

Submission
to the
Local Government and Environment Committee
on the
**Weathertight Homes Resolution Services (Financial Assistance
Package) Amendment Bill**

21 February 2011



SUBMISSION BY THE NEW ZEALAND BANKERS' ASSOCIATION TO THE LOCAL GOVERNMENT AND ENVIRONMENT COMMITTEE ON THE WEATHERTIGHT HOMES RESOLUTION SERVICES (FINANCIAL ASSISTANCE PACKAGE) AMENDMENT BILL

1. Thank you for the opportunity to comment on the Weathertight Homes Resolution Services (Financial Assistance Package) Amendment Bill.

ABOUT NZBA

2. Established in 1891, the New Zealand Bankers' Association (NZBA) is a non-profit unincorporated association funded by member banks. In conjunction with its members, NZBA develops and promotes the banking industry viewpoint in policy discussions and in the media. NZBA also facilitates good practices in the banking industry.
3. NZBA works with its members on a consensus basis to provide a range of services including:
 - collective submissions on public policy and regulation that affect banks;
 - development of the self-regulatory Code of Banking Practice;
 - communication on non-competitive industry issues.
4. Membership of the NZBA is open to any bank registered under the Reserve Bank of New Zealand Act 1989.
5. This submission is made on behalf of the following members of the NZBA:

ASB Bank Limited

Bank of New Zealand

The Hongkong and Shanghai Banking Corporation Limited

Kiwibank Limited

TSB Bank Limited

Westpac New Zealand Limited

SUBMISSION

6. NZBA supports the objectives of the Bill to improve, for owners of leaky homes, access to finance to repair their homes. Banks are supportive of the Government's efforts to address this important issue and to help owners of leaky homes in a positive way.
7. The NZBA submits that, for the purpose of clarity and given that negotiations between the Government and banks have not yet been completed, the Bill should explicitly recognise the options being discussed. In the Explanatory Note, the definition of financial assistance measures and Clause 125G, the reference to "guarantee or indemnity" should be replaced with a reference to "**guarantee or indemnity or loss sharing agreement**". Currently, the Bill does not appear to contemplate a loss sharing agreement.
8. NZBA further submits that bullet point 3 of the Explanatory Note should be replaced with the words:

"the Crown will provide credit support (by way of a guarantee or indemnity or loss sharing agreement) to banks who agree to provide loans, to eligible owners who meet the banks' lending criteria, to assist with meeting the remaining agreed repair costs."

The Government has strongly indicated in negotiations that the existence of a loss sharing agreement should not influence banks' decisions about whether to lend, that banks should not lend more or lend in circumstances where perhaps they otherwise would not, and that the agreement is not intended to provide banks with increased confidence to lend the required amounts.

9. NZBA considers that the definition of "associated costs" should include:
 - (a) premiums on builder's insurance;
 - (b) legal costs; and
 - (c) the cost of obtaining a post-completion valuation.
10. In the definition of financial assistance measures, NZBA submits that the word "sole" should be replaced with the word "principal" to reflect the fact that a loan advanced by a lender may include agreed repair costs as well as betterment costs, otherwise a lender will have to give a separate loan to cover betterment costs.

11. NZBA considers that if clause 125I(1) of the Bill will allow the Minister to set “monetary limits” on guarantees or indemnities, these limits should be reflected in any agreement negotiated between the Crown and lenders. Similarly, if clause 125I(2) of the Bill will allow publication of the terms and conditions on which a guarantee or indemnity has been given, the agreement negotiated between the Crown and lenders should reflect this.
12. NZBA would welcome the opportunity to make a verbal submission in support of the written submission.
13. If you have questions, please contact Karen Scott-Howman, Regulatory Director at NZBA on 04 802 3358.