

THE DOMINION

\$1.90 Freight (Auckland, Tauranga, Gisborne, South Island) \$2.40

TUESDAY, JULY 16, 2013

Loans door shutting on first-home buyers

RICHARD MEADOWS
and VERNON SMALL

ONE in every two to three first-home buyers could be shut out of the housing market as the Reserve Bank forges ahead with controversial restrictions on home loans.

Banking sources say the central bank will announce new rules within the week that will rein in riskier mortgage lending to 12 per cent of new loans.

The changes will dramatically reduce the amount of high loan-to-value (LVR) loans that the banks are writing, making it much harder to get a mortgage with a deposit of less than 20 per cent.

In theory, the new regime could strip close to \$2 billion out of the loan market in a year, equal to more than 4000 homes at average prices.

Prime Minister John Key's attempt to pressure the Reserve Bank to "carve out" an exemption for first-home buyers appears to have failed.

The sources said tensions between the parties had run high as governor Graeme Wheeler refused to water down the policy tool.

"My understanding is that all the efforts of Government to slow them down on the decision have not been successful," they said.

Labour's housing spokesman Phil Twyford said Key's "crocodile tears" were not good enough. "The very people that they claimed to be wanting to protect are the victims of this policy."

Mr Twyford said prices were spiralling out of the reach of first-home buyers.

Lending limits would prevent poorer families becoming homeowners.

"It advantages property investors and locks out first-home buyers," he said.

Bankers' Association chief executive Kirk Hope said the rules would have "perverse consequences" and lock buyers out of the market.

About 70 per cent of first-home buyers got their foot in the door with a deposit of less than 20 per cent, he said.

The Reserve Bank, which is committed to financial stability, is worried that as much as 30 per cent of the banks' new mortgage lending is high risk.

That is much higher than the historical average of roughly 20 per cent, and could leave homeowners in serious trouble if house prices fall suddenly.

Limits on LVRs were announced in the Budget as part of a commitment to housing affordability. However, the policy may have backfired.

The new rules will leave the Government scrambling to find



Pre-approved: Kerry and Jarrod Neville with their children, Holly, 3, Caleb, 6, Taylor, 4, and Jack, 6, have lined up a home loan with just a five per cent deposit before new regulations come into force.

Photo: ROSS GIBLIN/FAIRFAX NZ

Family's dream of a home finally takes shape

BEN HEATHER

IF THE Neville family had waited any longer to look for their first home they would probably be renting forever.

The Titahi Bay family finally received approval for a modest \$285,000 home loan, with a 5 per cent deposit, about a week ago.

The approval came just in time, with the Reserve Bank expected to announce new rules on Friday that will make it harder for people with less than a 20 per cent deposit to get a home loan.

For thousands of first-home

buyers like the Nevilles, who just managed to scrape together \$15,000 for a deposit through KiwiSaver and the Welcome Home scheme, the new requirements could close the door to buying a house.

Jarrold Neville said he had been turned away by several banks before securing a loan with the help of a mortgage broker. "If we didn't have pre-approval now we would have missed out. There would have been no options."

The pre-approval will buy the family at least six months' breathing time to find a home, although it is unclear what will happen if

they don't buy before the pre-approval lapses. "We just don't know, we could come under the new rules."

Mr Neville believes the restrictions will not curb house prices but will put a home out of reach for many people. "We are not on bad money, but not great money. For people earning less than us, it's going to be a real struggle."

Mr Neville works at Eftpos NZ while his wife, Kerry, works one day a week and looks after their four children, the oldest of whom are 6-year-old twins. The couple earn between \$75,000 and \$95,000 a

year but, with a \$400 weekly rent and four young children, there is little left for saving.

They are now in the hunt for a three-bedroom house in Titahi Bay for under \$300,000, which Mr Neville admits will probably mean settling for a "bit of a dunger".

"But we are not viewing this as our family home for the next 15 years, we just want to get our foot in the door."

Their weekly mortgage repayments were set to be \$53 cheaper than renting, he said. That might even help them scrape a 20 per cent deposit for their next house.

other ways to avoid a further squeeze on first-home buyers.

Those are expected to include boosting supply, through fast-tracked "greenfields" new developments, and allowing higher thresholds for access to Welcome Home Loans.

Ministers are also considering allowing those in KiwiSaver to withdraw more of their savings to use as a deposit.

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WANT TO AVOID A CRACKDOWN ON LOW EQUITY HOME LOANS?

Here's how much you will need to save for a house deposit around the regions:

WELLINGTON
Average house price: \$525,245
20 per cent deposit: \$105,049
KAPITI COAST
Average house price: \$363,142
20 per cent deposit: \$72,628
PORIRUA
Average house price: \$377,294

20 per cent deposit: \$75,458

UPPER HUTT
Average house price: \$334,336
20 per cent deposit: \$66,867
LOWER HUTT
Average house price: \$367,696
20 per cent deposit: \$73,539
TAUPO DISTRICT
Average house price: \$347,876
20 per cent deposit: \$69,575
HASTINGS DISTRICT

Average house price: \$299,270
20 per cent deposit: \$59,854

NAPIER
Average house price: \$324,102
20 per cent deposit: \$64,820
PALMERSTON NORTH
Average house price: \$285,693
20 per cent deposit: \$57,138
MASTERTON DISTRICT
Average house price: \$237,345
20 per cent deposit: \$47,469