Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Australian Prudential Regulation Authority
Question No: 145
Topic: Loan to Value Ratio
Reference: Hansard page 24 (02 March 2017)
Senator: Ketter, Chris

Question:

Senator KETTER: Have any of those jurisdictions had any major changes or ceased using them after a period of time?
Mr Byres: The New Zealanders have had various iterations of their regime. They have not removed it, but it has changed on a number of occasions depending on exactly what their requirements were. I cannot off the top of my head think of one where there was something in place and it has subsequently been removed.
Senator KETTER: Can I ask you to take that on notice.

Answer:

While macroprudential policy is generally considered as being primarily prudential tools deployed with the aim of promoting or preserving financial stability, there is no clear definition of what is meant by macro-prudential regulation, and the arrangements adopted by a country are often shaped by country-specific circumstances, including the regulatory architecture and institutional and policy environments of that jurisdiction. For these reasons there is no “one size fits all” approach and jurisdictional approaches cannot be directly compared.

However, APRA is in regular contact with overseas regulators and is aware of a number of comparable overseas regulators that have adopted a range of macro prudential measures to respond to the developing risks in their local markets.

These measures have been refined over time and the nature of the refinements has responded to the developments in the local markets and include both tightening and easing of some measures. Having said that, due to the current interest rate levels, most countries have continued to tighten the macro prudential measures.

Below are some selected examples of countries whose changes to existing macro prudential measures in the last twelve months have included tightening and easing.

In New Zealand temporary limits on high loan-to-valuation ratio (LVR) residential mortgage lending have been in place since October 2013, and were revised in November 2015.

- The Reserve Bank of New Zealand’s October 2013 restrictions in set a 10 per cent limit for lending at LVRs greater than 80 per cent. The November 2015 revision tightened the requirements for investors in the Auckland council, increasing the required deposit to 30 per cent. It also eased the restrictions for high LVR borrowing outside of Auckland, increasing the limit from 10 to 15 per cent.

In Ireland mortgage measures were introduced in February 2015 and included limits to loan to value ratios and to loan to income ratios. These measures were then refined in November 2016.

- For first home buyers, the 2016 refinement eased the LVR ceiling to 90 per cent LVR. Previously the 90 per cent LVR ceiling applied to the first €220,000, with an 80 per cent LVR ceiling above that figure. Additionally 5 per cent of new lending to first home buyers can be over the 90 per cent ceiling.
- The existing limit of 15 per cent of new lending to owner occupiers (including first home buyers) that could be above the LVR limits has been eased by allowing up to 20 percent of the new lending for owner occupiers (excluding first home buyers) to be above the 80 per cent LVR.
- For investors, the limit of no more than 10 per cent of the new lending above 70 per cent LVR remains unchanged.

Singapore has announced in early March 2017 that it will ease the application of seller’s stamp duties. Singapore has also announced that the application of the maximum limit of total debt servicing ratios will be eased. However, LVR limits and additional buyer’s stamp duties remain unchanged.