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Media Release

MORTGAGE MARKET REFERENCE RATE (MMRR) FOR MARCH 2013 REMAINS AT 2.50 PER CENT

The Central Bank of Trinidad and Tobago in consultation with the Bankers' Association of Trinidad and Tobago (BATT) has established a set of rules for the Residential Mortgage Market. These rules, which take the form of a **Residential Real Estate Mortgage Market Guideline**¹ went into effect on September 14, 2011, and are applicable, in the first instance, to all commercial banks and their affiliated non-bank financial institutions that grant residential mortgages.

The Guideline establishes an interest rate benchmark – the **Mortgage Market Reference Rate (MMRR)** – against which all residential mortgage rates are to be priced and re-priced. This MMRR is computed by the Central Bank using information on **commercial banks' funding costs and yields on**

¹ The Residential Real Estate Mortgage Market Guideline could be accessed via the web-sites of the Central Bank (www.central-bank.org.tt), the National Financial Literacy Programme (www.national-financial-literacy.org.tt) and the Bankers' Association of Trinidad and Tobago (www.batt.org.tt).

applicable treasury bonds and is announced on a quarterly basis (**on the first business day in the months of March, June, September and December**).

Latest available data on commercial banks' mortgage operations show that mortgage rates continued to fall in December 2012. In fact, since the new regime for pricing residential mortgages came into effect, residential mortgage rates have trended downwards. The **weighted average rate on outstanding residential mortgages** fell to 6.95 per cent in December 2012 from 7.07 per cent in September 2012 and 7.45 per cent in December 2011. Likewise, the **weighted average rate on new residential mortgages** declined to 6.34 per cent in December from 6.40 per cent in September 2012 and 6.68 per cent one year earlier. Lower mortgage rates have encouraged demand for real estate mortgage loans, which has helped to bolster growth in overall bank credit. On a year-on-year basis, real estate mortgage loans granted by commercial banks and non-bank financial institutions rose by 11.2 per cent in December 2012 compared with 10.9 per cent in September.

With the financial system continuing to experience high liquidity levels in the fourth quarter of 2012, deposit rates and Central Government bond yields were little changed from the previous quarter. The commercial banks' weighted average deposit rate held at 0.57 per cent in December, while the 10-year treasury bond yield (based on the Central Bank's yield curve estimates) was up 18 basis points to 3.41 per cent in December from 3.23 per cent in September 2012.

Against this background, the public is asked to note that **the MMRR for March 2013**, which is based on data for the quarter ending December 2012, **remained unchanged at 2.50 per cent.** **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 March 01, 2013.**

Customers are also reminded that the MMRR is not the mortgage rate that will be charged by the commercial bank. **The mortgage rate will be computed as 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.

The next MMRR announcement is scheduled for June 3, 2013.

March 01, 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	6.34
Mar-2013	2.50	-	-

Source: Central Bank of Trinidad and Tobago.

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

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