



**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) FOR JUNE 2012 REMAINS UNCHANGED AT 3.25 PER CENT

The Central Bank of Trinidad and Tobago in consultation with the Bankers' Association of Trinidad and Tobago (BATT) has established a new 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 cost and yields on applicable treasury

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).

bonds and is announced on a quarterly basis (**on the first business day in the months of March, June, September and December**). The MMRR which was first introduced in December 2011 at 3.50 per cent declined to 3.25 per cent in March 2012.

Since the introduction of the MMRR on December 1, 2011, commercial banks have been adjusting their mortgage rates downwards for both existing and new customers. The latest available data show that the weighted average lending rate for **new residential mortgages** fell to 6.75 per cent in March 2012 from 6.93 per cent in June 2011. The weighted average lending rate on outstanding (existing) mortgages has also declined to 7.33 per cent in March 2012 from 7.58 per cent in June 2011. The data also show that commercial banks' residential real estate mortgage loans, which have continued to expand at a relatively robust pace, have been the dominant factor in credit expansion.

Faced with relatively high levels of excess liquidity deposit rates in commercial banks as well as treasury bond yields have remained generally compressed. The commercial banks' weighted average deposit rate inched down to 0.59 per cent in March 2012 from 0.61 per cent in December 2011 while yields on 10-year treasury bond bonds held at 4.72 per cent. With little movement occurring in interest rates, banks' funding costs also remained relatively unchanged in the quarter ending March 2012.

Against this background, the public is asked to note that the **MMRR for June 2012 which is based on data for the quarter ending March 2012 is 3.25 per cent**, the same as 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 June 01, 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 based on 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 quantity of collateral.

The next MMRR announcement is scheduled for September 3, 2012.

June 01, 2012.