



**CENTRAL BANK OF
TRINIDAD & TOBAGO**

POST OFFICE BOX 1250 PORT-OF-SPAIN, TRINIDAD, WEST INDIES

TELE: 625-4835, FAX: (868) 623-1955

E-Mail Address: info@central-bank.org.tt

Website: www.central-bank.org.tt

Media Release

MORTGAGE MARKET REFERENCE RATE (MMRR) UNCHANGED AT 2.25 PER CENT IN DECEMBER 2013

The Central Bank in consultation with the BATT, recently reviewed the methodology for calculating the MMRR to ensure it remains an appropriate benchmark for pricing residential mortgages. Based on the review, it was deemed that a longer tenor bond yield rather than a 10-year bond yield will be more reflective of the long-term nature of a typical residential mortgage. As such, the Central Bank wishes to advise the public that **effective December 2, 2013, the MMRR will incorporate a 15-year Central Government bond yield** (as opposed to the 10-year bond yield).

Based on the revised methodology, **the MMRR was calculated at 2.25 per cent in December 2013** – unchanged from the previous rate in September 2013. High liquidity levels in the banking system in September 2013, pushed yields even lower, with the 15-year Central Government bond yield estimated at 3.15 per cent from 3.54 per cent in June 2013. Meanwhile, commercial banks' weighted average deposit rate remained unchanged at 0.56 per cent in September 2013.

Available data continue to show a downward trend in commercial banks' residential mortgage rates. The **weighted average rate on new residential mortgages** fell to 5.32 per cent in September 2013 from 5.58 per cent in June 2013. Similarly, the **weighted average rate on outstanding residential mortgages** also dipped to 6.16 per cent in September 2013 from 6.53 per cent in June 2013. Lower mortgage rates have been stimulating real estate mortgage demand throughout most of 2013. The latest data show that mortgage lending by the consolidated financial system grew by 14.2 per cent (year-on-year) in September 2013.

The public is asked to note that the MMRR remains unchanged at 2.25 per cent in December 2013. Commercial banks and their affiliated non-bank financial institutions are expected to apply this rate to all existing residential mortgage loans that are due to be re-priced as well as new mortgages from December 2, 2013. Customers are also reminded that the **MMRR is not the mortgage rate** that will be charged by the commercial bank. **The mortgage rate is equal to the MMRR plus a margin which will be negotiated between the commercial bank and the customer.** The margin will take into account the customer's credit rating, the location of the property, the size of the down payment and the size and quality of collateral to be used.

The next MMRR announcement is scheduled for March 3, 2014.

December 02, 2013.

Table
Mortgage Market Reference Rates (MMRR)
and Commercial Banks' Residential Mortgage Rates
(Per cent Per Annum)

	MMRR*	Residential Mortgage Rate (Outstanding mortgages at end of period)	Residential Mortgage Rate (New mortgages during the quarter)
Dec-2011	3.50	7.45	6.68
Mar-2012	3.25	7.33	6.75
Jun-2012	3.25	7.21	6.60
Sep-2012	3.00	7.07	6.40
Dec-2012	2.50	6.95	6.28
Mar-2013	2.50	6.82	5.91
June-2013	2.25	6.53	5.58
Sep-2013	2.25	6.16	5.32
Dec-2013	2.25**	-	-

Source: Central Bank of Trinidad and Tobago.

* The MMRR is announced on the first business day of the last month of the relevant quarter.

** As at December 2013, the MMRR methodology was adjusted to incorporate the 15-year Central Government bond yield rather than the 10-year Central Government bond yield.