

# The Treasury

## Reserve Bank Act Review Phase 2 Consultation 3 Submission Information Release

February 2021

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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
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23 October 2020

Phase 2 of the Reserve Bank Act Review  
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Thank you for the opportunity to offer our views as constructive encouragement for the Reserve Bank to take a more active role in ensuring the affordability of housing.

1. Community Housing Aotearoa (CHA) is a peak body for the community housing sector. In order to achieve our vision of 'all New Zealanders well-housed', we have a strategic focus on supporting a well-functioning housing system, and working toward the progressive realisation of the right to housing. We are pleased to see the roles that the Ministry of Housing and Urban Development play as as steward of the housing system.
2. Banks are significant lenders to our sector providers. Our members are classified as investors and subject to the commercial -rather than residential – lending requirements and programmes in place. Although they are supporting government efforts to provide affordable housing, there are no settings that recognise – or incentivise – banks and financial institutions to provide preferential lending to the not for dividend community housing sector. We and our partners have made previous submissions, on the LVR changes and to the financial markets authority consultation raising some of these issues.
3. We ask that you consider the impact of your regulatory requirements and other interventions in light of the social function of housing, not just as fiscal and financial controls. We note that the fundamental purpose of the Reserve Bank is “to promote the prosperity and well-being of New Zealanders, and contribute to a sustainable and productive economy.” In light of the Wellbeing Budget, we ask you to consider whether the measures you propose are fulfilling the role of promoting prosperity for lower income New Zealanders in particular regarding their fulfillment of their right to a decent home.
4. We propose that RBNZ address this, and we suggest a three-pronged approach:
  - a. Firstly, develop with banks and NBDT lenders, a transparent framework that recognises government cashflows (such as the 25 year contracts for the income related rent settings) as an implicit form of underwrite, affirming these loans as lowest risks to banks. There could be some form of allowance

to banks in their capital adequacy ratio requirements as a benefit for making more loans to not for dividend providers when they are squarely within the regulatory and funding frameworks of HUD and MSD.

- b. Secondly, support innovation in the intermediate tenure offerings by facilitating standardisation of the lending agreements these affordability products use. For example, in shared ownership (which is a form of Progressive Homeownership), the RBNZ could assist banks to consistently treat a low deposit first homebuyer purchasing through shared ownership, by recognising the share of third party equity as part of the overall security for lending. This could encourage banks to increase their lending to first homebuyers through these affordability products, and drive wider market acceptance of proven, safe, and reliable affordability instruments. This would directly support governments \$400 million programme that is now rolling out.
  - c. Third, monitor and report to the Minister of Finance on actions it has taken to support affordability of housing. This could be every six months, and include specific lending initiatives when the outcome is delivering retained affordable housing.
5. The technical nature of the consultation document makes it difficult to connect our points with the specific questions set out in the “questions for consultation” listed on pages 10-15 of the document, yet we would suggest our points are aligned with the Chapter 4: Standards and Licensing questions.
6. We are very concerned with the proposed removal of the overarching purpose, as we perceive the effect of that change will remove any statutory obligation for the RBNZ to take an analytical and considered approach to its prudential activities, or to consider aspects that significantly impact the housing system and well-being of communities. 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.
7. As background, Community Housing Aotearoa (CHA) is a peak body that represents the community housing sector in New Zealand. Our 90 provider members are home for nearly 30,000 kiwis nationally across 14,000 homes, and our 19 partner members include developers, consultants and local councils. Community Housing Providers (CHPs) are primarily not for dividend entities that develop, own and manage social and affordable housing stock, with rental and progressive homeownership tenure offerings. We work closely with Te Matapihi, which represents Iwi-based and Māori community housing providers. More about us can be found [here](#).
8. Only half of the homes operated by community housing providers receive direct financial support from government through the income related rent subsidy; the other half delivers affordable rental and progressive home ownership tenures – a form of intermediate tenure made possible through prior public and private

investment. This is a rich and diverse set of stock that meets the needs for affordable homes in virtually every community around the country.

9. CHA's members regularly deal with both the regulated banks and impact investment firms to finance the development of affordable housing programmes including Progressive Homeownership and community based social housing. We need the Act to include provisions that foster a rich and diverse set of lending and investment options, to support the rich and diverse typologies and affordability offerings that our communities need.
10. We note that the new Funding for Lending Programme (FLP) may exacerbate the negative effects on housing affordability, and therefore ask you to exercise further caution. What if you were to require the housing-related application of the FLP to be used only when it generates retained affordable housing?
11. In summary, we seek provisions in the Reserve Bank Act that compel the RBNZ to consider the impacts of their actions on housing affordability, and to take actions with the banking sector that prioritise the wellbeing of communities. Doing so will assist our government to achieve its stated goals in ending child poverty, and to see homelessness become rare, brief, and non-recurring. Doing so will also assist in the progressive realisation of the right to housing.

We would welcome a discussion with you on the above points.

Kind regards

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Scott Figenshow  
CEO

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