

NEWS

LVR changes impact on lending

The slight easing of the LVRs appears to be encouraging investors into mortgages with new Reserve Bank data showing a pick-up in lending to investors.

- Tuesday, March 27th 2018



January was a slow month for the property market, but it also saw the first easing of the Reserve Bank's LVRs since 2016.

For investors, that means that rather than needing a 40% deposit to get bank lending for an investment property, it is now possible to have a 35% deposit.

While the change is a moderate one, it does appear to be encouraging some investors back into the mortgage market, with investor borrowing in February up.

The Reserve Bank's latest residential mortgage lending data shows there was a total of \$4.667 billion new lending in February and investors accounted for \$1.038 billion.

This is well up on January's new lending total of \$3.696 billion, of which investors were responsible for \$783 million.

It is also up on the \$1.024 billion of new mortgage lending borrowed by investors at the same time last year.

February also saw investors' share of new lending come in at just over 22%, which is the first time it has gone up in months.

At the same time, higher than 70% LVR lending to investors rose to \$138 million in February, as compared to \$85 million in January and \$120 million at the same time last year.

However, higher than 80% LVR lending to investors in February came in at just \$4 million.

This was down on the \$9 million seen in February last year and also significantly down on the \$31 million borrowed in February 2016.

New interest-only lending to investors came in at \$492 million in February, as compared to \$513 million in February last year and \$831 million in February 2016.

Further, the share of interest-only higher than 80% LVR lending to investors is just 0.1%, as compared to 1.5% two years ago.

This data indicates that, despite the easing of the LVRs, overall they continue to contain the higher risk lending ascribed to investors in the past – which is one of the Reserve Bank's stated goals.

The Reserve Bank is no hurry to ease the LVRs further and will be keeping a close eye on how the market moves following its changes to the LVR settings.