PROCEDURES & DEFINITIONS

Loan to Valuation Ratio survey – Lending position

October 2021

Please contact the Reserve Bank Statistics Unit (statsunit@rbnz.govt.nz) to discuss these procedures and definitions if in any doubt about their meaning or if following them will produce an internal inconsistency with your available financial data.

Definitions:

Residential mortgage loans

Residential mortgage loan is formally defined in BS19 (referring to BPR001).

Loan to valuation ratio (LVR)

Loan-to-valuation ratio = [loan value / property value] x 100

Loan value and property value are formally defined in BS19.

Unknown LVR

In extraordinary cases, it may not be possible to determine the loan-to-valuation ratio, and therefore to allocate a residential mortgage loan to an LVR bucket. Such loans should be reported in the "LVR unknown" buckets.

Origination

The origination date is the time that a loan is committed to by the bank and includes any point in time at which there is a credit event in respect of a borrower.

Drawdowns

A drawdown occurs at the time money is transferred to the borrowers account. This represents the gross increase in credit associated with newly originated loans (to new and existing customers) as well as increases to existing fixed-term loans or facilities.

Revolving credit loans

Revolving credit loans are loans that have a fixed limit but no scheduled principal or interest repayment. This does not include revolving credit loans that have a scheduled reducing limit.

Interest only loans

Loans that have no scheduled principal repayment, but may at a later date change to principal and interest. This includes reverse equity products. This does not include revolving credit loans that have a fixed limit or revolving credit loans that have a scheduled reducing limit.

Principal and interest loans
Loans that have scheduled principal repayment, e.g. table loans. This includes revolving credit loans that have a scheduled reducing limit.

Instructions:

- Only residential mortgage loans are to be reported in this survey.
- Report all values as positive numbers unless otherwise specified.
- Report in millions to three decimal points, i.e. to the nearest thousand New Zealand dollars. For example $1,234,567.89 is reported as 1.235
- Report values in white cells only. The grey cells will derive from data entered in white cells.
- Report lending position according to the borrower's (or borrowing parties') loan to valuation ratio at the end of the quarter.
- Resolve all validation errors prior to submitting the survey.

Question 1:

Opening position
Report the opening value of on balance sheet residential mortgage loans by LVR band. The opening position for this quarter is equal to the closing position of the previous quarter.

Drawdowns
Report all new loan amounts drawn down during the quarter and any increases (e.g. loan top-up amounts) drawn down on existing loans.

In the case of revolving credit loans (or similar facilities) report a net increase in the value of the loan as a drawdown during the quarter. See Guidance Notes for a more in depth explanation.

Interest charged
Report the total interest charged on outstanding loan balances during the current quarter, whether or not it is actually received from the borrower.

Scheduled repayments
Report the total value of expected principal and interest repayments contractually due during the quarter. Report scheduled repayments whether or not the repayments were actually received from the borrower.

Repayment of loan in full
Report the value of loans that are repaid in full during the quarter.

Other excess repayments
For loans where actual repayments were greater than scheduled repayments, report the sum of the amount that actual repayments exceeded those that were scheduled. Exclude loans that were repaid in full.

In the case of revolving credit loans (or similar facilities) report a net decrease in the value of the loan as an excess repayment during the quarter. See Guidance Notes for a more in depth explanation.

Repayment deficiencies
For loans where actual repayments were less than scheduled repayments, report the amount that actual repayments were less than scheduled repayments (interest and principal).

Net write-offs
Report the value of loans written-off during the period less the amount recovered from any previously written-off loans that were subsequently recovered during the period.

Report net write-offs as positive number, where loans written-off exceed loans recovered. Report net-write-offs as negative number, where loans recovered exceed loans written-off.

Other adjustments
Report any other adjustments to the outstanding loan balance not covered above. This includes changes due to loan sales or adjustments due to the securitisation of loans, exchange rate valuation adjustments for foreign-currency-denominated loans, fees associated with the loan that are not paid by the borrower and which are instead capitalised against the loan balance during the current period, and changes in the purpose of the loan, etc.

Include also any adjustment for customers migrating between Loan to Valuation ratio bands as the result, for example, of additional lending or paying down their mortgage (see Guidance notes for reporting guidelines). Enter the adjustment as a positive or negative number as appropriate.

Closing position
Report the closing value of on balance sheet residential mortgage loans by LVR band. This total should be equal to the sum across the previous columns.

Off balance sheet residential mortgages
Report the value of off balance sheet residential mortgages at the end of the quarter. This includes existing undrawn facilities that can be drawn down by borrower, pre approvals, and commitments, and securitised mortgages off balance sheet.

Question 2:

Where loans are split across multiple products, report each loan account separately. Report the value of loans as at the end of the quarter.

Revolving credit loans
- Include revolving credit loans that have a fixed limit.
- Do not include revolving credit loans that have a scheduled reducing limit.

Interest only loans

- Include any loans that are on interest only terms
- Include any reverse equity product loans
- Do not include revolving credit loans

Principal and interest loans

Include:

- Loans that have scheduled principal repayment, e.g. table loans
- Revolving credit loans that have a scheduled reducing limit.

Total

The total is derived by adding revolving credit, interest only and principal and interest loans. This value should equal the closing position reported in question 1.

Guidance:

How to record construction loans

The borrower's LVR should be calculated as the total loan being committed divided by the estimated valuation of the property on completion. Current valuation practice should be used to estimate property valuation on completion.

Only the drawn amount of a construction loan appears in the opening and closing position columns. Undrawn commitments for construction loans should be reported in 'off balance sheet, column.

How to report revolving credit loans

Revolving credit limits are used when calculating a customer's LVR.

Only the drawn amount of a revolving credit loan appears in the opening and closing position columns.

Interest charged on revolving credit loans should be included in the interest charge column (regardless of whether this is paid).

In the case that a revolving credit loan increases over the quarter. The net increase in the loan minus the interest charged should be recorded as a drawdown.

In the case that a revolving credit loan decreases over the quarter. The net decrease in the loan plus the interest charged should be recorded as an excess repayment.

The closing of a revolving credit loan should be recorded in the full repayment column.

How to report changes in LVR bands due to additional lending or repayments

The opening position is reported in the LVR band as at the beginning of the quarter.

The closing position is reported in the LVR band as at the end of the quarter

Adjusting entries such as drawdowns, interest charged, scheduled repayments, etc. are reported in the LVR band attached to the closing position.

The 'other adjustments' column is used to ensure reconciliation of the opening and closing positions.

Examples:

How to report:

1) A $400,000 commitment is given to a new to bank customer on 4 December 2012 for the purchase of a house valued at $505,000. The settlement date of the purchase is 8 Feb 2013.

   December 2012 quarter return:
   Calculate the borrower's LVR at the end of period
   = 400,000/505,000
   = 79.2%

   On row (f) report the following:
   Off balance sheet residential mortgages = 400,000

   March 2013 quarter return:
   On row (f) report the following:
   Opening position = 0
   Drawdowns = 400,000
   Closing position = 400,000
   Total on and off balance sheet residential mortgages = 400,000

2) On 31 March 2013 an existing customer with a $120,000 mortgage secured on a $400,000 house, sells their house and purchases a new $800,000 house, requiring an additional $400,000 loan. For simplicity of the example assume an interest only loan at 5% pa.

   December 2012 quarter return:
   Calculate the borrower's LVR at the end of period
   = 120,000/400,000
   = 30%

   On row (j) report the following:
   Opening position = 120,000
   Drawdowns = 0
   Interest charged = 1,500
   Scheduled repayments (interest and principal) = 1,500
   Repayment of loan in full= 0
   Closing position = 120,000
   Total on and off balance sheet residential mortgages = 120,000

March 2013 quarter return:
Calculate the borrower's LVR at the end of period
= 520,000/800,000
= 65%

On row (j) report the following:
Opening position = 120,000
Repayment of loan in full = 120,000
Closing position = 0
Total on and off balance sheet residential mortgages = 0

On row (i) report the following:
Opening position = 0
Drawdowns = 400,000
Other adjustments = 120,000 (due to migration across LVR buckets)
Closing position = 520,000
Total on and off balance sheet residential mortgages = 520,000

3) An existing customer with an interest only mortgage (for simplicity) of $260,000 (at 1 January 2013) at 5% pa secured on a $402,000 house, makes a one off $10,000 lump sum repayment on 31 March 2013.

March 2013 quarter return:
Calculate the borrower's LVR at the end of period
= 250,000/402,000 (260,000-10,000)
= 62.2%

On row (i) report the following:
Opening position = 260,000
Interest charged = 3,250
Scheduled repayments (interest and principal) = 3,250
Other excess repayments = 10,000
Closing position = 250,000
Total on and off balance sheet residential mortgages = 250,000

4) On 25 March 2013 an existing customer with a $250,000 mortgage secured on a $400,000 house is given a loan top-up for kitchen renovations of $50,000. For simplicity of the example assume an interest only loan at 5% pa.

December 2012 quarter return:
Calculate the borrower's LVR at the end of period
= 250,000/400,000
= 62.5%

On row (i) report the following:

Opening position = 250,000
Drawdowns = 0
Interest charged = 3,125
Scheduled repayments (interest and principal) = 3,125
Repayment of loan in full= 0
Closing position = 250,000
Total on and off balance sheet residential mortgages = 250,000

March 2013 quarter return:
Calculate the borrower's LVR at the end of period
= 300,000/400,000
= 75%

On row (i) report the following:

Opening position = 250,000
Other adjustments = -250,000
Closing position = 0
Total on and off balance sheet residential mortgages = 0

On row (g) report the following:

Opening position = 0
Drawdowns = 50,000
Other adjustments = 250,000 (due to migration across LVR buckets)
Closing position = 300,000
Total on and off balance sheet residential mortgages = 300,000

5) A customer has a revolving credit facility of $100,000. On 1 January the drawn amount is $57,000. By 31 March the drawn amount is $50,000. Their property is valued at $400,000. For simplicity of the example assume an interest only loan at 5% pa.

March 2013 quarter return:
Calculate the borrower's LVR at the end of period
= 50,000/400,000
= 12.5%

On row (j) report the following:

Opening position = 57,000
Interest charged = 670 (approx.)
Other excess repayment = 7,670
Closing position = 50,000
Off balance sheet residential mortgages = 50,000
Total on and off balance sheet residential mortgages = 100,000

6) A customer has a revolving credit facility of $100,000. On 1 January the drawn amount is $50,000. By 31 March the drawn amount is $57,000. Their property is valued at $400,000. For simplicity of the example assume an interest only loan at 5% pa.

March 2013 quarter return:
Calculate the borrower's LVR at the end of period
= 57,000/400,000
= 14.25%

On row (j) report the following:
- Opening position = 50,000
- Interest charged = 670 (approx.)
- Drawdown = 6,330
- Closing position = 57,000
- Off balance sheet residential mortgages = 43,000
- Total on and off balance sheet residential mortgages = 100,000

Appendix 1:Document change log

Version	Date	Comment
V1.1	Apr 2016	Last issued reporting guide document
V1.2	Sept 2018	Clarification on 'interest only' definition (pg.2)
V1.3	Oct 2021	BS2A and BS2B replaced by new 'Banking Prudential Requirements' (BPR). Updated BS19 document issued October 2021