



Reserve Bank proposes to ease LVR restrictions

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The Reserve Bank of New Zealand – Te Pūtea Matua is proposing to ease mortgage loan-to-value ratio (LVR) restrictions.

LVR restrictions promote financial stability by limiting high-risk mortgage lending. This is done with the aim of reducing the impact and severity of housing market corrections by increasing the resilience of the banking system and households.

Current LVR settings were put in place November 2021 when risks were elevated. The restrictions built resilience in the financial system, which has been evident in the past year as house prices have fallen without widespread impacts to financial stability.

“Our assessment is that the risks to financial stability posed by high-LVR lending have reduced to a level where the current restrictions may be unnecessarily reducing efficiency. In particular, impeding the provision of credit to some otherwise creditworthy borrowers, which is not proportionate to the level of risk that we see,” Deputy Governor Christian Hawkesby says.

National house prices have fallen towards a level that is more consistent with medium-term fundamentals. As a result, while house prices may continue to fall, the probability of a further large correction in house prices has reduced. Alongside this, lending conditions have tightened significantly as banks’ debt servicing assessments allow for higher interest rates.

Restrictions on high-LVR residential mortgage lending set a ‘speed limit’ on how much new low-deposit lending banks can do. We are proposing to ease LVR restrictions with effect from 1 June 2023, from:

- 10% limit for loans with LVR above 80% for owner occupiers, and
- 5% limit for loans with LVR above 60% for investors.

To:

- 15% limit for loans with LVR above 80% for owner occupiers, and
- 5% limit for loans with LVR above 65% for investors.

We are consulting on the implementation of this proposal over the next two weeks with registered banks. The change, if effected, will be made via a change in banks’ Conditions of Registration. Members of the public wishing to provide feedback on the proposal can do so by emailing rbnz-info@rbnz.govt.nz.

Our May 2023 Financial Stability Report will detail our latest assessment of the current and emerging risks to the financial system.



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More information

- [Loan-to-value ratio restrictions](#)

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