The RBNZ identified credit-fuelled investor activity as the primary cause of rising house prices in Auckland. In essence, two policy changes were implemented simultaneously:

1. The Auckland region was subject to a different LVR policy to the rest of New Zealand
2. Investors (in Auckland) were subject to a different LVR policy to owner-occupiers (in Auckland)

The outcome of the policy changes was that house price growth in Auckland began to moderate, but that investor activity spilled over into neighbouring cities that were not subject to the more stringent rules (Tauranga and Hamilton).

As a result, in 2016, New Zealand moved away from regional use of LVR limits, but continued to apply different rules to investors and owner-occupiers. This is because investors are seen as inherently more risky. Overall, the RBNZ considers that its use of LVRs (including the investor and owner-occupier split) has been effective, but that regional policies can result in material unintended spill-over effects.

Spillover effects, alternative policies, and other country experiences

There is a general absence of discussion of spillover effects from regional macroprudential policies in the literature. This contrasts with the relatively common discussion of macroprudential policy spillover effects more generally (for example, there has been much discussion of spillovers from banks to non-bank lenders).[1] This lack of discussion of spillover effects from regional macroprudential policies may reflect the fact that only a small number of countries have explicitly implemented such policies. Of the countries that have used regional macroprudential tools, New Zealand has moved away from them

References

Have the LVR restrictions improved the resilience of the banking system? (Reserve Bank of New Zealand)
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Review of the Reserve Bank's loan-to-value ratio policy (Reserve Bank of New Zealand)
https://www.rbnz.govt.nz/research-and-publications/reserve-bank-bulletin/2019/rbb2019-82-06