Kia ora to the folks at the RBNZ! I'd like to say that I fully support you having the DTI macroprudential option in your toolkit.

I'm neither a banker nor an economist from a think-tank. I'm a 50ish woman with a B. Comm. degree (Finance) and J.D. in tax who could afford to stay at home and raise my sons. I have always enjoyed economics and follow capital market issues closely (for someone who doesn't work in the field). We have no debt and an internationally diversified portfolio, so I am very concerned about the over-investment the typical Kiwi puts in houses instead of the productive capital assets of NZ and abroad.

I have been appalled at what has happened to the price of housing in Aotearoa over the last 3 decades. The cost of putting a roof over one's head increased in the 90's, then again in the 'noughts' and again in the current decade (whatever it's called) to the point where NZ houses in general (and Auckland in particular) are ridiculous by domestic and international standards. We've condemned our young people to 'generation rent' or else handing over an enormous part of their lifetime earnings as interest to largely foreign owned banks.

I do not see this as a "sign of success", but rather evidence of disastrous mismanagement and failure to act on the part of political leaders. I feel the RBNZ has not had the necessary tools to control the runaway train of excessive exuberance and easy credit. One only has to look at the recent calls by both the PM and new leader of opposition that the LVRs have worked their magic and could now be rolled back. What economic ignorance and willful disregard of the damage being done and the risks this level of housing debt pose. I also consider this current consultation to be a stalling tactic on the Government's part when they should have already given you the DTI option when you requested it.

The tools you do have are often either ineffective, can actually make matters worse or have negative consequences for other parts of the economy. 1) in the 'noughts', the RBNZ raised the OCR trying to reign in the overheated property market; the high rates attracted foreign capital and thus exacerbated the problem. Current rules mandating minimum domestic capital requirements have helped control this. 2) using interest rates to control the property market typically raises the exchange rate of the NZ$ versus our trading partners. This puts our export sector at a disadvantage and so the RBNZ often can only make limited use of this tool. 3) the LVR's usefulness can be thwarted by the very gains in property value that it's trying to control.

I could go on, but you get the point. The DTI is being used by other countries (basically after they got burned by overheated property markets and then a collapse). It seems like a very good option to limit the excesses that can happen to markets. Our politicians applaud these excesses, even take actions that further enable the dangerous expansion. This is exactly why the RBNZ needs the DTI option.

Finally, to be honest I skimmed through the consultation paper, so maybe I missed something, but your cost/benefit analysis assumes this policy will reduce GDP due to lowering spending out of wealth and that some people who wish to buy as owner/occupiers will not be able to do so for a period. I submit it is just as likely that GDP will increase as house prices and debt levels are decreased thus giving people more disposable income for other goods and services in the domestic economy and that as house prices decline, O/Os may be able to afford the home they want sooner as their savings are able to catch up with house prices.

I haven't even started on dangers of a 'balance sheet recession' such as Richard Koo details. The banks may be able to weather a property value downturn, but the trauma of being 'under water' in regards to debt is a real risk to NZ's long term economic future. The RBNZ needs the DTI to control Kiwis taking on excessive levels of debt.

Kay Robertson