



**THE FINANCIAL INSTITUTIONS (MORTGAGE LOANS)
REGULATIONS 1983**

DAVID BEATTIE, Governor-General

ORDER IN COUNCIL

At the Government Buildings at Wellington this 9th day of November
1983

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

PURSUANT to sections 34AA (1) and 50 of the Reserve Bank of New Zealand Act 1964, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, hereby makes the following regulations.

ANALYSIS

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REGULATIONS

1. Title—These regulations may be cited as the Financial Institutions (Mortgage Loans) Regulations 1983.

2. Commencement and expiry—(1) These regulations shall come into force on the 10th day of November 1983.

(2) These regulations shall continue in force until the close of the 29th day of February 1984, and shall then expire.

3. Interpretation—(1) In these regulations, unless the context otherwise requires,—

“Financial institution” has the meaning given to it by section 2 of the Reserve Bank of New Zealand Act 1964:

“Interest”, in relation to any loan, includes all money or money’s worth paid or otherwise provided to or for the benefit of the lender in excess of the amount of the loan:

“Mortgage loan” means any loan—

“(a) Which is made or is to be made by a financial institution; and

“(b) Which is secured, in whole or in part, or is to be secured, in whole or in part, by way of a mortgage or charge over property:

“Rate of interest”, in relation to any loan, means the rate that expresses the amount of interest as a percentage per annum of the amount of the loan reduced by the amount of any interest paid or credited earlier than at the expiration of each 3 months.

(2) For the purposes of these regulations, where one company holds more than half in nominal value of the equity share capital of another company, those companies are deemed to be related companies.

(3) For the purposes of these regulations, where a company holds more than half in nominal value of the equity share capital of each of 2 or more companies, each of those companies, including the first-mentioned company, are deemed to be related to each of the others.

4. Restrictions on interest payable in respect of mortgage loans—

No financial institution shall make any mortgage loan at a rate of interest that,—

(a) In the case of a mortgage loan secured or to be secured, in whole or in part, by a first mortgage or first charge, exceeds 11 percent per annum; or

(b) In the case of a mortgage loan secured or to be secured, in whole or in part, by a mortgage or charge other than a first mortgage or a first charge, exceeds 14 percent per annum.

5. Limitation on right to increase interest payable in respect of mortgage loans—

(1) No financial institution shall, in the case of a mortgage loan, whether made before or after the 10th day of November 1983, increase the rate of interest payable in respect of that mortgage loan above the maximum rate of interest that would, in the case of a mortgage loan made, at any time while these regulations are in force, by a financial institution, be applicable.

6. Prohibited transactions—No person shall—

(a) Enter into any transaction, or make any contract or arrangement, purporting to do, whether presently or at some future time or upon the happening of any event or contingency, anything that contravenes or will contravene the provisions of these regulations; or

(b) Enter into any transaction, or make any contract or arrangement, whether orally or in writing, or do anything, for the purpose of or having the effect of, in any way, whether directly or indirectly, defeating, evading, or preventing the operation of these regulations in any respect.

P. G. MILLEN,
Clerk of the Executive Council.

EXPLANATORY NOTE

This note is not part of the regulations, but is intended to indicate their general effect.

These regulations, which come into force on 10 November 1983, limit the interest that financial institutions may charge in respect of "mortgage loans".

A mortgage loan is defined as any loan—

- (a) Which is made or is to be made by a financial institution; and
- (b) Which is secured, in whole or in part, or is to be secured, in whole or in part, by way of a mortgage or charge over property.

The maximum permissible rate of interest that applies where a mortgage loan is secured by a first mortgage or first charge is 11 percent per annum.

The maximum permissible rate of interest that applies where a mortgage loan is secured by a mortgage other than a first mortgage or first charge is 14 percent per annum.

In the case of private mortgage loans, similar limitations are being imposed by regulations made under the Economic Stabilisation Act 1948.

Issued under the authority of the Regulations Act 1936.

Date of notification in *Gazette*: 10 November 1983.

These regulations are administered in the Reserve Bank of New Zealand.