



**Community
Housing
Aotearoa**
NGĀ WHARERAU O AOTEAROA

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Reserve Bank of New Zealand

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RE: Deposit Takers Core Standards Consultation

Submitted online to: <https://consultations.rbnz.govt.nz/dta-and-dcs/deposit-takers-core-standards/consultation/subpage.2024-05-08.1947348079/>

Introduction

1. Community Housing Aotearoa (CHA) is an Incorporated Society and a peak body for the community housing sector. 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 realisation of the right to housing for all. We are also mindful of the larger institutional and regulatory settings within which our members and other community organisations operate.
2. Our 83 provider member organisations own and/or manage homes for nearly 30,000 kiwis nationally nearly 20,000 homes, and our 57 partner members include developers, consultants, and local councils. We work closely with national Māori housing advocate Te Matapihi, which represents Iwi-based and Māori community housing providers. More about us can be found [here](#).
3. In this submission, we refer to Community Housing Providers (CHPs) as those organisations which are registered with the Community Housing Regulatory Authority ([CHRA](#)). They must demonstrate that they comply with the [Performance Standards](#) covering Governance, Management, Financial viability, Tenancy management, and Property/Asset Management. These CHPs are primarily not for dividend entities that develop, own, and manage social and affordable housing stock.
4. As an organisation that represents socially motivated landlords, we seek to improve their ability to contribute to better housing outcomes for all New Zealanders.
5. The major strength of the community housing sector is our focus on achieving sustainable outcomes for residents and communities – being more than a landlord. Our sector develops and applies policies and practices using this lens balanced with the duty to prudently manage the assets we own or lease to protect them for the long-term and wider social good.

Key submission points

We request the Reserve Bank create a separate asset class for lending to registered Community Housing Provider with a long-term New Supply Capacity Contract with the Crown.

6. CHA strongly encourages the Reserve Bank to finally critically assess the risks associated with the supply of new social/public housing funded by the Crown under a long-term contract committing to payment of a market rent, and in some cases, topped up with an operating supplement. The term of these contracts is typically for 25 years. Whilst the volume of lending to registered CHPs is still relatively small, it is growing. Since the establishment of registered CHPs in 2014, the sector has grown to 13,415 homes under ownership and/or management as at 30 June. The announced allocation of 1,500 new homes to the CHP sector in this year's budget will equate to around \$1 billion of lending requirements. With the signalled intent from the government to grow the sector, it is timely to put in place settings now rather than later.
7. We do not agree with the current RBNZ approach that lending to registered Community Housing Providers is equivalent to profit seeking private investors. CHPs are registered and regulated by the Community Housing Regulatory Authority which requires annual monitoring to ensure on-going financial soundness and compliance with their Performance Standards. As nearly all CHPs are also registered Charities, they are also regulated by Charities Services and have annual reporting requirements. Private investors have no similar initial nor on-going oversight. The purpose of CHPs housing development is to provide affordable homes, not profit seeking. Their approach to housing is from a longer term ownership perspective, rather than a shorter term speculative motivation which is more subject to boom and bust market cycles.
8. From prior discussion with RBNZ officials, we understand that regulated deposit takers approved to use an Internal Ratings-Based model framework to calculate their credit RWA can choose to apply a lower risk. This is not occurring, nor is there any commercial motivation for deposit takers to adopt such an approach. This results in the New Zealand taxpayer incurring higher costs than necessary.
9. Creating a new asset class is consistent with the credit risk framework. We understand this may require the RBNZ to develop a non-modelled category, but think this is not an insurmountable barrier. As the volume of lending has increased and HUD now has a decade of experience contracting with CHPs there is a growing pool of information from which to develop the model.
10. The long-term government contract for the payment of market rent is a significant credit risk mitigation. We understand that individual banks will still need to evaluate the risks for each CHP project, but the starting point will be from a lower risk and cost profile than the status quo.

11. We note the RBNZ is proposing to establish a new specific risk weight for New Zealand Super funds. Similar to New Zealand Super funds, we believe the specific characteristics of registered Community Housing Provider lending where there is a long-term government contract is sufficiently differentiated from other entities. We request RBNZ to consider re-classifying registered Community Housing Providers.

12. We believe once adopted the settings should apply for both Group 1, 2 and 3 deposit takers.

Conclusion

13. We thank the Reserve Bank of New Zealand for the opportunity to make a submission.

14. We are open to follow up discussions with the Reserve Bank of New Zealand regarding our proposal. We feel that including the Ministry of Housing and Urban Development could provide additional insights regarding our position that the risk weighting for the loans which would be included in the proposed asset class are sufficiently differentiated from the current classification as investment properties.

Ngā mihi,



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