

Definition of owner-occupied residential property

The Banking Supervision Handbook documents *Capital Adequacy Framework (Standardised Approach)* (BS2A) and *Capital Adequacy Framework (Internal Models Based Approach)* (BS2B)) provide a definition of owner-occupied residential property (paragraph 4.7(a) of BS2B and 43(e) of BS2A).

This definition is used in the Capital Adequacy Framework to enable determination of whether a residential mortgage loan is classified as a property-investment residential mortgage loan or a non property-investment residential mortgage loan.

The definition is also used in the Banking Supervision Handbook document *Framework for Restrictions of High-LVR Residential Mortgage Lending* (BS19) to define when a property is an Auckland investment property.

The following is a non-exhaustive list of property that is owner-occupied. These examples are illustrative; banks should refer to the requirements in BS2A or BS2B to ensure compliance with their legal requirements.

Owner-occupied residential property

Emily owns a house and occupies the house as her principal residence.

Frank owns a house. While he is overseas, the house is occupied only by Frank's wife as her principal residence.

Frank owns a second house. His wife occupies the house as her weekend residence. The house is not rented out.

Ashley owns a house and occupies it as his principal residence. Ashley also has a boarder that pays board to Ashley.

Geoff owns a house and occupies it as his principal residence. The house has a granny flat attached in which Geoff's mother lives. Geoff's mother pays Geoff a market rent.

David and John own a house in town that they occupy as their principal residence. They also own a bach at the beach. They do not rent the bach out, except on the odd occasion to friends. Both houses are owner occupied.

Melissa is a shareholder in F Ltd. F Ltd owns a house that Melissa occupies as her principal residence and also owns a house that Melissa occupies over the holidays. Melissa does not rent the holiday house out.

Charles is the beneficiary of a trust and the house that he lives in is trust property.

Sally is the trustee of a trust and the house she lives in is trust property.

Lewis is the trustee of a trust and his wife lives in the house that is trust property.

Rock Ltd holds a legal interest in a house as trustee for a trust. Freda is the shareholder in Rock Ltd. Freda occupies the house as a secondary residence. The house is rented for one week a year.