



29 September 2025


Reserve Bank of New Zealand
2 The Terrace
PO Box 2498
Wellington 6140

RBNZ's 2025 review of capital settings

Please find attached my submission on RBNZ's 2025 review of key capital settings.

Yours faithfully

s 9(2)(a)



Greer O'Donnell on behalf of [The Housing Innovation Society](#)

THIS is an advocacy, education & networking body dedicated to supporting collective housing (including cooperative housing) in Aotearoa.

Submission on RBNZ's review of capital settings (2025)

Response to RBNZ consultation questions

Q43 Do you agree with the proposed approach for risk weights on lending for Community Housing Providers and housing co-operatives? Will this approach accurately reflect the risk of that lending?

No to both questions.

RBNZ has continued to misunderstand the risk characteristics of lending to housing cooperatives. Lending to housing cooperatives has the same characteristics as residential mortgage lending and should be treated as such.

Q44 Do you think the proposed approach for risk weights on lending for Community Housing Providers and housing co-operatives aligns with the main purpose of the Deposit Takers Act 2023 (section 3(1)) and the additional purposes (section 3(2))?

No.

RBNZ's proposals are incomplete and do not correctly define the problem or the extent of the solution required in respect to lending to housing cooperatives. In particular RBNZ's proposal will cause higher than necessary borrowing costs for housing cooperatives, do not address the structure of the loan problems and implementation is unnecessarily delayed.

About the submitter

1. The submitter is the peak body for the Collective Housing (including Cooperative Housing, Cohousing and Community Land Trusts) and has been advocating for these alternative housing tenures since its incorporation in 2018.

What is a housing cooperative?

2. RBNZ's definition of a housing cooperative is narrow and incomplete. This has contributed to RBNZ reaching incorrect conclusions in its consultative document.
3. In its 2025 Review of key capital settings consultation document RBNZ has taken a sentence out of context from the Mitchell and Saville-Smith report¹, when it says:

A typical housing co-operative is a legal entity with "members who gain a permanent right to occupy a dwelling, usually, but not always, in return for affordable rent".¹⁰⁷

¹ Mitchell, I., & Saville-Smith, K. (2023). Adaptation and Resilience – Lessons in Co-operative Housing from the Peterborough Street Co-operative, Report for Affordable Housing for Generations - Component E.

4. RBNZ compounds its misunderstanding when it says:

Unlike CHPs, there is no regulation of housing co-operatives and no government funding. As a result, they are not guaranteed payment of a market rent. Although the rent charged is usually below market rent, rent is set at a rate that covers property expenses and maintenance.

5. However a few lines further in the Mitchell and Saville-Smith report RBNZ has used to define a housing cooperative the report writers say:

There are three common forms of co-operatives. Those are:

- *Rental or zero equity co-operatives;*
- *Limited equity co-operatives; and*
- *Market co-operatives.*

6. The purpose, form and substance of housing cooperatives vary across jurisdictions, markets and demographics. However, they share some common characteristics that define the risk for a lender:
- exist solely for the purpose of granting its members the use of a primary residence in the property (that secures any loan for the property)
 - focussed on cost-recovery rather than profit
 - not materially dependent on cashflow generated by the property
 - a cooperative approach to governance underpinning typologies and amenity that lead to lower construction and operating costs and opportunities for communities to develop
 - mutualisation of the economic risk of occupancy amongst residents
 - in the case of limited equity and rental cooperatives any subsidy to the resident is the result of occupation and not portable by the residents.
7. Contrary to RBNZ's statement in its consultation document that there is no regulation of housing cooperatives in New Zealand, housing cooperatives for retirees are strictly regulated under the Retirement Villages Act 2003.

Benefits of housing cooperatives

8. New Zealand housing tenure is largely bifurcated between freehold (including unit title and cross lease) ownership and rental under the Residential Tenancies Act.
9. Freehold ownership offers security of tenure, but renting does not. However freehold tenure requires a large investment compared to income and it is increasingly unaffordable.

10. The social consequence of housing unaffordability is families unable to achieve security of tenure and New Zealanders entering retirement without savings and home ownership (when New Zealand Superannuation payment value settings are based on home ownership). The fiscal consequences for taxpayers of housing unaffordability in New Zealand are increasingly significant (currently about \$5 billion per annum).
11. Renting has a much lower financial cost of entry – an income to pay the rent and sufficient funds for a bond. However renting is not a secure form of tenure and renters often face problems with location and quality of rental accommodation. Lack of security of tenure also shows up in fiscal consequences.
12. Housing cooperatives offer flexibility of economic structure and typology to closely match purpose, affordability of security of tenure and community when compared to freehold and rental accommodation.
13. Housing cooperatives have the flexibility to be market, limited equity and rental. They offer typologies and amenity that support affordability through lower construction and operating costs and opportunities for communities to develop.
14. Housing cooperative tenure is a significant tenure in most developed countries. Australia and New Zealand are outliers in the developed world for the absence from their residential property markets of significant housing cooperative tenure.

Risk of a lender to a housing cooperative

15. The mutualisation of the economic risk of ownership is key to understanding the lending risk. If a resident cannot meet their contractual obligations under the cooperative agreement then in the first instance it is up to the other residents to deal with that problem.
16. From a risk measurement perspective a housing cooperative's mutualisation of risk is similar in effect to internal-ratings based banks' pooling risk to assess their lending exposure on a portfolio basis. Residents are assessing and pooling risk in the first instance.
17. It is incorrect for RBNZ to consider lending to CHP's and lending to housing cooperatives as being similar. Housing cooperatives are usually not "social housing" providers – they do not offer subsidised accommodation to those who would not otherwise be able to obtain accommodation in the rental market.
18. Social housing involves an arms-length rental arrangement under the Residential Tenancies Act and a subsidy enabled by the Public and Community Housing Management Act and the Social Security Act. The credit risk of the tenant, who would otherwise find it difficult to obtain accommodation in the rental market, is supported by a government's income related rent subsidy and possibly an operating supplement directly attached to, but not paid to, the tenant.

19. The portability of the social housing subsidy by the tenant misaligns the resident's incentives with the landlord. Tenants can create costs for landlords with little economic consequence for themselves because the tenant can port the subsidy to another CHP.
20. We do not consider lending to CHP's in this submission because it is quite different from lending to housing cooperatives.
21. Housing cooperatives involve a lease or right to occupy. The credit risk of any resident, usually from an affordable or market demographic is supported by the other residents and the usually considerable equity that exists in the cooperative. Moreover because:
- any subsidy inherent within the limited equity and rental cooperative is not attached to or portable by the resident, and
 - defaulting residents stand to lose at least some of their equity in the cooperative
 - the resident's incentives are more aligned with long term sustainability of the cooperative.
22. The economic exposure of the lender to a housing cooperative is similar to that of a lender to an owner-occupier, except the risk is further mitigated by the mutualisation amongst residents of the risk of occupancy.
23. The risk to the lender to a housing cooperative is further mitigated by governance requirements for precautionary cash balances and the relative difficulty of gaining agreement amongst residents to refinance and increase indebtedness.
24. These mutualisation and risk mitigation features of cooperatives stand in contrast to an individual owner-occupier. In fact a cogent first principles argument can be made for lending to housing cooperatives being lower risk than lending to individual owner-occupiers.
25. RBNZ's comment in its consultative document that *"housing co-operative may manage a large number of properties and will ultimately have additional costs associated with this"*² is largely incorrect. A housing cooperative is likely to be for one multi-unit structure. The risk of multi-unit structures is managed successfully throughout New Zealand. To the extent that any heightened specific risk compared to a single unit structure exists this is diversified away in a large portfolio.
26. RBNZ's conclusion on page 93 of its consultation document that the risk weight for lending to housing cooperatives *"should be higher than owner-occupier RML"* deserves close scrutiny.
27. The table below sets out relevant risk statistics from the risk and capital adequacy reports from Swedbank and SBAB in 2020 and 2021 respectively. While Swedbank's experience is that the risk weight of a tenant owner association (a cooperative) is higher than an individual owner-occupier SBAB's experience is that the risk weight is lower.

² Page 93

Swedbank 2020 Risk and capital adequacy report			
	Private Mortgage	Tenant owner association	Residential properties
Average PD	0.14%	0.18%	0.79%
Average risk weight	2.06%	7.44%	21.23%
SBAB 2021 Risk and capital adequacy report			
	Houses and holiday homes	Tenant-owners' rights	Tenant-owner's associations
Exposure weighted PD	0.25%	0.33%	0.18%
Exposure-weighted average LGD	9.62%	11.15%	7.63%
Average risk weight	2.9%	3.9%	1.9%

28. It is disappointing that RBNZ has not used its relationships with bank prudential regulators in jurisdictions that feature housing cooperatives to understand their risk experience.

Problem definition

29. Unfortunately RBNZ's exposure classification has caused it to prevent the development of housing cooperative tenure.

30. Perversely RBNZ's negative impact on housing cooperative tenure is despite its promotion of financial inclusion in our economy.

31. RBNZ's problem definition for bank lending to housing cooperatives lacks insight and is unhelpful – it does not go to the heart of the problem.

32. The problem has the following elements:

- a. RBNZ has incorrectly denied the existence of housing cooperatives in New Zealand, presenting them as somehow new and thereby discouraging the banks from considering lending to them – see Appendix 1 for a list of over 100 “company share” or cooperative properties in New Zealand, prepared in 2019.

- b. Related to 1. above RBNZ has failed to understand its role in causing financial exclusion in the housing sector by its refusal to acknowledge the possibility of alternative tenures that can make contributions to the range of housing tenure in New Zealand (referred to in this letter as the “tenure stack” but known in industry as ‘mixed tenure’).
 - c. In so doing it has practically facilitated the banks’ reluctance to support innovation within the tenure stack.
 - d. The current RBNZ exposure misclassification for IRB banks, as lending for income-producing real estate using a slotting approach, causes a risk weight that is substantially higher than the actual risk. This is not consistent with treatment by other jurisdictions in the OECD and is not consistent with either Basel or APRA treatments.
 - e. RBNZ has not recognised that structure of the loan (term and amortisation) is just as important as the price of the loan for enabling the financial feasibility of long-life assets like housing – the response to my question about this in RBNZ’s webinar on 2 September suggested RBNZ was not even aware of the problem.
 - f. RBNZ has not considered the impact of CCCFA on lending to housing cooperatives, which as a member of the Council of Financial Regulator’s one could reasonably expect it would have considered.
33. RBNZ has been at the centre of regulatory failure in innovation of New Zealand’s tenure stack and it is not an exaggeration to say that RBNZ has knowingly facilitated this regulatory failure.
34. RBNZ’s problem definition fails to understand that “catch-up” with the rest of the world is required. RBNZ’s solution to this problem should show a determination to catch-up with other jurisdictions.

Treatment of lending to housing cooperatives

Exposure classification

35. For the reasons explained in the sections “What is a housing cooperative?” and “Risk to a lender to a housing cooperative”, lending to housing cooperatives is lending to owner-occupiers.
36. RBNZ’s Option 2 for exposure classification is the most appropriate treatment of bank lending to housing cooperatives - lending to housing cooperatives should be treated as residential mortgage lending.

37. In the case of standardised banks lending to housing cooperatives RBNZ's BPR 131 already defines housing cooperatives as RML:

*RML means a loan secured by a first ranking mortgage over a residential property used primarily for residential purposes by the mortgagor, a related party of the mortgagor, or a tenant of the mortgagor.*³

38. RBNZ confirmed that in a letter to a supporting submitter dated 13 September 2019 that "The Standardised framework does not discriminate between residential mortgage loans to private individuals or to housing cooperatives".

39. In the case of internal-ratings based banks lending to housing cooperatives should also be included in their normal RML pools. RBNZ approves the pools for these banks and it can require that lending to housing cooperatives is included in the appropriate RML pool.

40. RBNZ should take care in using the APRA treatment of housing cooperatives as a basis for adoption given that Australia is also an outlier in the adoption of housing cooperatives in their housing tenure stack.

41. The table below compares the exposure classification options presented by RBNZ in its table 21 of its consultative document against some useful criteria.

	Option 1 Status quo	Option 2 All lending to housing cooperatives as RML	Option 3 New standardised category of risk weights for housing cooperatives
Simplicity and clarity	Yes	Yes	No- new category and rules create scope for misunderstanding and categorisation with CHP lending
Consistency with Basel	No	Yes	No
Reflects substance of lending risk	No	In part – for standardised banks	No
Clear signal to banks to recognise housing coops as RML	No	Yes	No
Addresses structure of the loan problem (amortisation and term)	No	Most likely	Uncertain
Alignment with s.3 of the Deposit Takers Act	No	Strong	Weak

3

<https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/consultations/banks/review-capital-adequacy-framework-for-registered-banks/bpr-documents/bpr131-standardised-credit-risk-rwas-apr-24.pdf>

Risk weights

42. IRB risk weights for lending to housing cooperatives should be determined by the inclusion of housing cooperatives in normal RML risk pools.
43. Standardised risk weights for lending to housing cooperatives should be determined by reference to owner-occupier RML risk weights.

	RBNZ current standardised risk weight (%)	RBNZ proposed standardised risk weight (%)	Andrew Body proposed standardised risk weight (%)
Owner-occupier RML \leq 50%	35	25	
Owner-occupier RML with LVR of 50.01% to 60%	35	30	
Housing coop RML with LVR \leq 50%	100	30	25
Housing coop RML with LVR of 50.01% to 60%	100	35	30

Timing of implementation of changes to RBNZ exposure classification of housing cooperatives

44. The timeline proposed by RBNZ for implementation of a new exposure class and risk weights for cooperative housing in 2027 or 2028 is extraordinarily slow.
45. On its face there is no reason why a change could not be implemented by 31 March 2026, using a change in conditions of bank registration.

Appendix 1 - Company share ownership in New Zealand

Adelaide Flats, 38 Adelaide Street, Petone, Lower Hutt, Wellington

Adelphi Apartments, 179 The Terrace, Wellington

Arawa Flats, 21 Oriental Street, Petone, Wellington

Ardern Flats, 46A Merton Street, Trentham, Upper Hutt, Wellington

Argyle Flats, 663 Fergusson Drive, Trentham, Upper Hutt, Wellington

Armstrong Court, 12 Angus Avenue, Newtown, Wellington

Aston Towers, 131 Abel Street, Aro Valley, Wellington

Balmoral Flats, 32 Ebdentown Street, Ebdentown, Upper Hutt, Wellington

Bealey Courts, 271 Bealey Avenue, Christchurch

Begonia Flats, 374 Tinakori Road, Thorndon, Wellington

Benson Flats, 18 Marion Street, Silverstream, Upper Hutt, Wellington

Marion Street Flats, 35 Marion Street, Silverstream, Upper Hutt, Wellington

Birchington Court, 125 Grant Road, Thorndon, Wellington

Brentwood Flats, 6 Ruahine Street, Trentham, Upper Hutt, Wellington

Bridgecourt, 27 Whites Line West, Lower Hutt, Wellington

Britannia Court, 35 Campbell Terrace, Petone, Lower Hutt, Wellington

Brougham Court, 87 Brougham Street, New Plymouth

Brougham Court, 44 Majoribanks Street, Wellington

Burnham Court, 9 Tahi Street, Miramar, Wellington

Campbell Court, 229 Karori Road, Karori, Wellington

Caroline Courts, 48 The Bay Hill, Timaru

42 Britannia Street, Petone, Lower Hutt, Wellington

Church Court, 44 Britannia Street, Petone, Lower Hutt, Wellington

Claremont Flats, 30 Guyton Street, Wanganui

Clearview Flats, 83 Garden Road, Northland, Wellington

Clifton Towers, 202 Oriental Parade, Oriental Bay, Wellington

Colonial Court, 19 Abbott Street, Ngaio, Wellington

Denbeigh Flats, 29 Tama Street, Alicetown, Lower Hutt, Wellington

Dolphin Square Flats, 14A Totara Street, Trentham, Upper Hutt, Wellington

Douglas Park Courts, 18 Douglas Street, Highfield, Timaru

Dorchester Apartments, 144 Oriental Parade, Oriental Bay, Wellington

Earnslaw Flats, 91 Austin Street, Mount Victoria, Wellington

Embassy Court, 72 Brougham Street, Mount Victoria, Wellington

Eppinghurst, 416 Remuera Road, Remuera, Auckland

Fergusson Flats, 37 Guthrie Street, Waterloo, Lower Hutt, Wellington

Garden Court Flats, 105 Tamaki Drive, Mission Bay, Auckland

Glen Flats, 78 Rata Street, Lower Hutt, Wellington

Glenrae Flats, 41 Kiln Street, Silverstream, Upper Hutt, Wellington

Gloucester Flats, 2 Stream Grove, Heretaunga, Upper Hutt, Wellington

Greendale Flats, 59 Ararino Street, Trentham, Upper Hutt, Wellington

Greenmantle Flats, 88a Salamanca Road, Kelburn, Wellington

Grendon Courts, 38 Drivers Road, Maori Hill, Dunedin

Grosvenor Flats, 19 Cottleville Terrace, Thorndon, Wellington

Guildford Flats, 306 Karori Road, Karori, Wellington

Gulf View Flats, 35 Kitchener Road, Takapuna, Auckland

Hall Grove Flats, 22 Hall Street, Ebdentown, Upper Hutt, Wellington

Hamilton Court, 47 Hamilton Road, Hataitai, Wellington

Harbour Court, 22 Cliff Road, Tauranga

Hazeldine Courts, 595 High Street, Lower Hutt, Wellington

Herbert Gardens, 186 The Terrace, Wellington

Highland View, 83 Washington Avenue, Brooklyn, Wellington

Highbury Court, 111 Coutts Street, Kilbirnie, Wellington

Hinau Court, 415 Muritai Road, Eastbourne, Wellington

Iona Court, 53 Young Street, New Plymouth

Ira Court, 26 Argentine Avenue, Miramar, Wellington

Jellicoe Towers, 189 The Terrace, Wellington

Jerningham Apartments, 20 Oriental Terrace, Oriental Bay, Wellington

Kingsgate Flats, 10 Austin Street, Mount Victoria, Wellington

Kirk Flats, 42 Britannia Street, Petone, Lower Hutt, Wellington

Kowhai Flats, 17 Ebdentown Street, Ebdentown, Upper Hutt, Wellington

Landscape Apartments, 123 Austin Street, Mount Victoria, Wellington

Liardet Flats, 58 Liardet Street, Vogeltown, Wellington

Lincoln Courts, 1 Washington Avenue, Brooklyn, Wellington

Lions Court, 94 Avenue Road, West End, Timaru

Linton Flats, 52 Park Road, Miramar, Wellington

Lyall Court, 84 Freyberg Street, Lyall Bay, Wellington

Lynwood Court, 157 Ohiro Road, Brooklyn, Wellington

Madison Court, 120 Hataitai Road, Wellington

Mahora Court, 27 Mahora Street, Kilbirnie, Wellington

Mansfield Towers, 1 Grant Road, Thorndon, Wellington

Mantua Flats, 48B Merton Street, Trentham, Upper Hutt, Wellington

Marina Court, 39 Marine Parade, Eastbourne, Lower Hutt, Wellington

Marsden Park Flats, 300 Karori Road, Karori, Wellington

Millcourt Flats, 39 Mills Street, Boulcott, Lower Hutt, Wellington

Milton Court, 309 Waiwhetu Road, Fairfield, Lower Hutt, Wellington

Montview Flats, 14 Campbell Street, Wanganui

Muritai Court, 206, Muritai Road, Eastbourne, Wellington

Naughton Flats, 8 Naughton Terrace, Kilbirnie, Wellington

Nelson Courts, 6 Nelson Terrace, Timaru

Newman Court, 2 Newman Terrace, Thorndon, Wellington

Nikau Court, 238 Muritai Road, Eastbourne, Wellington

Northgate Court, 114 Pendarves Street, New Plymouth

Oriana Flats, 248 Oriental Parade, Oriental Bay, Wellington

Oroua Court, 115 Oroua Street, Eastbourne, Wellington

Owd Trafford Flats, 17 Brougham Street, Mount Victoria, Wellington

Palm Court, 103 Epuni Street, Epuni, Lower Hutt

Park Flats, 7 Totara Street, Trentham, Wellington

Park Road Flats, 28 Rex Street, Miramar, Wellington

Park View Courts, 605 Evans Bay Parade, Kilbirnie, Wellington

Poplar Flats, 1079 High Street, Lower Hutt, Wellington

Richmond Courts, Siddal Place, Christchurch

Rockhaven Apartments, 116 Oriental Parade, Oriental Bay, Wellington

Roscommon Court, 130b Balmoral Road, Mount Eden Auckland

Rose Court, 328 Wickstead Street, Wanganui

Ruapehu Flats, 220 Waiwhetu Road, Lower Hutt, Wellington

Russell Courts, 192 Olliviers Road, Linwood, Christchurch

Rutherford Flats, 5 Levy Street, Mount Victoria, Wellington

St Elmo Apartments, 4 Gill Road, Lowry Bay, Lower Hutt, Wellington

Rutland Flats, 20 Brougham Street, Mount Victoria, Wellington

St Stephens Court, 26 St Stephens Avenue, Parnell, Auckland

Seymour Flats, 766 Fergusson Drive, Elderslea, Upper Hutt, Wellington

Silver Pine Flats, 39 Kiln Street, Silverstream, Upper Hutt, Wellington

Standen Court, 90 Karori Road, Karori, Wellington

Tapiri Flats, 32 William Street, Hataitai, Wellington

Tararua Flats, 344 Fergusson Drive, Heretaunga, Upper Hutt, Wellington

Tennyson Flats, 47 Tennyson Street, Petone, Wellington

The Pines, 75 Owens Road, Epsom, Auckland

Tongariro Flats, 220 Waiwhetu Road, Waterloo, Lower Hutt, Wellington

Totara Court, 260 Muritai Road, Eastbourne, Lower Hutt, Wellington

Tower Court, 105 Lake Road, Frankton, Hamilton

Waikite Flats, 255 The Terrace, Wellington Central, Wellington

Waipapa Flats, 76 Waipapa Road, Hataitai, Wellington

Waratah Court, 29 Hamilton Road, Hataitai, Wellington

Wellesley Flats, 141 Cuba street, Petone, Lower Hutt, Wellington

West Court, 11 Laery Street, Melling, Lower Hutt, Wellington

Whiteoak Flats, 593 High Street, Lower Hutt

Wicksteed Courts, 295 Wicksteed Street, Wanganui

Windsor Flats, 47 Park Road, Miramar, Wellington

Woodland Flats, 5 Lane Street, Wallaceville, Upper Hutt, Wellington

