

# Statistics advisory

27 June 2016



## C32 – New and existing residential mortgage lending by payment type

The Reserve Bank has introduced new statistics on residential mortgage lending by payment type (i.e. interest-only and principal-and-interest): *C32 - New and existing residential mortgage lending by payment type*, which is here: <http://www.rbnz.govt.nz/statistics/c32>

This advisory note provides detailed information about the definitions used in the data, and summarises key features of the data to help with interpretation. Further details on definitions can be found in the table's background notes and series description, also here: <http://www.rbnz.govt.nz/statistics/c32>

### *Key definitions*

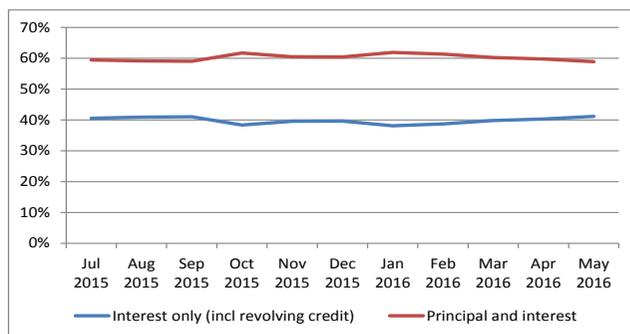
- Interest-only loans are defined as having no scheduled repayments. This includes loans where borrowers independently choose to repay principal such as revolving credit loans which have a fixed limit.
- Principal-and-interest loans are defined as having scheduled repayments and include revolving credit loans which have a scheduled reducing limit.
- A particular loan application may include a portion of both interest-only and principal-and-interest payment terms. Figures in table C32 represent the balance of new and existing lending for each payment type, not the number of loans.

- ‘Investor’ and ‘owner-occupiers’ are defined by the intended use of borrowed funds. These are the same borrower-type definitions used in table C31, here: <http://www.rbnz.govt.nz/statistics/c31> but differ from borrower types in table C30, here <http://www.rbnz.govt.nz/statistics/c30>, as outlined in the framework for LVR Restrictions (BS19). The main difference is that existing investors who are borrowing more from their bank to buy a house to live in are treated as ‘owner-occupiers’ in C32, but as ‘investors’ in C30. This makes the proportion of ‘investors’ in C30 larger.

### Key data highlights from table C32

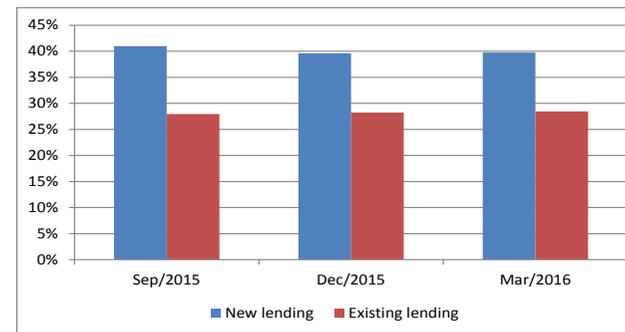
- In May 2016, almost 60 percent of all new mortgage lending was on principal-and-interest payment terms, while 40 percent was on interest-only payment terms. These proportions have been fairly stable since July 2015 when the data was first available (Figure 1).

**Figure 1**  
Share of new lending by payment type (%)



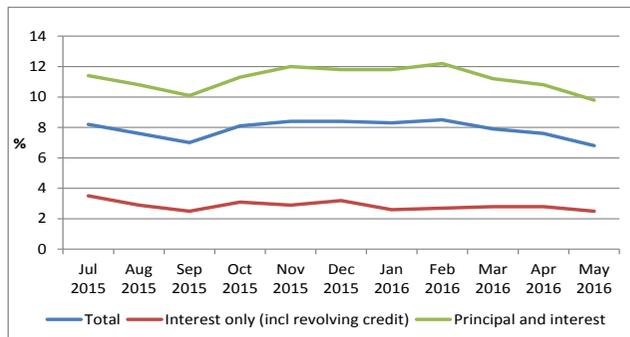
- Interest-only loans tend to convert to principal-and-interest loans after a period of time. In March 2016, 40 percent of new lending was on interest-only payment terms. However on the banks’ loan books only 28 percent of all existing mortgages are on interest-only payment terms. These proportions have been fairly steady over time (Figure 2).

**Figure 2**  
Interest only lending as a share of total (%)



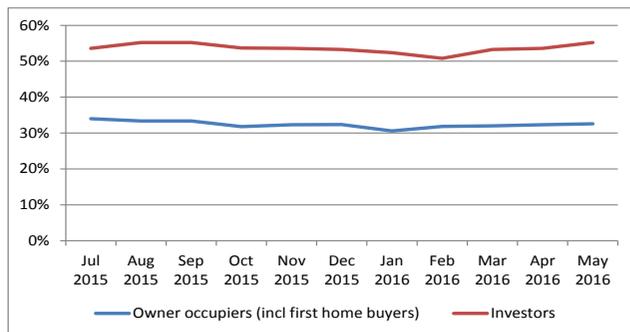
- Interest-only lending is less likely to be high loan-to-value ratio (LVR greater than 80 percent) compared to principal-and-interest lending (Figure 3). The proportion of high LVR new lending has declined slightly for all payment types since data was first available in July 2015.
- The portion of high LVR lending for all existing mortgages is somewhat higher than for new lending (12.9 percent compared to 7.9 percent in March 2016) but this has also been declining over time. The lower ‘high-LVR’ portion on new lending is due to the LVR restrictions, which will gradually filter through to existing lending as new lending is added to the banks’ loan books.

**Figure 3**  
Share of  
new lending  
higher than  
80% LVR  
(%)



- In May 2016, about 55 percent of new lending for investor purposes was on interest-only terms compared to about 33 percent for owner-occupier purposes (Figure 4). These proportions have been fairly steady over time. Only 1 percent of interest-only lending for investor purposes is above 80 percent LVR and this has been declining over time.

**Figure 4**  
Interest-only  
share of new  
lending by  
borrower  
type  
(%)



Erratum: This chart replaces the incorrect chart of the original version.

## Data publication

The new C32 mortgage lending statistics will be published monthly, while the data on all existing mortgages is available on a quarterly basis.

See the Statistics Release Calendar for the Reserve Bank's statistics publication dates.