**Evidence shows home buyers**

**circumventing Reserve Bank loan restrictions**

**Media Release 16 December 2013**

Evidence today that home-buyers are circumventing Reserve Bank low-equity home lending restrictions by borrowing their deposits from non-bank lenders like finance companies.

Latest data from New Zealand’s leading credit bureau and data aggregator, Veda, shows a significant 17.7 percent increase in enquiries for personal loans over the three months from September to November when compared with the same three months last year.

Veda Managing Director John Roberts explains that people who would normally borrow up to 90 or 100 percent to buy a home now find they can’t do that under the Reserve Bank rules that came into force on 1 October.

“So they take a personal loan from a finance company and then get the assistance of a broker to apply for an 80 percent loan-to-value ratio (LVR) bank mortgage using the personal loan as their deposit.”

“The country’s overheated property market has created a sense of urgency for home-buyers who are prepared to go to extreme lengths to secure that all important first home. Second, third and fourth tier borrowers are meeting the deposit demand – but the interest rate charged will be higher than that charged by a bank.”

Applications for personal loans are noticeably up for Gen X (18.25 percent) and Gen Y (19.86 percent).

Veda’s data suggests the Reserve Bank’s LVR restrictions may have curbed the house hunting for some hopeful home buyers with mortgage applications down by 7.6 percent for the three months of September, October and November when compared with the same 2012 period.

Mr Roberts says the increase in personal loan applications is also a reflection of competing offers to borrowers to consolidate their debt and reduce costs.

It is notable that as unsecured lending has increased so the number of consumer defaults has also risen. Defaults are up 42.95 percent for the November quarter.

 \*See graph below, which depict Veda’s consumer credit demand index and consumer defaults

 \*Raw data cannot be released for commercial reasons

 \*We are unable to provide regional breakdowns

 For more information

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**About Veda**

Veda is a data analytics company and the leading provider of credit information and analysis in Australia and New Zealand. From its stable core credit bureau business established in 1967, Veda has expanded to deliver a suite of credit and other analytical products targeted to specific industry segments.

Veda is built on the largest, most comprehensive and current data source in Australia and New Zealand with information on over 20 million credit active people and 5.7 million commercial entities. The breadth and depth of our data, and the knowledge it delivers help customers take a proactive and informed approach in making decisions.

Veda’s customers use data intelligence provided by Veda to make decisions on credit risk, verify identity and employee background, reduce identity theft and fraud, and undertake digital marketing strategies.

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