From: s9(2)(a) privacy
Sent: Saturday, 5 August 2017 10:39 p.m.
To: macroprudential
Subject: Re: feedback on serviceability restrictions such as debt to income (DTI) limits being added to Reserve Bank of New Zealand macro prudential toolkit.

Florence D

Auckland

New Zealand

Attention:
Head, Macro Financial Department
Reserve Bank of New Zealand
PO Box 2498
Wellington 6140

Re: feedback on serviceability restrictions such as debt to income
(DTI) limits being added to Reserve Bank of New Zealand macro prudential toolkit.

I clearly oppose to Debt-to-Income [DTI] clamp-down tool for mortgage lending as an ordinary New Zealander.

It understand the Reserve Bank considers the risk for New Zealand financial system stability and the broader economy, however DTI tool can only restrict the property transactions and development but can't fix the Auckland housing issues but in the mean while causing huge serious impact on social side.

The similar policy was introduced to the United Kingdom in July 2014 limiting buyers to a mortgage which does not exceed 4.5 times their annual earnings. However New Zealand national conditions are quite different from United Kingdom in terms of population scales, industrial structures etc. It may suit United Kingdom but not New Zealand.

Even within United Kingdom, the property investors are exempt from such limits, as it is the case in Britain and Ireland as per Andrew King who is Property Investor's Federation executive officer. "It's because we don't want to see the cost of providing rentals go up, rents to go up and make it even harder for tenants to save that deposit for their first home." He said.

He also reckon that decisions about risky lending should be left to borrowers and their banks as per Andrew King. Further thoughts is it should be left to the market itself.

New Zealand is not only one country has got low interest rates, high housing price and high debt to income ratio, some countries and cities like China, Hong Kong and Japan etc. are the same but there is no such limits in place as again it may not suit them.

Question is if there is a real necessity for DTI clamp-down tool for mortgage lending for New Zealand?

It is reported that mortgage brokers have joined the call for the government to decline the Reserve Bank’s request to introduce debt-to-income limits for mortgage lending.

"Overall, it is more difficult to get a mortgage right now, than at any time in the last 10 years - except for during the GFC [Global Financial Crisis]. The LVR [loan-to-value] levers are working to cool the market, and simply need more time to bed in," the letter said.

"As an industry, we think the Banks voluntary tightening shows that the lenders are prudent, and have proven that they can be responsible in a heated market, without further regulatory interference from the Reserve Bank."

The self-employed, small business owners, older borrowers and borrowers on fixed or low incomes would also be worst affected by the changes.

"DTI's [debt-to-income] are an extremely blunt tool - and a tool that will only work in favour of borrowers with high incomes. Regulation should be fair, and ordinary New Zealanders deserve the opportunity to decide themselves when to become home-owners."

Also a group representing New Zealand's property valuers says introducing debt to income limits for mortgage lending would damage the Auckland housing market and New Zealand's economy.

Ashley Church, Chief executive of the Property Institute of New Zealand, believes introducing such limits would have ‘serious and unintended consequences’ for the Auckland property market and wound almost certainly make the Auckland housing crisis even worse.

"These things often sound like good ideas until you start thinking through what would happen if they were actually implemented" Church said the consequences of such a policy would be disastrous.

He also stated: “but doing anything which reduces the construction of new dwellings is a hollow solution because it will only delay an even bigger problem down the track.”

"The only sustainable way to fix the Auckland housing crisis is to build more homes as quickly as possible".

Further thoughts about utilization of funds coming from doubled or tripled up land rates and increased petrol levy etc. to build affordable housing in some areas like Massy and Takanini area which land value is not that high for those lower income families should be actioned to truly solve Auckland housing crisis.

Moreover it doesn't have much bubble in NZ housing market because of rigid demand and mature investors. It is supported by decreased mortgage sale rate in the past few years.

On the other hand, introduction of DTI will have serious impact on social areas. It will make the lower income first home buyers even harder to buy a house so it will be more and more low income families who have to reply on renting while the less rental house available in the renting market due to DTI limit.

The only consequence will be continuous increased rent and less deposit saved for low income first home buyers. In the meanwhile, the house price won't drop dramatically as the investors don't need to sell the rental properties due to stable and increasing rental income.

Housing market is not a single industrial market but relates to a huge industrial channel from material manufacturer like timber, brick and aluminium joinery factories, wholesaler, retailer; labors from builders, plumber, electrician and even drivers, professionals like lawyers and accountants, real estate companies, agents and commercial banks & its staff…

It is foreseeable that property transactions will substantially drop due to DTI limits which leads to increased unemployment rate and social benefit distribution while less taxation generated from property side. Increase of unemployment will also affect social stability and safety which is considered the most important field for every country.

The superannuation is hardly to sustain those retired people living cost considering the continuous inflated living costs in NZ. At the moment, it is a healthy circle for the elders to use the equity for their retirement life after sale of their home due to downsizing or moving to retirement village. The DTI will restrict those elders to cashup the equity for retirement which is another social impact affecting its stability and safety.

It is reported the housing market is contributing a huge taxation to the country and to strengthening the New Zealand economy, with a 0.9% increase in GDP in the June 2017 quarter and it accounts 13% of total New Zealand GDP in the past 10 years becoming the largest industrial sector exceeded manufacturing industry for New Zealand. So DTI limits will seriously impact on government taxation and New Zealand GDP so as to subsequently affect social side like public health and education sector which hugely reply on government taxation.

In conclusion DTI limits shouldn't be considered and applied in New Zealand as above.

Thanks and regards