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LVR Changes for Investors

PROPERTY INVESTORS WILL NEED A 40% DEPOSIT FROM THE 1ST OF SEPTEMBER

Property investors will need a 40 per cent deposit under tough new restrictions revealed yesterday. Restrictions to lending limits on residential properties are also being extended nationwide.

The new rules are being urgently introduced in an attempt to put a lid on New Zealand's spiralling property prices.

Reserve Bank Governor Graeme Wheeler has outlined the new rules this morning, and told banks they will be expected to act immediately.

The new loan-to-value ratios (LVRs) would take effect on September 1, but the Reserve Bank wants banks to "observe the spirit of the new restrictions" in the lead-up to the new policy.

All the major banks said they were supportive of the move.

"Once we have fully reviewed the proposal and its implications we will work with the RBNZ to implement the changes before they come into effect on 1 September," a Westpac spokesman said.

THE NEW RULES

Investors

- Restrictions for investor lending extended from nationwide from Auckland only
- Banks will be forced to require a 40 per cent deposit - up from 30 per cent - for at least 95 per cent of the loans they make in this area.

Home buyers

- Restrictions for owner-occupier lending extended from Auckland to nationwide.



- Required deposit level remains at 20 per cent for at least 90 per cent of bank lending.

Exemptions

- The exemption allowed under the current LVR policy will continue to operate, including for construction lending and major non-routine repairs of dwellings

The Reserve Bank said to "simplify" the LVR policy, it has proposed removing the distinction between lending in Auckland and the rest of the country.

Last month, the Reserve Bank left the official cash rate at 2.25 per cent, but Wheeler warned investors could soon be targeted by new LVR rules.

The Reserve Bank introduced LVRs of 20 per cent in 2013 to rein in the housing market, and last year it raised the limits to 30 per cent for investors in Auckland. It will consult on the changes until August 10.

For any queries, contact the office on 03 307 6455.