

15 November 2021

New Debt-to-Income Series

Today we have released expanded breakdowns of Debt-to-Income (DTI) data for new mortgage commitments, starting from October 2018. We are publishing an additional 106 new DTI series within the downloadable excel file, offering new insight into DTI data for the values and numbers of new mortgage lending to ‘other owner-occupiers with investment property collateral’ and ‘investors’.

In addition, the DTI bands have been further expanded for all borrower types, up to DTI > 9 for the majority of series. For first home buyers, we have expanded DTI bands to DTI > 7. We are publishing fewer DTI bands for first home buyers due to confidentiality restrictions – that is, data series at DTI > 8 regularly have fewer than 3 banks reporting with low customer volumes and values.

Borrower Types

There are four different borrower types represented in the DTI statistics.

A *first home buyer* is a borrower entering the home ownership market in New Zealand for the first time and purchasing or building a property they (or a related party) intend to owner occupy.

A distinction is made between other owner-occupiers **without** investment collateral and other owner-occupiers **with** investment collateral. This differs from the LVR survey, which collects the aggregate of these two—referred to simply as ‘other owner-occupiers’.

By definition, *other owner-occupiers with investment collateral* are borrowing for the purpose of purchasing or building a dwelling they (or a related party) will live in, and are securing that loan at least partly against investment property collateral, whereas *other owner-occupiers without investment collateral* are not borrowing against an investment property.

Investors are entities or persons borrowing for the purpose of building or purchasing residential property to rent.

Data Quality

There are some discrepancies between new mortgage commitments reported in the loan-to-value (LVR) series and the DTI borrower type totals. Some of these differences are attributable to the “business purpose” for new lending that is collected separately in the LVR survey but not in the DTI survey. We will continue to work with reporting banks to reduce these discrepancies, including the reporting of unknown DTI amounts. We are also planning on tightening our definitions around income and debt to ensure the consistency of reporting across our regulated banks. There are known cases for multi-applicant mortgages where all the applicants’ incomes may not be reported but only the income that is necessary to meet the serviceability requirements set by the reporting bank. This can lead to an overestimation of the borrowers’ DTI and is difficult to identify as our current survey is not able to distinguish between single and joint mortgage applications.

Key points from new DTI data¹

- Other owner-occupiers with investment property collateral and investors with a TDTI > 7 each accounted for around 35% of the total new mortgage lending to these borrowers in September 2021. This is about 5 times more than the share of first home buyers with DTI > 7 (Table 1 & Figure 1).
- The share of new mortgage lending to investors with TDTI > 9 has more than doubled over the past two years, increasing from a low of 4.1% to 10.2% in September 2021. Other owner-occupiers with investment collateral have also seen a rapid increase, rising from a low of 4.8% to 9% in September 2021 (Figure 2).
- The average share of Auckland loans to Investors with a TDTI > 7 climbed from a low of 28% in September 2019 to 47% two years later. Non-Auckland loans at TDTI > 7 remain significantly lower but have more than doubled from 12% to 28% (Figure 3).

Table 1: Share of DTI by borrower type¹, September 2021

	TDTI > 5	TDTI > 7	TDTI > 9
First home buyers	58%	7%	
Other owner-occupiers without investment collateral	46%	13%	5%
Other owner-occupiers with investment collateral	73%	35%	9%
Investors	68%	37%	10%

Figure 1: High concentration of new lending to investors and other owner-occupiers at DTI > 7

At September 2021



¹ All shares are derived from totals that exclude unknown DTI.

Figure 2: Investors with DTI>9 sees share more than double over past two years, other owner-occupiers with investment collateral not far behind¹

3-month moving average

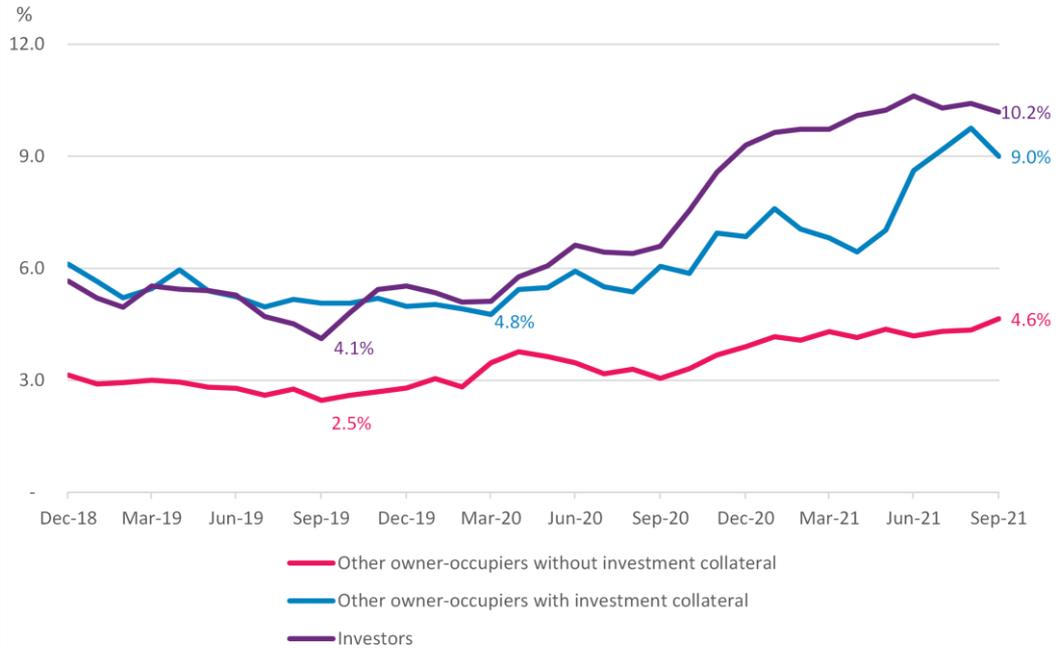


Figure 3: Investor lending share with DTI>7 sees rapid growth in Auckland and Non-Auckland over past two years¹

3-month moving average

