

RESERVE BANK COVER SHEET

REPORT NUMBER	5020
DATE	19/05/2015
SUBJECT	Adjustments to restrictions on high-LVR residential mortgage lending
AUTHORISED BY	Grant Spencer, Deputy Governor
PREPARED BY	David Hargreaves, Manager Macro Financial Policy
ACTION SOUGHT	We intend to release this consultation package on or around May 29
TIMEFRAME	Feedback by May 27
SECURITY CLEARANCE	Sensitive

IN-CONFIDENCE



Date 19 May 2015

To: Minister of Finance

Draft consultation paper on LVR policy

1. As discussed in recent weeks and announced in the Financial Stability Report, the Reserve Bank plans to tighten the LVR restrictions on investors in the Auckland region.
2. The attached draft consultation paper and draft BS19 (chapter of the Banking Supervision Handbook), which we would like to issue on or around May 29, represent the next step in this process.
3. The consultation paper outlines the logic behind the policy and discusses technical details of implementation. The technical details are then formalised in the attached draft of BS19.
4. Another important detail is the definition of property investment loans. This part of BS19 will refer to the capital chapters of the handbook, but the relevant definitions are also contained in the consultation paper.
5. RBNZ staff have discussed the draft consultation paper with the Treasury as part of our continuing engagement.
6. We may make minor drafting changes to the paper and BS19 prior to release. In particular some further existing sections of BS19 may need minor redrafting to make them work with the new proposed conditions of registration.
7. We would welcome any enquiries from your office (to David Hargreaves in the first instance). Please let us know by May 27 if you have any issues with us releasing this material on or around May 29.

Grant Spencer
Deputy Governor and Head of Financial Stability

CC: Secretary to the Treasury

For a link to the consultation paper that was provided in draft form to the Minister, please go to:

http://www.rbnz.govt.nz/financial_stability/macro-prudential_policy/Consultation-Paper-investor-housing.pdf

For a link to the draft BS19 (chapter of the Banking Supervision Handbook), please go to:

http://www.rbnz.govt.nz/financial_stability/macro-prudential_policy/BS19-Framework-for-LVR-restrictions.pdf