

## PROCEDURES & DEFINITIONS

# Loan to Value Ratio - New Commitments Data Collection

January 2026

Please contact the Reserve Bank Statistics Unit ([statsunit@rbnz.govt.nz](mailto:statsunit@rbnz.govt.nz)) to discuss these procedures and definitions if in any doubt about their meaning or if following them will produce an internal inconsistency with your available financial data.

## Instructions

- Only newly committed residential housing loans are to be reported in this data collection.
- Report the number of commitments as one per loan application regardless of the number of housing loan products the debtor chooses to use e.g. a fixed portion and floating portion should be counted as one commitment.
- Report the value of commitments as the gross increase in credit associated with new commitments this month. Include increases to residential housing loans, including revolving credit limits (or similar facilities).
- Where requested, report total income for the debtor that relates to new commitments this month.
- Where requested, report the median debt to income ratio for each LVR band.
- Report dollar figures in millions to three decimal points, i.e. to the nearest hundred thousand New Zealand dollars. For example \$1,234,567.89 is reported as 1.234
- Report values in white cells only. The grey cells will derive from data entered in white cells.
- Report new commitments according to the debtor's new loan to value ratio, which takes into account the new commitment.
- Resolve all validation errors prior to submitting the data collection template.
- Complete the following worksheets:
  - o 2 - Compliance
  - o 4 - Commitment use
- Please review the high-level results in worksheet 1 - *summary and validation* and sign-off before submitting to the Reserve Bank.

## Definitions

### New Commitment

A deposit taker enters into a new commitment for a residential housing loan on the day that it has made an irrevocable offer to an applicant for a residential housing loan. This is typically the day on which the deposit taker sends the loan documentation to the debtor's solicitor. By this point in the process the credit risk should be regarded as being the same as if the asset was already on the balance sheet of the deposit taker.

New commitments do not include pre-approvals that may or may not lead to an offer of finance. When entering into a commitment for a new residential housing loan, it is expected that a specific property has been identified and an amount agreed for the residential housing

loan that will be advanced to the debtor (or, in the case of a lending facility, for the facility limit).

### Residential housing loan

Residential housing loan is defined in clause 3 of the Deposit Takers (Lending) Standard 2027 (Lending Standard). Note that loans classified as 'equity release' in the Lending Standard are known as reverse mortgages and do not need to be reported.

### Loan to value ratio (LVR)

Loan-to-value ratio = [loan value / property value] x 100

where:

"loan value" is the credit limit of a residential housing loan, where residential housing loan is defined in clause 3 of the Lending Standard; and

"property value" is the market value of the property, where market value is defined in clause 3 of the Lending Standard.

## Nature of security and borrower type

Reporting in Part 2 - Compliance is based on the nature of the security.

Reporting in Part 4 - Commitment use is based on the borrower type.

Figure 1 outlines how the nature of security relates to the different borrower types that deposit takers may encounter.

**Figure 1: Breakdown of lending by nature of security and borrower**

By nature of security	By borrower
Owner-occupied property	First-home buyer
	Owner-occupier (without investment collateral)
Investment property (including loans secured by both an investment property and an owner-occupied property)	Owner-occupier (with investment collateral)
	Investor

## Nature of security

### Investment property

Report residential housing loans at least partially secured by a mortgage over an investment property. Residential housing loans secured by a mortgage over both an investment property and an owner-occupied property are included in qualifying credit amounts for investors. Investment property is defined in clause 3 of the Lending Standard.

### Owner-occupied property

Report residential housing loans secured by a mortgage over only an owner-occupied property. Owner-occupied property is defined in clause 3 of the Lending Standard.

## **Borrower type**

### **First home buyer**

A first home buyer is a borrower entering the home ownership market in New Zealand for the first time and purchasing or building a property they (or a related party) intend to owner-occupy. In the case of a borrowing party consisting of more than one borrower, then the borrowers are classified as first home buyers only if none have previously drawn down on housing finance for owner occupation. If the borrower, or at least one of the borrowers, has previously drawn down on housing finance for owner occupation they should not be classified as a first home buyer.

The borrower declares whether they are a first home buyer as part of the loan application.

### **Owner occupier (no investment collateral)**

Owner occupiers are borrowers who own or are in the process of buying or building a house or flat they (or a related party) will live in, are not borrowing against any investment properties and are not first home buyers. An owner-occupier can occupy more than one property at once (that is, a secondary residence). A secondary residence includes a holiday home or a second home that is primarily for the use of that person and no rental income is derived from that property, except to the extent that the rental income is minimal (for example, where the secondary residence is a bach that is rented out for six weeks a year). In this case, the security is treated as an owner-occupied property.

### **Owner occupier (investment collateral)**

Owner occupiers with investment collateral are borrowing for the purpose of purchasing or building a house or flat they (or a related party) will live in and are securing that loan at least partly against investment property collateral.

### **Investor**

Investors are entities or persons borrowing for the purpose of building or purchasing residential property to let out to a tenant. The loan is at least partly secured by a mortgage over an investment property and the borrower does not intend to live in the property (if any) they are seeking to build or purchase.

Note that the definition differs slightly between compliance (Part 2) and commitment use (Part 4) reporting.

### **Investor (Part 2 - Compliance)**

For the purpose of compliance reporting debtors are split by the nature of the security (as in the Lending Standard).

### **Investor (Part 4 - Commitment use)**

For reporting commitment use, loans should be based on the buyer's declared purpose of the loan if the loan is to purchase, refinance or improve a property. Where the purpose of the loan is not business or the purchase or improvement of a property (e.g. a loan for a holiday) the loan should be classified based on the nature of the dominant underlying collateral.

Based on commitment use (declared purpose) some loans will be for owner occupier or business purposes, but classified as an investor loan in the compliance reporting. For example, a purchase of a property to live in is reported as owner occupier in the commitment use tables. If the loan is partly secured by a mortgage over an investment property, the entire new commitment is recorded as an investment property loan in the compliance reporting tables.

### **Commitments for business purposes**

These commitments are made to borrowers in the form of a residential housing loan but are intended for business purposes.

The borrower declares that the loan is for business purposes as part of the loan application.

## **Nature of lending categories**

The Lending Standard requires a deposit taker to determine the use of credit based on nature of lending categories. The different categories determine which residential housing loans are included in the calculation of qualifying credit and therefore subject to LVR restrictions.

Eight specific categories are to be reported as follows:

- *Bridging finance*, which is defined in clause 8 of the Lending Standard.
- *Cross-security finance* includes loans secured by a mortgage over both an owner-occupied and investment property, where:
  - the loan has an LVR greater than the high-LVR threshold for investor loans; and
  - the loan has an LVR less than or equal to the weighted average LVR threshold (as per clause 27(2) of the Lending Standard).
- *Kāinga Ora first home purchase*, which is defined in clause 10 of the Lending Standard.
- *New build finance*, which is defined in clause 11 of the Lending Standard.
- *New build purchase*, which is defined in clause 12 of the Lending Standard.
- *Refinancing*, which is defined in clause 14 of the Lending Standard.
- *Remediation finance*, which is defined in clause 15 of the Lending Standard.
- *Security substitution*, which is defined in clause 16 of the Lending Standard.

### **How to record cross-security finance**

This category applies to a loan that is secured by a mortgage over both an investment property and an owner-occupied property. The different treatments of qualifying credit amounts for cross-security finance depend on the debtor's LVR relative to the investor high-LVR threshold and the weighted average LVR threshold

For example, assume a debtor has a property that they live in valued at \$1,000,000 and a residential housing loan valued at \$550,000. That debtor then seeks an increase in the credit limit of the residential housing loan by \$850,000 to purchase an investment property, which is also valued at \$1,000,000. The total value of the residential housing loan is secured over both properties. The residential housing loan is an investor residential housing loan as investment collateral is being used as security for part of the residential housing loan.

The total value of the residential housing loans divided by the total value of the properties is  $1,400,000/2,000,000 = 0.7$ . Assume that owner-occupier lending becomes high LVR at an LVR threshold of greater than 80%, while investor lending becomes high LVR at an LVR threshold of greater than 65%. The weighted average LVR threshold is then  $(0.65*0.5 + 0.80*0.5) = 0.725$ .

The debtor has an LVR of 70%, which is above the investor high-LVR threshold of 65% and less than the weighted average LVR threshold of 72.5%. This means that the increase in the credit limit of the debtor's residential housing loan (\$850,000) is not included in the calculation of the qualifying credit amount (and therefore not subject to LVR restrictions).

### **How to record loans for new build finance**

The borrower's LVR should be calculated as the total value of the loan being committed divided by the estimated valuation of the property on completion. Current valuation practice should be used to estimate property valuation on completion.

When reporting new commitments, record the total value of the new build finance as committed at the time of origination.

When reporting drawdowns, record the value of the new build finance that is drawn during the reference month.

## **Loan purpose categories**

### **Top-ups**

Top-ups are increases in lending (regardless of purpose) to an existing residential housing loan where the underlying security has not changed but may be revalued and/or additional security may be provided.

### **Purchase of a property**

Residential housing loans taken out to purchase or build a property. This includes for example, first home buyers, other owner occupiers who purchase a second property and investors.

### **Change in loan provider**

Residential housing loans taken out to refinance an existing residential mortgage from another lender, regardless of whether the value of the loan has changed during the transfer. Note that this is very similar to the concept of refinancing, but given that there already exists a refinancing exemption (which has further restrictions) we have chosen a different terminology.

### **Other commitments**

Commitments for residential housing loans that do not meet the definitions for top-ups, property purchases, or a change in loan provider as described above.

Some examples of commitments that may fall into the other category include:

- The use of an unencumbered property as security for a new loan, regardless of the loan purpose.
- Instances where mortgage interest is capitalised (e.g. mortgage holidays).

For multiple purpose lending arrangements, deposit takers can choose one of two reporting criteria.

Option one: split multipurpose loans across each purpose category depending on the individual value of each component of the loan.

For example, a \$600,000 multipurpose loan consisting of a \$100,000 top up and a \$500,000 property purchase would be reported separately at the purpose level only as two loans: one \$100,000 top up and one \$500,000 property purchase. However, at the aggregate level, the loan would still be reported as a single new commitment valued at \$600,000.

Option two: categorise multipurpose loans according to the following purpose hierarchy:

- 1) Property purchase,
- 2) Change in loan provider,
- 3) Top up,
- 4) Other.

This means that if a loan involves multiple purposes, it should be reported under the purpose that appears highest in the hierarchy. For the previous example involving a top up and property purchase, it would be reported as a \$600,000 property purchase since property purchase is higher than top up in the purpose hierarchy.

The above guidance does not apply to multipurpose loans with a bridging finance component. All bridging loans should be reported under "other".

All new commitments involving bridging finance, including both open and closed bridging finance, should be reported under the "other" purpose category. This includes all multipurpose loans with a bridging component, even if bridging finance is not the predominant purpose of that loan.

## Other definitions

### Interest only loans

Loans that have no scheduled principal repayment, but may at a later date change to principal and interest. This includes loans where borrowers independently choose to repay principal e.g. revolving credit loans that have a fixed limit etc. This does not include revolving credit loans that have a scheduled reducing limit.

### Drawdowns

A drawdown occurs at the time money is transferred to the debtor's account. This represents the gross increase in credit associated with newly originated loans (to new and existing debtors) as well as increases to residential housing loans, including revolving credit limits (or similar facilities).

## Instructions for completing *Part 2 – Compliance reporting*

### **2.1 Total new commitments at least partially secured by investment property**

Report the number and value of loans that are secured by a mortgage over an investment property (or both an investment property and an owner-occupied property).

### **2.2 New commitments at least partially secured by investment property that are not subject to LVR restrictions**

Report the number and value of loans secured by a mortgage over an investment property (or both an investment property and an owner-occupied property) by the nature of lending categories outlined in table 2.2. These commitments should also be reported in the appropriate cells in question 2.1.

Ordinary finance loans are not captured in this table, but are included as part of total new commitments in table 2.1.

### **2.3 Total new commitments secured by only owner-occupied property**

Report the number and value of loans that are secured by a mortgage over an owner-occupied property only.

### **2.4 New commitments secured by only owner-occupied property that are not subject to LVR restrictions**

Report the number and value of loans secured by a mortgage over an owner-occupied property only by the nature of lending categories outlined in table 2.4. These commitments should also be reported in the appropriate cells in question 2.3.

Ordinary finance loans are not captured in this table, but are included as part of total new commitments in table 2.3.

### **2.5 Total commitments**

Derived by adding 2.1 and 2.3.

### **2.6 New commitments that are not subject to LVR restrictions**

Derived by adding 2.2 and 2.4.

## Instructions for completing *Part 4 – Commitment use reporting*

### **4.1 Commitments made to first home buyers**

Include only commitments to first home buyers to purchase or build a residential property.

For first home buyers, do not include increases to residential housing loans, including revolving credit limits (or similar facilities) because the borrower has previously drawn down on housing finance for owner occupation. Future loan top ups for first home buyers should be recorded as new commitments to other owner occupiers.

### **4.2 Commitments for other owner occupier property use**

Total is derived by adding commitments to other owner occupiers with no investment collateral and commitments to other owner occupiers with investment collateral.

Include only commitments to other owner occupiers. Do not include first home buyers.

#### **4.3 Commitments for owner occupier property use**

The number and value of commitments and total income is derived by adding 4.1 and 4.2.

#### **4.4 Commitments for investors property use**

Include only commitments for the purpose of financing (e.g. purchasing, renovating or switching an existing mortgage over) an investment property.

#### **4.5 Commitments for business purposes**

Include residential housing loan commitments for business purposes.

#### **4.6 Total residential housing loan commitments**

Derived by adding 4.3, 4.4 and 4.5.

#### **4.7 Value of interest only commitments**

Report interest only commitments for all purposes, broken down by owner occupiers, investors and business purposes according to the borrower's (or borrowing parties') new loan to value ratio.

- Include new commitments with revolving credit products that have a fixed limit.
- Do not include commitments with revolving credit products that have a scheduled reducing limit.

If the borrower chooses to split the new commitment across multiple loan products, report the interest only and/or revolving credit with fixed limit portion(s) only.

#### **4.8 Commitments for top-ups, purchase of a property, change in loan provider and other commitments**

Report the total value and number of new commitments broken down by top-ups, property purchases, a change in loan provider and other commitments. The total value of new commitments reported in section 4.8 should match the total value of residential housing loans reported in section 4.6.

#### **4.9 Total value of residential housing loan drawdowns**

Report all newly originated loan amounts drawn down during the month and any increases to residential housing loans, including revolving credit limits (or similar facilities).

Report the value of drawdowns as the sum of money transferred to borrowers' accounts for residential housing loans in the month.

Drawdowns reported for the month are irrespective of when the loan was committed.



## Examples

How to report:

- 1) The purchase of a home for \$500,000 by a first home buyer with a \$50,000 deposit.

Calculate the debtor's LVR

$$= 450,000/500,000$$

$$= 90\%$$

the debtor's LVR is  $\geq 90 < 95$

Report the \$450,000 commitment under 2.3(c) since the loan is not secured by a mortgage over an investment property.

Report the \$450,000 commitment under 4.1(c) and under 4.8(c) in the column for the *purchase of a property*.

- 2) A commitment to a start-up business of \$50,000 secured by a mortgage over the debtor's house valued at \$500,000, which currently has no mortgage.

Calculate the debtor's LVR

$$= 50,000/500,000$$

$$= 10\%$$

the debtor's LVR is  $< 60$

Report the \$50,000 commitment under question 2.3(j) because the loan is secured by a mortgage over an owner-occupied property.

Report the \$50,000 commitment under question 4.5(j) because the loan is for business purposes. Also report the \$50,000 commitment under question 4.8(j) in the column for other commitments since the property was unencumbered when the loan was originated.

- 3) The purchase of a holiday home for \$300,000 by an existing customer that is secured by a mortgage over the debtor's home and an investment property. The debtor's home and investment property currently secure a \$700,000 mortgage.

Revalue the mortgaged properties. Assume that the debtor's house and investment properties are now both valued at \$800,000. Also, assume that the new holiday home is included as security and valued at \$300,000.

Calculate the debtor's LVR

$$= 1,000,000/1,900,000$$

$$= 52.6\%$$

the debtor's LVR is  $< 60$

Report the \$300,000 commitment under 2.1(j) because the loan is partially secured by a mortgage over an investment property.

Report the \$300,000 commitment under 4.2(j) because the holiday home is for owner occupation and the debtor has previously drawn down on housing finance for owner occupation (so not a first home buyer). Also report the \$300,000 commitment under 4.8(j) in the column for the *purchase of a property*.

- 4) A \$470,000 commitment to a couple to purchase a \$500,000 block of three flats that they intend to rent out. The rental property is the only security.

Calculate the debtor's LVR

= 470,000/500,000

= 94%

the debtor's LVR is  $\geq 90 < 95$

Report the \$470,000 commitment under question 2.1(c) since the loan is secured by a mortgage over an investment property.

Report the \$470,000 commitment under question 4.4(c) because the couple do not intend to live in the properties and are therefore investors. Also report the \$470,000 commitment under 4.8(c) in the column for the *purchase of a property*.

## Appendix 1: Document change log

Version	Date	Comment
V1.1	Nov 2015	Last issued reporting guide document
V1.2	Sept 2018	Update to 'Investor' definition (pg.2) Clarification on 'interest only' definition (pg.4) Removal of DTI and income related definitions Removal of reverse equity wording
V1.3	Oct 2021	BS2A and BS2B replaced by new 'Banking Prudential Requirements' (BPR). Updated BS19 document issued October 2021
V1.4	Sep 2022	Clarification on reporting multipurpose loans and bridging loans.
V2.0	Jan 2026	BS19 replaced by the Deposit Takers (Lending) Standard 2027 Nature of lending categories have been defined per the Lending Standard Removed separate tables for commitments based on whether investment property collateral is in Auckland. This has resulted in re-numbering of tables in Part 2.