IMF's Global Housing Watch report points out benefits of LVR mortgage restrictions, but says borrowers in this country are still exposed to debt servicing risks

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The Reserve Bank's Loan to Valuation (LVR) mortgage lending limits appear to have put a cap on house price growth but haven't reduced the risks borrowers face from rising mortgage interest rates, according to the International Monetary Fund (IMF).

The IMF's Global Housing Watch report for the second quarter of this year, says this country's LVR restrictions "appear to have had some moderating influence on mortgage lending, expected and actual house price growth, and the quality of loan composition."

The report says the LVR restrictions have also helped to contain household debt levels.

However it also notes that even with the LVR restrictions in place, borrowers still face significant risks from rising interest rates or from an economic shock which could reduce household incomes.

"They [LVR restrictions] do not seem to have prevented a continuous deterioration of borrower households' vulnerability against debt servicing capacity risks, such as higher interest rates or income shocks," the report says.

Although the report does not specifically mention debt-to-income (DTI) restrictions on mortgage lending, it appears likely that introducing DTI restrictions on mortgage lending, on top if the existing LVR restrictions, would have the potential to moderate the risks borrowers face from rising interest rates or income shocks.

The Reserve Bank has signalled that it would like to be able to introduce DTI restrictions, but is yet to receive government approval to do so.