



Reserve Bank tightens LVR restrictions

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The Reserve Bank of New Zealand – Te Pūtea Matua will proceed with its proposal to tighten Loan-to-Value Ratio (LVR) restrictions on lending to owner-occupiers to reduce risky mortgage lending.

From 1 November 2021, we will be restricting the amount of lending banks can do above an LVR of 80 percent to 10 percent of all new loans to owner-occupiers, down from 20 percent at present, Deputy Governor and General Manager for Financial Stability Geoff Bascand says.

“We launched our consultation earlier this month after observing that despite previous adjustments to LVR restrictions, house prices remained unsustainable and the risks of a housing market correction had continued to rise, increasing risks to economic and financial stability. Restricting high risk lending will help prevent these problems getting worse.”

Submissions from industry representatives were largely supportive of the proposal, with respondents recognising the need for further tightening in order to help control house price inflation and mitigate potential risks to financial stability. Feedback from members of the public was mixed, with some submissions supporting the proposals, and others questioning the need for further restrictions or arguing for other policies to protect the financial system. We’d like to thank everyone who shared their feedback during the consultation process. We have published a summary of submissions received alongside a regulatory impact statement.

Our consultation proposed implementing the new LVR settings from 1 October. However, given the disruptions from heightened COVID-19 alert levels to customers and banks in managing or completing purchases associated with existing pre-approvals, we are delaying our implementation start date to 1 November. We expect banks to comply with the spirit of the new restrictions immediately.

The proposed policy change will take effect by altering banks’ Conditions of Registration (CoR). A short consultation on the required changes to banks’ CoR will be launched today.



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More information:

- [Tighter LVRs proposed to reduce risky mortgage lending](#)
- [Summary of Submissions \(PDF 822KB\)](#)
- [Regulatory Impact Statement \(PDF 1.2MB\)](#)

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