

Submission to RBNZ's 2025 Review of Key Capital Settings

Submitter: Ka Puta Ka Ora Emerge Aotearoa

30 September 2025

Introduction

Thank you for the opportunity to submit to the review of key capital settings policy proposals. We welcome this review, and the consultation process the Reserve Bank is undertaking. The current settings are overly restrictive, which supports the case for change.

We believe it is critical that prudential capital requirements are appropriately adjusted to enable community housing providers (CHPs) to fulfil their vital role in meeting the need for affordable housing in Aotearoa.

Who we are

Ka Puta Ka Ora Emerge Aotearoa is a large, for purpose organisation, that provides a wide range of services and supports to people across the country. Emerge Aotearoa Housing Trust (EAHT) is an entity within the Emerge Aotearoa group. EAHT is a registered CHP and a strategic partner of the Ministry of Housing and Urban Development (HUD).

We currently own and lease 500 homes for social and affordable housing purposes, with planned growth to 800 by 30 June 2027. We aim to grow to 2000 over the next 10 years. Our growth plans to 2027 assume securing debt finance of approximately \$80m.

Our Submission

This submission responds to section 5.3 of the proposal – Community Housing Providers, Co-Operatives Risk Weights.

The current RBNZ exposure classification causes a risk weight faced by CHPs that is substantially higher than the actual risk. This is not consistent with treatment by other jurisdictions in the OECD and reflects a misclassification as effectively income-producing real estate. To date, RBNZ has not recognised that the structure of the loan enabling term amortisation is important when assessing risk and setting the price of the loan, for enabling the financial feasibility of long-life assets such as build to rent housing to be retained long term for its intended purpose.

The difficulty of obtaining bank funding on terms that reflect the risk and structure of cashflows for ownership has constrained the growth of CHPs to deliver build to rent product, and caused it to incur substantially higher costs than necessary when compared to their actual risks.

We support this review and believe this points to RBNZ needing to act with urgency to address and correct the current system of risk weighted standards effectively overcharging the sector for the social good outcome achieved in NZ.

Question 43 and Question 44 Response:

We agree the existing risk weights are too high and welcome the review of risk weights for lending to the CHP sector. We believe the proposed approach to create a new standardised category of risk weights for CHPs and the requirement for IRB deposit takers to use the standardised risk weight is a good approach and better reflects the risk of the lending. We also agree this approach is consistent with the purpose of the Deposit Takers Act 2023.

Understanding the sector, and how it is funded and operates, will be important for the development of the new category. Once in place, corresponding reductions in interest rates should serve to accelerate the provision of social and affordable housing.

While supporting RBNZ's direction of travel, it is our view that the risk of lending to CHPs is lower than lending to private landlords. The consultation paper suggests CHPs are more exposed to operational risk due to size and management and that this risk is greater than that borne by private landlords. This assessment does not recognise that CHPs are government backed, have the infrastructure to manage effectively and efficiently, often have lengthy track records of development and delivery, and take a portfolio approach which decreases the risk. While having the risk weight at no greater than for owner-occupied property is a better alignment than the current standardised corporate risk weighting, we submit that there's a strong case that the risk weighting for CHP lending should be lower than private landlords.

A further point we submit is in addition to CHPs and Co-Operative Housing, there will be a range of community-based initiatives that include a build for long term rental affordability focus.

Ensuring the settings reflected the risk appropriately across multiple community-based structures would open up access to institutional capital on more favourable terms, allowing the range of tenures that should be provided in NZ to be applied.

Question 52 and Question 53 Response:

We agree that funding for development costs should be excluded. This does carry greater risk and the roles in property development/construction are different from owning and providing completed accommodation for the long term.

Question 54 and Question 55 Response:

We also agree that subject to certain conditions, lending to third parties such as private owners who lease to CHPs *could* be included in the same risk framework, however the leasing terms and conditions would need to be carefully considered. We would encourage RBNZ to work with HUD on these conditions.

Consideration should also be made for entities such as Special Purpose Vehicles that may be established which include CHPs and investors, to enable delivery and investment of social and affordable housing. If the same conditions are met, lower risk weights should be applied.

Thank you again for the opportunity to submit on this important piece of work.

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