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Media Release

MORTGAGE MARKET REFERENCE RATE (MMRR) FOR SEPTEMBER 2012 FALLS TO 3.00 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

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).

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**).

The latest available data from the mortgage operations of commercial banks indicate that residential mortgage rates continued to trend downwards in June 2012. The **weighted average lending rate on new residential mortgages** fell to **6.60 per cent** in June 2012 from 6.75 per cent in March 2012 and 6.94 per cent in June 2011. Meanwhile, the **weighted average lending rate on outstanding (existing) mortgages** fell to **7.21** per cent in June 2012 from 7.33 per cent and 7.58 per cent in March 2012 and June 2011, respectively. Falling mortgage rates have contributed, in part, to the robust growth in residential real estate mortgage loans which has helped to shore up overall bank credit expansion. On a year-on-year basis, residential mortgage loans rose by 13.7 per cent in June 2012.

In the liquid financial environment, deposit rates and yields on treasury bonds have generally remained compressed. The weighted average rate on commercial bank deposits inched downwards to 0.58 per cent in June from 0.59 per cent in March 2012, while yields on ten-year treasury bonds (based on the yield curve estimated by the Central Bank) fell by 96 basis points to 3.76 per cent in June from 4.72 per cent in March 2012 as reported in the previous MMRR announcement. As a consequence, commercial banks' funding costs also declined in the quarter ending June 2012.

Against this background, the public is asked to note that **the MMRR for September 2012**, which is based on data for the quarter ending June 2012, **fell to 3.00 per cent** from 3.25 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 September 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 December 3, 2012.

September 03, 2012.