

Reserve Bank now says 'there may be value in waiting' before removing LVRs, or just easing the restrictions rather than removing them altogether

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The Reserve Bank is conceding lessons have been learned from its disastrous decision to remove restrictions on high loan to value ratio (LVR) mortgage lending in April 2020. But it has stopped short of calling the removal a mistake.

I said at the time the decision was announced that I thought it "[was a bombshell and may be a very bad call](#)".

Subsequently New Zealand's house prices rose more than 40% and investors particularly - who most benefited from the removal - [filled their boots](#), with the amount they borrowed tripling in short order after removal of the LVRs.

[By late 2020 the RBNZ was announcing](#) LVRs would come back and they were duly reintroduced in 2021 as the housing market continued to roar away.

[In an RBNZ article](#) reflecting on a decade of use of macro-prudential policy, authors Chris McDonald and Shaun Markham say now; "in uncertain situations there may be value in waiting before removing restrictions".

"Alternatively, more measured adjustments could be taken such as easing LVR restrictions rather than removing them altogether."

They say in terms of the RBNZ's initial actions in removing LVRs, "we found that LVR settings were able to be loosened quickly in a little over a week but reinstating them required much longer".