



CENTRAL BANK OF
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Media Release

CENTRAL BANK INTRODUCES MORTGAGE MARKET REFERENCE RATE (MMRR) FOR DECEMBER 2011 AT 3.50 PER CENT

In order to improve transparency and disclosure, the Central Bank of Trinidad and Tobago in consultation with the Bankers' Association of Trinidad and Tobago (BATT) introduced, on September 14, 2011, a set of new rules for residential mortgages. These rules take the form of a **Residential Real Estate Mortgage Market Guideline**¹ which is applicable, in the first instance, to all commercial banks and their affiliated non-bank financial institutions that grant residential mortgages.

One key feature 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. It will be published 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 websites 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).

Since the information on banks' funding costs and treasury yields are captured with a lag, the MMRR that goes into effect on December 1 will reflect data for the quarter ending September while that announced on March 1 2012 will be based on data for the quarter ending December 2011. The same principle will apply for the MMRRs that are announced in June and September.

The public is asked to note that the **MMRR for December 2011 which is based on data for the quarter ending September 2011 is 3.50 per cent.** This rate is applicable to all new residential mortgages granted between December 1, 2011 and February 28, 2012.

Customers are 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 March 1, 2012.

December 01, 2011.

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