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Media Release

MORTGAGE MARKET REFERENCE RATE (MMRR) FOR MARCH 2012 FALLS TO 3.25 PER CENT

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

A key aspect of the Guideline is the new **Mortgage Market Reference Rate (MMRR)**, which is an interest rate benchmark 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 treasury bonds and is announced on a quarterly basis (**on the first business day in the months of March, June, September and December**).

¹ The Residential Real Estate Mortgage Market Guideline can 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).

The MMRR was first introduced in December 2011 at a benchmark rate of 3.50 per cent and reflected banks' funding costs and yields on applicable treasury bonds for the quarter ending September 2011.

The public is asked to note that the **MMRR for March 2012 which is based on data for the quarter ending December 2011 is 3.25 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, 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 June 1, 2012.

March 01, 2012.