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Media Release

MORTGAGE MARKET REFERENCE RATE (MMRR) FOR DECEMBER 2012 FALLS TO 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 applicable**

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).

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

Available data from the mortgage operations of commercial banks indicate that mortgage rates have continued to decline in September 2012. The weighted average lending rates on new as well as outstanding residential mortgages fell to 6.40 per cent and 7.07 per cent, respectively in September from 6.60 per cent and 7.21 per cent in June. In a context of limited opportunities for attractive financial instruments, investors have been adding real assets (including real estate) to their wealth portfolios in search of better returns and to diversify risks. Lower mortgage rates have been providing some stimulus to credit expansion in the residential real estate segment of the loan market. In the twelve months to September 2012, outstanding residential mortgage loans held by both commercial banks and non-bank financial institutions rose by 10.9 per cent from 9.4 per cent in June.

The high level of liquidity in the financial system is serving to keep yields on domestic bonds as well as deposit rates at depressed levels. The ten-year treasury bond yield (based on the Central Bank's yield curve estimates) slipped by 48 basis points to 3.28 per cent in September from 3.76 per cent in June 2012. Commercial banks' funding costs also fell slightly as deposit rates declined in September.

Against the background of lower funding costs and bond yields, the public is asked to note that **the MMRR for December 2012**, which is based on data for the quarter ending September 2012, **fell to 2.50 per cent** from 3.00 per cent in the previous quarter. **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 03, 2012.**

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 March 1, 2013.

December 03, 2012.

Table 1
Changes to the Mortgage Market Reference Rate (MMRR)
and Commercial Banks' Residential Mortgage Rates
(Per cent)

	MMRR	Residential Mortgage Rate (Outstanding and New Mortgages)	Residential Mortgage Rate (New Mortgages Only)
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	-	-

Source: Central Bank of Trinidad and Tobago.