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Media Release

MORTGAGE MARKET REFERENCE RATE (MMRR) FOR SEPTEMBER 2013 HELD AT 2.25 PER CENT

The Central Bank of Trinidad and Tobago in consultation with the Bankers' Association of Trinidad and Tobago (BATT) introduced the **Residential Real Estate Mortgage Market Guideline**¹ in September 2011. The Guideline has resulted in several benefits to the mortgage market, such as increased disclosure and transparency in mortgage rate setting, a better understanding by customers of their mortgage contracts and enhanced market competition.

The Guideline spells out 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 the **commercial banks' funding costs as well as yields on applicable treasury**

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).

bonds and is announced **on the first business day in the months of March, June, September and December.**

Commercial banks' residential mortgage rates continued to trend downwards in June 2013. With the MMRR declining to 2.25 per cent in June 2013 from 2.50 per cent in March 2013, the **weighted average rate on new residential mortgages** fell to 5.58 per cent in June 2013 from 5.91 per cent in March 2013. Meanwhile, the **weighted average rate on outstanding residential mortgages** also dropped to 6.53 per cent in June 2013 from 6.82 per cent in March 2013. Lower mortgage rates have in part stimulated real estate mortgage demand, with robust growth (year-on-year) in real estate mortgage loans during the first half of 2013.

There is an agreement between the Central Bank and the BATT that the MMRR will be **reviewed at least once every three (3) years.** Since the Guideline has been in effect for nearly two years, the Central Bank considers this to be an opportune time to undertake a review of the MMRR methodology given the evolving nature of the financial sector. The Central Bank will communicate to the public the outcome of this review upon its completion.

The public is asked to note that the MMRR for September 2013 will be held at 2.25 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 September 02, 2013. Customers are also reminded that the **MMRR is not the mortgage rate** that

will be charged by the commercial bank. **The mortgage rate is equal to the MMRR plus a margin which is negotiated between the commercial bank and the customer.** The margin takes 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 to be used.

The next MMRR announcement is scheduled for December 2, 2013.

September 02, 2013.

Table
Mortgage Market Reference Rates (MMRRs)
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	6.28
Mar-2013	2.50	6.82	5.91
Jun-2013	2.25	6.53	5.58
Sep-2013	2.25	-	-

Source: Central Bank of Trinidad and Tobago.

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