Finding solutions to 60% LVRs

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Mortgages

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RBNZ signals tougher rules for investors

The Reserve Bank's new investor-targeted LVR rules come into effect on 1 October, but there are solutions to the restrictions for investors willing to think laterally.

By Miriam Bell

Concerns over the role of investors are playing in the country's heated property market has led the Reserve Bank to introduce a new round of LVRs.

These LVRs are squarely aimed at investors and will enforce a 60% LVR for property investment loans nationwide.

While the Reserve Bank recently announced it has delayed the start date of the new LVR rules to 1 October, many banks are already acting in the spirit of the looming restrictions.

For this reason, many investors are increasingly worried about what the new LVRs will mean for their ability to invest in property.

However, there are still strategies that investors can employ in order to continue building their portfolios.

At a recent funding tactics webinar, the Mortgage Supply Company's David Windler said the new rules do pose some challenges and could get in the way of many people's goals for the future.

"It is necessary to try and find some solutions and, once you have a straightforward set of rules, you can work out solutions."

In his view, the solutions to the new LVRs are contained in the exemptions.

The exemptions, which apply to both investors and owner-occupiers, include new builds; bridging finance; re-financing existing high LVR loans; funding for non-routine extensive repairs due to events like natural disaster or weather tightness issues.

Also, borrowers with owner occupied and investor collateral can use the combined collateral exemption to obtain finance up to 60% of the value of the investment properties and 80% on their owner occupied property.

Windler said switching to new builds should be an appealing solution for many investors.

Another solution would be to approach non-bank lenders, which is an option landlords.co.nz has previously reported on.

It is time for the return of the “near-bank lenders”, Windler said.

“I think we will see greater engagement with near-bank lenders. They will come to the fore because they are the places where you will get over 60% lending for investors.

“I think we will get some innovative products from the near-bank lenders and that is probably where the best solutions to the new LVRs lie.”

To this end, it is important to understand the near-bank options available, as well as how near-bank lenders measure the value of properties.

Windler said that, in the current climate, investors should also get financial advice.

One crucial reason for this is that many near-bank solutions – eg: both Reismac and Liberty - are only available through advisers.

“Near-banks are a real niche that can be very useful to invest in, especially with the help of a good adviser. As an investor, you need to think about what you can do rather than what you can’t do.”