

The Treasury

Reserve Bank Act Review Phase 2 Consultation 3 Submission Information Release

February 2021

This document has been proactively released by the Treasury on the Treasury website at

<https://www.treasury.govt.nz/publications/information-release/reserve-bank-act-review-phase-2-consultation-3-submission-proactive-release>

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Submission on the 3rd consultation of Phase 2 of the Review of the Reserve Bank Act

New Zealand Housing Foundation

Established in 2001, Housing Foundation is a charitable trust that delivers affordable housing options for working New Zealand households who are finding it difficult to buy a secure, warm, dry home. Housing Foundation collaborates and partners with the government, Iwi and other organisations in the sector to achieve this purpose.

We are supported by leading philanthropic organisations within New Zealand, including The Tindall Foundation.

Through our shared-ownership and rent-to-own programmes, Housing Foundation works closely with New Zealand families to assist them into home ownership. We have assisted thousands of families.

For more information about us see <https://www.nzhf.org/>

Purpose and objectives of proposed Deposit Takers Act are flawed

Housing Foundation is opposed to the removal from the RBNZ's statutory framework in the proposed Deposit Takers Act of the overarching purpose of prosperity and well being and the objective of the efficiency of the financial system.

Housing Foundation regularly deals with banks to finance the development of our housing and to assist our clients obtain finance as part of their entry into our shared-ownership programme.

We are concerned that the banking sector is not efficient and in particular there is little competition and incentive in the banking system to innovate and take risk. The consequence for the housing sector and New Zealanders is that bank behaviours contribute to lack of affordability.

We make these comments at a time when the RBNZ's "least regrets" approach to monetary policy is a direct and highly visible contributor to unaffordability of housing for New Zealanders. We believe that RBNZ has a statutory obligation to mitigate the least regrets of its actions that it is not currently fulfilling.

Removal of the overarching purpose and efficiency objective is flawed thinking on the part of officials. It will remove the statutory obligation for the RBNZ to take an analytical and considered approach to its prudential activities and mitigate the problems it is creating. Officials are contemplating removing a statutory requirement for the RBNZ to consider the costs of its prudential activities, which will unbalance the calculation of the optimal amount and character of prudential regulation.

We don't think that makes any sense and indeed we don't think that it will be a politically sustainable position for Parliament. In effect officials are considering asking Parliament to do something that it will rapidly change its mind on.

Shared-ownership doesn't come from the moon!

Our experience is that banks have a cartelised position in respect to shared ownership that is not commercial, not a position that would exist in a competitive banking market and is not consistent with the prosperity and well being of New Zealanders.

Shared ownership is a long running, international and widespread affordability-based alternative tenure structure that bank lenders participate in all over the world. And yet in New Zealand our banks conveniently pretend that it comes from the moon!

We find the banks are unreasonably restrictive in regards to the identity of:

- the shared ownership programme providers and
- the New Zealand families that want to participate

We note that other alternative tenures like private housing cooperatives, papakainga and cohousing have equivalent problems.

Our suggestion is that as part of the consideration of officials in the Reserve Bank Act Review the RBNZ accepts that its banking standards and prudential supervision of the banks has had unintended, unjustifiable and negative consequences for alternative housing tenure innovation in New Zealand.

Housing foundation believes that if the RBNZ does not immediately publicly accept this then removal of the case for maintaining the overarching purpose of prosperity and well being and the objective of the efficiency of the financial system is comprehensively proven.

RBNZ must with pace and urgency:

1. go back to the drawing board and look much harder at how its prudential standards are changed to be appropriate in modern New Zealand for encouraging alternative tenure and
2. require banks to regularly report to it and the public as to how the banks support housing affordability.

We suspect that a lot of the impediments to innovation in the housing sector are linked to cartelised or at least unified bank behaviours of which the banks' senior management teams and the RBNZ may be simply unaware or don't care.

Officials' proposals to remove the overarching purpose and efficiency objective represent a serious step backward for New Zealanders.

Specifically their proposals will remove any statutory requirement for RBNZ to think about the problems it or the banks have created on the supply-side of the housing market. And it will remove the ability for alternative tenure housing providers to complain to the RBNZ about its banking standards and the efficiency of the financial system.

Contact details

Dominic Foote

Chief Executive

NZ Housing Foundation

[23]

[35]