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TENTH PARLIAMENT

**ELEVENTH REPORT
OF THE
JOINT SELECT COMMITTEE ON
MINISTRIES, STATUTORY AUTHORITIES
AND STATE ENTERPRISES
(GROUP 1)**

**on the
Administration and operations of
the Trinidad and Tobago
Mortgage Finance Company
Limited (TTMF)**

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The Joint Select Committee on Ministries, Statutory Authorities and State Enterprises (Group 1)

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ELEVENTH REPORT

OF THE

JOINT SELECT COMMITTEE ON MINISTRIES, STATUTORY AUTHORITIES AND STATE ENTERPRISES (GROUP 1)

ON THE ADMINISTRATION AND OPERATIONS OF THE TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED (TTMF)

Date Laid: HoR: ____________________ Senate: __________________

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ACRONYMS & ABBREVIATIONS

AMC	Approved Mortgage Company
DRO	District Revenue Officer GOTT
HDC	Housing Development Corporation
HMB	Home Mortgage Bank
IPO	Initial Public Offering
LSA	Land Settlement Agency
MMRR	Mortgage Market Reference Rate
NIB	National Insurance Board
PwC	Pricewaterhouse Coopers
TTMF	Trinidad and Tobago Mortgage Finance Company Limited

TABLES & DIAGRAMS

EXECUTIVE SUMMARY

The Committee's inquiry into the Trinidad and Tobago Mortgage Finance Company Limited (TTMF) followed its examination of the Housing Development Corporation and the National Insurance Board of Trinidad and Tobago (NIBTT).

Bearing in mind the TTMF's relations to these two entities, the Committee sought to *inter alia* to:

i. Understand the role played by the company in providing adequate and affordable housing;

ii. Identify the securitization model in place at the TTMF and the type of structure of securities invested by them;

iii. Determine whether the TTMF's organizational and staff structure are adequate to fulfil their role;

iv. Gain a greater understanding of the services offered by the Company and to determine whether they are being effectively delivered;

v. Inquire into the financial operations/position of the Company, with particular reference to

vi. Understand clearly the relationship between the TTMF and the other state entities that offer services in the area of land and housing;

vii. Determine the status of the intended merger between the TTMF and the HMB also the IPO (Initial Public Offering) to establish the Trinidad and Tobago Mortgage Bank.

The Committee adopted its standard data collection methodology which included requesting written responses to questions on the specific inquiry objectives set out above. After receiving and reviewing the company's written responses, the Committee convened one (1) public hearing with key officials of the Company to examine the relevant issues more closely. This hearing was held on Friday March 07, 2014.

Based on the oral and written evidence received, the Committee noted some areas of the company's operations that it found commendable. These included:

- The company, despite its above average interest rate, is attempting to market the other features of its products such as: a stable interest rate environment; a relatively quick and hassle free mortgage process; established guidelines for arrears and delinquency; willingness to be flexible concerning the option of refinancing as a means of gaining a competitive advantage over its competitors;
- The company appeared to have a strong cadre of employees at both the managerial and operational levels;
- Attempts to diversify its core business that demonstrated that the company was willing to adapt to changing market trends;
- With 21.5% share of the mortgage market in Trinidad and Tobago, the company has a relatively strong customer base and can capitalize on this as it seeks to expand its range of services;
- The company appeared to have a strong customer relations system, that promotes prompt and continued follow up and feedback;
- The company's delinquency ratio is 4.5% which was reported to be below the industry standard which is generally accepted to be 5 %;

Some of the things the Committee thought the company ought to address included:

- Uncompetitive compensation regime, which has placed the company in a disadvantaged position in relation to the retention of staff;
- The implications of the introduction of the 2% mortgage programme on the company's financial position;

- The report prepared by Price Water House Coopers concerning the proposed merger of the company with the Home Mortgage Bank was not made available to the company.

As a consequence, the committee proposed a number of recommendations which aimed at enhancing the operations of the company. These findings and recommendation are outlined in Chapter 4 of the report.

We therefore submit this, our Eleventh report for the consideration and action of the Parliament, TTMF, the Ministry of Housing and Urban Development as well as other stakeholders in the housing and mortgage sector.

MEMBERS OF THE COMMITTEE

Mr. Elton Prescott, SC[1]
Chairman

Dr. Dhanayshar Mahabir[2]
Vice-Chairman

Mrs. Christine Newallo-Hosein[3]

Mr. Jairam Seemungal, MP

Mrs. Carolyn Seepersad-Bachan, MP

Mr. Gerald Hadeed[4]

Mr. Ganga Singh[5]

Ms. Stacy Roopnarine, MP

Dr. Delmon Baker, MP

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[1] Mr. Elton Prescott, SC replaced Mrs. Corrrine Baptiste McKnight w.e.f. 23.09.2013

[2] Dr. Dhanayshar Mahabir replaced Prof. Harold Ramkissoon w.e.f. 23.09.2013

[3] Mrs. Christine Newallo-Hosein replaced Mr. Emmanuel George w.e.f. 03.03.2015

[4] Mr. Gerald Hadeed replaced Mrs. Christlyn Moore w.e.f 23.09.2013 who replaced Mr. Danny Maharaj w.e.f. October 16, 2012.

[5] Mr. Ganga Singh replaced Mrs. Verna St. Rose-Greaves with effect from October 16, 2012.

Mr. Faris Al-Rawi

Dr. Amery Browne, MP

Mrs. Patricia McIntosh, MP

1. THE COMMITTEE

Establishment

1.1 Section 66 of the Constitution of Trinidad and Tobago declares, that not later than three months after the first meeting of the House of Representatives, the Parliament shall appoint Joint Select Committees to inquire into and report to both Houses in respect of Government Ministries, Municipal Corporations, Statutory Authorities, State Enterprises and Service Commissions, in relation to their administration, the manner of exercise of their powers, their methods of functioning and any criteria adopted by them in the exercise of their powers and functions.

1.2 Motions related to this purpose were passed in the House of Representatives and Senate on September 17, 2010 and October 12, 2010, respectively, and thereby established, inter alia, the ***Joint Select Committee to inquire into and report to Parliament on Ministries with responsibility for the business set out in the Schedule as Group 1, and on the Statutory Authorities and State Enterprises falling under their purview with regard to their administration, the manner of exercise of their powers, their methods of functioning and any criteria adopted by them in the exercise of their powers and functions.***

1.3 The entities that fall under the purview of the Committee are attached as ***Appendix I***.

Members

1.4 The Committee comprises the following members:

1.	Mr. Elton Prescott, SC	-	Chairman
2.	Dr. Dhanayshar Mahabir	-	Vice-Chairman
3.	Mr. Jairam Seemungal, MP	-	Member
4.	Mrs. Carolyn Seepersad-Bachan, MP	-	Member
5.	Ms. Stacy Roopnarine, MP	-	Member

6.	Dr. Amery Browne, MP	-	Member
7.	Dr Delmon Baker, MP	-	Member
8.	Mrs. Patricia Mc Intosh, MP	-	Member
9.	Mr. Ganga Singh	-	Member
10.	Mr. Faris Al-Rawi	-	Member
11.	Mr. Gerald Hadeed	-	Member
12.	Mrs. Christine Newallo-Hosein	-	Member

Past Members of the Committee

Name	Period of Service
Mrs. Rudrawatee Nan Ramgoolam	October 12, 2010 – June 27, 2011
Mr. Danny Maharaj	October 12, 2010 – June 24, 2012
Mrs. Verna St. Rose Greaves	September 09, 2011 – October 15, 2012
Mrs. Corinne Baptiste-McKnight	October 12, 2010 – August 01, 2013
Prof. Harold Ramkissoon	October 12, 2010 – August 01, 2013
Ms. Christlyn Moore	October 16, 2012 – September 05, 2013
Mr. Emmanuel George	October 12, 2010 - February 02, 2015

1.5

Secretarial Support

1.6 The following officers were assigned to assist the Committee:

- Mr. Julien Ogilvie - Secretary
- Mr. Indar Sieunarine - Assistant Secretary
- Ms. Kimberly Mitchell - Graduate Research Assistant

Powers

1.7 Standing Orders 71B of the Senate and 101 of the House of Representatives delineate the core powers of the Committee which include *inter alia*:

- To review and report on all matters relating to:
  - a. The statute law relating to the Ministry/body assigned to it;
  - b. The program and policy objectives of the Ministry/Body and its effectiveness in the implementation of same;

c. Other matters relating to the management, organization of the ministry or body, as the Committee deems it fit;

- To send for persons, papers and records;
- To adjourn from place to place;
- To appoint specialist advisers either to supply information which is not otherwise readily available or to elucidate matters of complexity within the Committee's order of reference; and
- To communicate with any other Committee of Parliament on matters of common interest.

2 INTRODUCTION

Background

2.1 At its twenty–second Meeting held on Friday October 25, 2013, the Committee agreed to conduct an inquiry into the Trinidad and Tobago Mortgage Finance Company Limited (TTMF). This inquiry immediately followed an inquiry into the administration and operations of the Housing Development Corporation (HDC) since the Committee was cognisant of the important role the TTMF performs as primary provider of mortgage financing for the HDC and other state housing and land developments.

2.2 Thus, in an effort to understand the role of the TTMF in the provision of financing for residential properties and land, it was imperative that the Committee examine the services offered by the company. The Committee therefore agreed that an inquiry into the administration and operations of the TTMF was necessary.

Objectives

The Committee identified the following as the primary objectives of the inquiry:

i. **To understand the role played by this organization in providing mechanisms through which citizens can obtain adequate and affordable housing;**

ii. **To identify the securitization model in place at the TTMF and the type of structure of securities invested by them;**

iii. **To determine whether the TTMF's organizational and staff structure are adequate to fulfil their role;**

iv. **To gain a greater understanding of the services offered by the Company and to determine whether they are being effectively delivered;**

v. To inquire into the financial operations/position of the Company, with particular reference to:

- **a. The profits/loss attained/incurred over the last 5 years;**
- **b. The company's debt to income ratio;**
- **c. Liabilities;**
- **d. Details on the subsidy for sub-prime mortgages;**
- **e. The value of outstanding mortgage payments; and**
- **f. The number of mortgages negotiated and completed over the past years**

vi. To acquire greater insight into the feasibility of the Government's plans to expand the 2.0 percent mortgage programme *"to all citizens with access to residential service lots whose incomes do not exceed $8,000 per month and the value of whose property does not exceed $450,000"*[6], as well as to identify the steps the TTMF is taking to prepare for the implementation of the "Land for the land less" Programme;

vii. To understand clearly the relationship between the TTMF and the other state entities that offer services in the area of land and housing, in particular, HDC, Caroni Limited, NIB, EMBDC and the THA; and

viii. To determine the status of the intended merger between the TTMF and the HMB also the IPO (Initial Public Offering) to establish the Trinidad and Tobago Mortgage Bank.

[6] http://www.finance.gov.tt/content/Budget-Statement-2014.pdf

Conduct of the Inquiry

2.3 The Committee held one (1) public hearing with representatives of the Tobago Mortgage Finance Company Limited (TTMF) on Friday March 07, 2014

2.4 In preparation for the hearing, the Committee communicated with the TTMF to solicit initial written responses. The response was received on December 30, 2013 and was used as the basis for supplementary questions pursued at the hearing.

2.5 The TTMF was represented by the following officials:

- Mr. Albert Vincent — Chairman
- Ms. Ingrid Lashley — Managing Director/C.E.O.
- Mr. Robert Greene — Chief Operating Officer
- Ms. Vernie Shield — General Manager, Mortgage Origination
- Mr. Brent McFee — Chief Financial Officer

2.6 The Minutes of the meeting during which the public hearing was held are attached as ***Appendix II***.

2.7 The Verbatim Notes of Evidence of the hearing is attached as ***Appendix III.***

3. THE EVIDENCE

3.1 Hereunder is a synopsis of the oral and written evidence obtained from the TTMF.

TTMF's mandate

3.2 The TTMF's mandate is as follows:

i. The TTMF is mandated under its bye laws to provide residential mortgage financing;

ii. The TTMF was granted *Approved Mortgage Company* status in 1966 to afford first time home-owners financing. However, all commercial banks, trust companies and some insurance companies have also achieved similar status under the Housing Act;

iii. Under the Approved Mortgage Company (AMC) programme and the 2% Mortgage programme, the TTMF focuses on first time home-owners and affordable financing. In time, these customers will need mortgages for home renovation, education and medical expenses.

Mortgage Portfolio and the Mortgage Market

3.3 The TTMF's mortgage portfolio consists of financing provided to customers using residential property as security, and is comprised of the following:

Table 1

TTMF's Mortgage Portfolio

Type	As at Sept 30/13 (Unaudited) $M	As at Dec 31/12 (Audited) $M	As at Dec 31/11 (Audited) $M
Approved Mortgage Company (AMC[7])	1,048	1,096	1,023
Open Market[8]	1,841	1,726	1,628
2% mortgage programme	167	170	95
HDC Administered Portfolio	7	8	188
Gross Mortgages	3,063	3,000	2,934
Less: Impairment Provision	(12)	(10)	(9)
Net Mortgages Loans	**3,051**	**2,990**	**2,925**

3.4 The majority of TTMF's Approved Mortgage Company (AMC) business, which represents 33% of its portfolio, was held by public servants who received monthly incomes and made regular payments via salary deductions.

3.5 The TTMF's 2% Mortgage Programme is a financing arrangement of the Trinidad and Tobago Government and is guided by the 2% Mortgage Finance Regime. It aims to provide affordable housing to persons whose family income does not exceed $8, 000 and the value of the property does not exceed $450, 000. TTMF received approval for the

[7] AMC – represents mortgages where the property value does not exceed TT$850K. Income on this portfolio is tax-exempt and includes facilities for purchase of properties from Trinidad and Tobago Housing Development Corporation (HDC) and the Tobago House of Assembly (THA).

[8] Open Market – refers to all other mortgages that are greater than TT$850K, facilities for land purchases, home equity and construction of homes.

expansion of the programme on January 2014 and the limit on the value of the property was increased to $625, 000. Proposals were also made to the Ministry of Finance and the Economy to increase the limit of the household income to $10, 000 in one instance, and $12, 000 in another, but to date an increase has not been approved.

3.6 Caroni lands were specified as part of the 2% Mortgage Programme but the allocation of the lands by Caroni (1975) Limited took an extended period of time. Thus the recipients were not able to access mortgages from the programme immediately. Although the allocation of Caroni lands is now complete, most of the recipients have either been able to save sufficient money to make the payment or have utilized the services of the Sugar Industry Labour Welfare Committee (SILWC), which is a lending agency of the Ministry of Housing and Urban Development.

3.7 On the advice of the Government, the TTMF took over the management of properties purchased from the Housing Developing Corporation (HDC) in 2009, as an administered mortgage portfolio, providing only administrative services. The TTMF received a fee for these services while the HDC would bear the associated risks and rewards.

3.8 Under this arrangement, the HDC received payments by installments from the TTMF. In addition, it was revealed that 12% of the TTMF's portfolio consisted of transaction activity with the HDC.

3.9 However, in 2012, the Government reversed the previous arrangement, and instead all risks and rewards are borne by the TTMF with retroactive effect. To account for this change, the financial statements were restated as at December 31, 2011. The balance carried over represented the accounts that were in arrears at the time of the restatement.

3.10 Furthermore, the TTMF was asked to manage the HDC's license to occupy portfolio, which allows a prospective mortgagor to occupy a HDC house pending the finalization of the necessary legal transactions. This arrangement allowed mortgagors to become accustomed to making payments on a mortgage by applying the same delinquency management procedures, which are applied to actual mortgagors. According to the TTMF, this arrangement allows for a much smoother transition from a prospective mortgagor to an actual mortgagor.

3.11 The TTMF's strategies to increase its mortgage portfolio include, but are not limited to:

i. Expanding relationships with developers and real estate agents;
ii. Nurturing the relationship with HDC/THA/Land and Settlement Agency (LSA);
iii. Improving competitiveness with lower and stable interest rates;
iv. Referral business from existing customers;
v. Increasing brand awareness via advertising including social media, email blasts, newsletter etc.;
vi. Mobile Business Development Officers (4); and
vii. Upselling existing mortgagors who have facilities for more than 10 years for home equity financing.

3.12 As of December 30, 2013, the TTMF has 356 accounts with principal balances in excess of one million dollars and the total of these accounts were $469 million. These accounts are included in the company's marketing and sales plans.

3.13 It was disclosed that the TTMF has been active in the 'open market' for approximately 9 years where it now competes with other financial institutions. High-income earners are attracted to the TTMF's products and services due to its stable interest rates together with pre-payments or lump sum payments without penalty. These clients are able to utilize future bonuses/additional income to manage their interest cost over the term of the mortgage.

3.14 According to Central Bank statistics, as at August 31, 2013 (provisional), the TTMF holds TT$13,958.3M of the real estate mortgage loans, or 21.5% share of the mortgage market.

3.15 The performance of the TTMF's 'open market' segment of its mortgage portfolio over the past 10 years is as follows:

TABLE 2
TTMF Balances in the 'open market' as at December 31, 2004 to December 31, 2012 and year to date (as at September 30, 2013), in ($M)

YTD 2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	1,727	1,628	1,510	1,429	1,090	736	293	60	9

3.16 The TTMF has adopted a number of strategies to compete in the 'open market' segment. These include:

i. Increase brand awareness via advertising including social media, email blasts, newsletter etc.
ii. Improve competitiveness with lower and stable interest rates.
iii. Refer business from existing customers.
iv. Upsell existing mortgagors who have facilities for more than 10 years for home equity financing.
v. Expand relationships with developers and real estate agents.
vi. Initiate community outreach programmes to educate the public on mortgages.

3.17 The organization has also experienced a number of constraints in the expansion of its product and market base. The most significant of these being sustainable funding. The TTMF's funds are sourced on the capital market via medium to long-term bonds, using mortgage assets as security, so that its ability to increase its funding will be limited by the growth in good quality assets.

3.18 The TTMF encountered a constraint regarding the expansion of its product as it is mandated (under the Housing Act) to provide financing for the acquisition of residential property.

3.19 Additionally, because the TTMF has a reputation as being a low-middle income clientele financier for first-time homeowners, the organization has found it troublesome to change the face of the brand. Currently, there is a low interest rate environment therefore interest rate stability is not as attractive as it may have been when interest rates were relatively higher.

3.20 Over the past 10 years, the TTMF has found that there has been a greater demand for mortgage facilities regarding projects such as home improvement, education expenses and consolidation of debt as compared to new property purchases, which have been relatively slow. To remain competitive, the TTMF embarked upon the variation of its product offering to include financing using residential property as security.

3.21 Additionally, there was also the expectation of new business with the GOTT/THA's housing sector expansion. This did not materialize as there were delays in the acquisition of statutory approvals, which led to the deferral of conversion of 'licenses to occupy' to mortgages.

Long-term Profit Management

3.22 It was submitted that long-term profit management involves the continued development and monitoring of key performance indicators (KPIs) to provide increased sustainable shareholder value. The shareholder structure necessitates that the Company balance the needs of the NIB with the needs of the GOTT, in order to provide affordable housing to all. This approach focuses on:

i. **Expense control –** cost control and management is initiated in the annual budget and variance analysis process. Monthly reviews of variance to budget and explanations thereof ensure that the cost management structure is preserved.

ii. **Revenue growth strategy** – this entails enhancing customer value through continuous improvement of service and tailoring of the product to suit the customer's circumstances as far as is possible within the established credit criteria. It also involves expanding revenue opportunities by establishing and deepening partnerships with developers including HDC, THA, private developers and the Land and Settlement Agency.

iii. **Liability Management Strategy –** Improve cost structure by reducing the cost of funds through a liability management strategy to monitor and reduce the weighted average cost of debt (2013 to date: 4.3%; 2012: 6.3%). The improved funding structure would provide customers with a reduction in interest rates. The overall cost of funds would be reduced, while the profitability margin will increase.

"We make House Calls" Campaign

3.23 The "We make House Calls" Campaign was an outreach programme based on the TTMF's marketing strategy that involved the organization becoming more proactive in its engagement with customers. The TTMF reported tangible benefits such as the booking of loans, and the creation of a Business Development Unit, operated by four (4) Business Development Officers.

3.24 In addition, the job description of the TTMF's Assistant General Manager of Mortgage Orientation was also modified to that of a Manager of a sales force. The company also indicated its intention to expand its outreach programme in terms of frequency, location and manpower.

3.25 The Campaign ended on June 30, 2012, but the TTMF continued with the follow-up of contacts that were received. The results of the campaign are as follows:

Table 3

Total Loans for the period January – June, 2012

TOTAL LOANS	**BUDGET**		**Applications taken**		**Loans Booked**	
	No. of Loans	**Value ($M)**	**No. of Loans**	**Value ($M)**	**No. of Loans**	**Value ($M)**
January	84	32.8	78	31.6	45	21.5
February	84	32.8	32	13.9	67	31
March	84	32.8	76	33.7	61	25.6
April	84	32.8	63	28.6	53	25.2

May	84	32.8	75	50.4	96	37.6
June	84	32.8	80	31.6	52	25.8
Total	**504**	**196.8**	**404**	**189.8**	**374**	**166.7**

Table 4

Promotion Traffic and the number of house calls requests received

PROMOTION TRAFFIC		**No. of house calls requests received**
Via call list/email		
March		89
April		115
May		102
June		102
In person		
March	Via in person	1445
April	Via in person	1030
May	Via in person	1118
June	Via in person	1245
Via phone		
March	Via phone	909
April	Via phone	564
May	Via phone	748
June	Via phone	572
TOTAL		**8039**

Implications with respect to other mortgage companies

3.26 Other than the TTMF, only the Home Mortgage Bank (HMB) was included in the exemption from the Mortgage Market Reference Rate (MMRR)[9]. The HMB is the only other mortgage company to fund its book in a similar manner as the TTMF. The majority of the other mortgage companies source funding using variable interest cost instruments.

3.27 According to the submission, the MMRR provides for variation in interest rate on the lending side every six months as the reference rate is adjusted. In the TTMF's case, however, funding is provided largely by fixed rate medium to long term bond issues. This allows for relatively fixed funding costs, where the benefit is passed on to the customer by a relatively fixed lending rate.

"Fixed at Six" Campaign

3.28 The TTMF reported that this was its most successful campaign over the last ten (10) years. It resulted in an audience of over two thousand (2,000) persons who participated in the TTMF's pre-qualification process.

3.29 The promotion benefited new customers who were offered facilities of any amount subject to a minimum of TT$250K. Existing customers also benefited as they granted the option of additional borrowings of a supplementary 50% of the existing loan balance, subject to a minimum of TT$100K.

3.30 In addition, the TTMF was able to raise more than five hundred (500) million dollars in new mortgages. The key elements of the campaign are attached at Appendix V.

3.31 The campaign ran for three (3) months from May 01, to July 31, 2013. It was indicated that loans needed to be booked by December 31, 2013, in order for

[9] MMMR - The Mortgage Market Reference Rate is an interest rate benchmark against which mortgages are to be priced and re-priced. It is computed by the Central Bank based on information on commercial banks' funding costs and yields on ten-year treasury bonds.

applicants to qualify for the rate on the basis of the assessments made during the promotion period. However, the completion of transactions was extended to March 31, 2014 due to certain internal processes that would not have otherwise allowed the transaction to be completed.

Securitization model

3.32 It was indicated that the TTMF utilizes residential property as collateral. It was further submitted that the geographical location of those properties could be found on page 41, Note 29, of the company's financial statements for the year ended December 31, 2012.[10]

3.33 In addition to using residential properties to secure mortgage portfolio, the TTMF also utilizes investment securities totaling TT$251M as at December 31, 2012. A breakdown of the securities can be found below:

Table 5

Listing of Securities held to maturity

Securities held to maturity	September 30, 2013 (unaudited) $000	December 31, 2012 (Audited) $000	December 31, 2011 (Audited) $000
HDC fixed rate 8.5% Bond	225, 179	224, 975	224, 721
NIPDEC 6.55% Bond	26, 167	26, 186	26, 209
First Caribbean International Bank	168	167	164
Total Investment Securities	**251, 514**	**251, 328**	**251, 094**

[10] This financial statement can be sourced online at https://www.ttmf-mortgages.com/wordpress/wp-content/uploads/2014/01/Annual-Report-2012.pdf

3.34 The TTMF indicated that the HDC bond secures the company's credit facilities with Republic Bank and Citibank, while the National Insurance Property Development Company Limited bond and the First Caribbean International Bank investment secure the TT$100M bond held with First Caribbean Bank.

3.35 It was further disclosed that the TTMF takes guarantees or cash, and residential property as security for credit facilities.

Financial composition of the TTMF

Profile as it concerns sources of income and profit

3.36 The company's major source of income is its mortgage portfolio. It was disclosed that mortgage financing is utilized for the following:

- Purchase and construction of residential property;
- Purchase of land; and
- Equity financing (renovations, investment, debt consolidation, major expenses etc.)

3.37 In each instance, residential property acts as the collateral/security for the transactions, which may be of any value.

3.38 The TTMF has strategic alliances with organizations such as the Trinidad and Tobago Housing Development Corporation (HDC), the Division for Settlements and Labour of the Tobago House of Assembly (THA), Caroni Lands, and the Lands and Settlement Agency (LSA). The Government's 2% programme applies specifically to homes provided by these organizations.

3.39 The TTMF has other sources of income, namely:

- Interest earned on investment bonds;
- Rental income; and
- Fees associated with the mortgage portfolios.

3.40 The table below depicts the financial profile of the TTMF's sources of income and profits.

Table 6

Financial profile of the TTMF's sources of income and profits

	Unaudited for the 9 months ended Sept 30/13 ($M)	Audited for the year ended December 31/12 ($M)	Audited for the year ended December 31/11 ($M)	Audited for the year ended December 31/10 ($M)
Net interest income	58.1	73.1	71.4	56.2
Investment income	16.2	21.6	20.8	21.0
Rental income	0.5	0.6	0.7	0.5
Fee income	5.0	7.4	8.5	8.9
Other income	2.2	0.2	0.7	0.1
Total Income	**82.0**	**103.0**	**102.1**	**86.8**

3.41 The financial status of the company for the past 10 years is depicted below:

Table 7

Financial status of the TTMF for the past ten (10) years

	For the year ended December 31									
($M)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Profit before tax	53.2	56.2	48.4	42.5	37.2	42.0	37.3	40.0	41.6	34.2
Profit after tax	63.0	68.1	59.7	47.9	48.1	55.7	53.8	43.8	41.3	33.9
Total Assets	3480.3	3389.7	3379.1	3321.5	2672.9	2254.4	1820.2	1567.9	1405.6	1233.3
Total Equity	717.5	677.0	624.3	581.6	548.2	516.8	476.0	438.1	334.1	304.1
Return on Assets	1.81%	2.01%	1.77%	1.44%	1.80%	2.47%	2.96%	2.79%	2.94%	2.75%
Return on Equity	8.78%	10.06%	9.56%	8.24%	8.77%	10.16	11.30%	10.00%	12.36%	11.15%

3.42 As at December 31, 2008, there was a decline in profit from TT$42.0M in the previous year to TT$37.2M (TT$4.8M decrease) mainly due to the following:

- Acceleration in the cost of funding based on market rates which outstripped the rate of growth in mortgages/interest income;
- Increased salary expenses based on the settlement of the Collective Agreement ending June 30, 2009; and
- Increased loan loss provisions to ensure compliance with revised International Financial Reporting Standards.

3.43 The decline in the fiscal year ended December 31, 2012, was due largely to an across the board decrease in lending rates by 1% effective October 1, 2012, with a lag in the decline in the interest rates.

Major financial liabilities

3.44 The TTMF's major financial liabilities are bonds and debentures comprised of the following:

Table 8

TTMF's major financial liabilities (bonds and debentures)

	Unaudited for the 9 months ended Sept 30/13 ($M)	**Audited for the year ended December 31/12 ($M)**	**Audited for the year ended December 31/11 ($M)**	**Audited for the year ended December 31/10 ($M)**
GORTT Debentures	182.5	186.7	194.7	202.3
NIB Debentures	49.6	53.4	60.9	71.4
Mortgage backed Loans	250.0	250.0		
Bonds	1,871.1	1,069.5	1,127.6	1,185.2
Unamortised Transaction cost	(8.3)	(4.0)	(0.8)	(0.9)
Total Long Term Debt	**2,344.8**	**1,555.5**	**1,382.5**	**1,458.0**

Expected impact of the new liabilities on the TTMF's financial status

3.45 The mortgages acquired under the 2% programme are assets on the company's balance sheets. They are expected to impact the TTMF's financial status as follows:

- Increase in mortgage assets on the TTMFs balance sheet;
- Decrease in the liability associated with the subsidy of the 2% mortgage programme on the balance sheet;
- Increase in funding liabilities to fund the acquisition of the new mortgages;
- Increase in net interest income; and
- Increase in income from the subsidy associated with the programme.

Strength of TTMF's Balance Sheet

3.46 The credit rating agency, Caribbean Information and Credit Rating Services Limited (CariCRIS), awarded the TTMF an AA- credit rating that is considered to be high. The TTMF has therefore had a relatively healthy financial performance, comparatively good asset quality and adequate provision coverage. The TTMF was first rated by CariCRIS in June 2012 and a review was conducted in 2013 as required under the arrangement with CariCRIS.

3.47 The following financial strength ratios were used to reflect the strength of the balance sheet: the solvency test, debt to asset ratio, debt to equity ratio, and capital adequacy ratio. The table below provides further details.

Table 9
Strength of TTMF's Balance Sheet

	Sept.'13	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Assets ($M)	3,584	3,480	3,390	3,209	3,276	2,673	2,254	1,820	1,568	1,406
Liabilities	2,845	2,763	2,713	2,595	2,695	2,125	1,738	1,344	1,130	1,071
Net Assets (solvency)	739	717	677	614	581	548	517	476	438	334
Total debt	2,592	2,514	2,266	2,342	2,406	1,775	1,376	1,271	1,084	1,014
Debt: asset ratio	0.72	0.72	0.67	0.73	0.73	0.66	0.61	0.70	0.69	0.72
Total										

equity	739	718	677	624	582	548	517	476	438	334
Debt: equity ratio	3.51	350	3.35	3.75	4.13	3.24	2.66	2.67	2.47	3.04
Capital adequacy Tier 1 Tier 2	30% 39%	31% 47%	31% 46%	30% 44%	30% 44%	32% 48%	37% 55%	45% 64%	43% 63%	62% 89%

3.48 It was disclosed that the TTMF's solvency had improved over the period. The TTMF further indicated that the solvency test has been used to determine the payment of dividends (40% profit before tax) annually.

3.49 Additionally, it was revealed that the debt to asset ratio is generally consistent and that the TTMF's asset portfolio is primarily funded by medium to long-term debt.

3.50 It was further indicated that the debt to equity ratio is generally consistent except for the fiscal year ended December 31, 2009 when the HDC portfolio was administered/managed on behalf of HDC, not carried on-book and therefore not funded by the TTMF. As indicated above, this decision however, was reversed retroactively in January 2011.

3.51 Moreover, it was indicated that the TTMF's capital adequacy is above the required minimum levels of 4% and 8% for Tiers 1 and 2 respectively, which is an indicator of a strong capital base.

Relationship with the Securities Exchange Commission (SEC) and other regulatory agencies

3.52 The TTMF, as an issuer of bonds/debts, would report to the Trinidad and Tobago Securities and Exchange Commission as the Securities regulator under the Securities Act 2012.

3.53 Additionally, the TTMF maintains a relationship with the Central Bank as agent for its bonds/or in adherence to the Bank's Guidelines to Credit Criteria. The TTMF would normally provide the Central Bank with statistical data on its operations as is required for Central Bank reporting.

3.54 Furthermore, the TTMF also maintains a relationship with the Financial Intelligence Unit (FIU) as it is a registered financial institution with said agency. As a result of this relationship, the TTMF would report any suspicious, fraudulent and/or terrorist activity as required under the regulations, to the FIU.

Frequency of audit on TTMF's accounts

3.55 The TTMF indicated that its accounts are audited on an annual basis and its financial statements are available at any TTMF office as well as on the company's website. Additionally, the company's audited financial statements and half–year management financial statements (unaudited) are published in the newspapers.

Frequency of valuation of assets

3.56 According to the TTMF, financial assets are first recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Additionally, the company would derecognize its financial assets when the rights to receive cash flows from said assets have expired or where the company has transferred all risks and rewards of ownership.

3.57 Moreover, property, plant and equipment are stated at historical cost less depreciation. The carrying value is reviewed annually for impairment. In instances where the carrying amount of an asset is greater than its estimated recoverable amount, it is then written down to its recoverable amount.

Insurance

3.58 Mortgage indemnity insurance is a means by which a financial institution will indemnify payments in the early stages of a mortgage facility at the point at which it is most likely to be defaulted and title insurance is a form of indemnity insurance that insures against financial loss from defects in title to real property. Title insurance also provides protection from the invalidity or unenforceability of mortgage liens. This type of insurance is found primarily in the United States and is not available in Trinidad and Tobago. It was indicated that the TTMF does not have mortgage indemnity insurance or title insurance. However, attorneys carry professional indemnity for claims that have defective titles due to professional neglect/error.

3.59 The TTMF and the Home Mortgage Bank (HMB) in pursuing the Government's national housing programme, decided not to add indemnity insurance to its product. However, in conducting credit adjudication, the TTMF will take into account the likelihood of early default on mortgage facilities.

3.60 The TTMF however, has considered for quite sometime, acquiring mortgage indemnity insurance but no decision has been made thus far.

Organizational Structure and Staff

Articles of Incorporation

3.61 TTMF disclosed that it is a private company, under the Companies Act 1995 (continued June 8, 1998). It was also indicated that the company is subsidiary of the National Insurance Board, a statutory board under the National Insurance Act (51% shareholding). The other shareholder is Corporation Sole (49%).

3.62 The TTMF's operations are managed by the Ministry of Housing and Urban Development.

Staff Complement

3.63 The TTMF indicated that its staff complement is one hundred and forty three (143) persons as of September 30, 2013.

Human Resource Challenges

3.64 It was revealed that the TTMF's main challenge was an inadequate compensation regime. It was further disclosed that the compensation levels advised by the Inter-Ministerial Committee are not competitive. As a result, attracting and retaining staff is sometimes difficult.

3.65 The TTMF operates in a unionized environment, where one hundred and forty (140) members of staff are members of the Bank and General Workers Union. Negotiations for the collective bargaining agreement for the period July 1, 2009 to June 30, 2012 broke down and as a result, the Union was unwilling to accept the 9% offer and referred the matter through the Ministry of Labour to the Industrial Court. The TTMF however, made an interim payment of 8% to staff, which was agreed to by the Union.

Staff turnover rate at the managerial levels for the past ten (10) years

3.66 The staff turnover rate at the managerial levels for the past ten (10) years is captured below:

<u>Table 10</u>

Staff turnover rate at the managerial levels for the past ten (10) years

	2003 %	**2004 %**	**2005 %**	**2006 %**	**2007 %**	**2008 %**	**2009 %**	**2010 %**	**2011 %**	**2012 %**
Turnover rate	16.0	40.0*	16.0	15.4	7.7	30.8	15.4	15.4	8.0	8.0

*In May 2004 four (4) officers were offered separation packages based on the redundancy of their positions and/or review of their performance.

3.67 In 2008, there was a high turnover of management officers who left mainly due to the issue of compensation.

Human Resource development strategies to enhance staff performance and output

3.68 The TTMF indicated that it provides a comfortable and secure work environment, social programmes as well as employee recognition and training for all levels of staff.

3.69 The company utilizes a detailed training and development plan that incorporates all employees and is provided on an annual basis. This plan takes into account all the developmental issues that arise as part of the performance management system.

3.70 The following are some of the development strategies employed by the TTMF:

- A tuition assistance policy for all staff concerning external education and training;
- An in-house course by recognized facilitators associated with Institute of Chatered Accountants of Trinidad and Tobago, Institute of Banking And Finance of Trinidad and Tobago and the Bankers' Association on subjects relevant to TTMF's core business;
- Attendance/participation of management officers in the Executive MBA programme at the Arthur Lok Jack Graduate School of Business; and
- In-house training by recognized facilitators on topics such as customer service, supervisory and leadership training, and the 360 appraisal system.

Employee recognition

The Committee was informed that the company's incentive system is demonstrated in the form of a reward programme where staff is afforded stars for good performance and recognized quarterly through the "Employee of the Quarter" programme. The "Employee of the Year" becomes the spokesperson for TTMF and is afforded social as well as educational interaction during their tenure. In addition, there are staff social programmes, including Sports Day and Family Day, Long Service Award functions and End-of-the-Year functions.

Percentage of TTMF's budget allocated to salaries, allowances and other personnel expenditure

3.71 The TTMF indicated that its budget for the year ended December 31, 2013 was twenty-two (22) million dollars of which 51.5% was allocated for salaries and wages. Whereas the wage bill for the company's competitors was estimated to be between 30 to 40% of their budget.

3.72 The driving factor behind the TTMF's higher percentage of budget allocated to salaries and wages, is that unlike its competitors, residential mortgages is the company's only business. Additionally, the company does not have any non-interest revenues such as foreign exchange.

Structure and Management of recoveries

3.73 The company's risk management framework is administered by the Enterprise Risk Management Committee, which is comprised of the following members:

- Chief Operating Officer, Chairman;
- Managing Director, CEO,
- General Manager, Mortgage Services,
- Manager, Internal Audit; and
- Compliance Officer.

3.74 It was submitted that the Committee meets on a monthly basis to evaluate and monitor risk issues in areas such as:

- **Strategic risks** – investment and political;
- **Financial risks** – market (interest rate and real estate risks) and liquidity (prepayment, credit, concentration and fraud risks);
- **Operational risks** – talent management, information technology, and business interruption; and
- **Reputational risks** – strategic alliance and compliance.

3.75 At these Committee meetings, matters requiring attention are determined and an action plan for implementation to address such issues is usually formulated and documented.

3.76 The Management Committee also prepares a report for the Board of Directors through the Asset/Liability/Risk Management sub-committee of the Board, on a quarterly basis or as required. The reports usually provide details on any issues that arise as well as any actions taken to remedy such issues.

3.77 According to the TTMF, as of September 30, 2013, 96.1% of its portfolio represented performing loans (that is arrears of payments less than one hundred and eighty (180) days). For the period up to December 31, 2012, the figure stood at 95.4%.

Structure and management of the recoveries department

3.78 It was submitted that the Collections or Recoveries Unit of the Mortgage Administration Department of Mortgage Services, reports to the Assistant General Manager, Mortgage Administration.

3.79 The Unit utilizes a system called *VQue*, which is a delinquency management system that allocates the work-flow for collections, among identified officers. The system tracks the contacts of these officers as well as any interaction with customers, thereby allowing for the monitoring of work-flow by management officers.

3.80 The Unit has a Delinquency Management Policy that handles the management of accounts in arrears. The TTMF's delinquency ratio is 4.5% of its portfolio, which according to the Caribbean Information and Credit Rating Services Limited (CariCRIS), is below the industry average.

3.81 The delinquency management strategy requires the customer to be reminded of the non- payment of his/her mortgage installment ten (10) days after it becomes due. This is usually communicated via phone call, where the details are recorded.

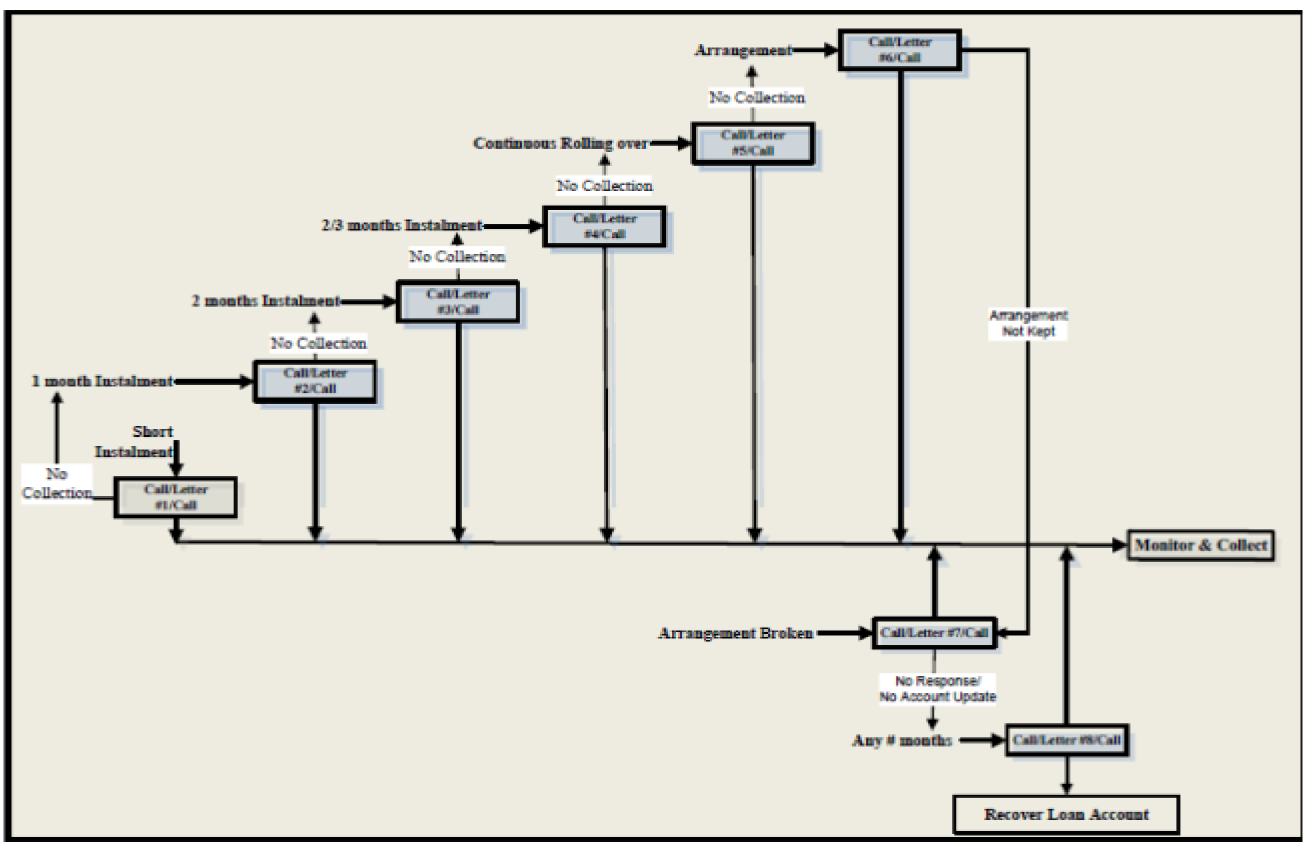
3.82 If payment is not received, the TTMF will then send as many as three (3) written correspondences advising the defaulting customer that he/she is required to communicate with the TTMF and arrange a payment plan.

3.83 If there is no attempt by the customer to arrange a payment plan after the third letter, under the prudential criteria at the end of the six months, the TTMF will then consult with its attorneys to request an order of possession from the Court. During the process of initiating the possession order, the customer is granted an additional grace period in which to seek refinancing elsewhere, or attempt to make arrangements to pay the arrears.

3.84 Actions in arrears collection management can be illustrated as follows:

<u>Diagram 1</u>

Actions in arrears collection management



Mortgage Services

3.85 In order to acquire a mortgage, five steps must first be taken. These are:

i. **Prequalification** – this entails the determination of an affordable price range for the acquisition of property. At this point, the TTMF analyses a candidate's financial information in order to calculate a price range. A pre-qualification interview is held where a candidate is assessed based on his/her age, income and existing financial commitments. The candidate is then provided with a Pre-qualification certificate that details the candidate's mortgage amount that can be afforded. This process can be administered by visiting one of the TTMF's offices or via the Company's website.

ii. In order to determine the mortgage installment, the TTMF limits it to one third (1/3) of the potential mortgagor's gross income. <u>**If the applicant has other debts, the total of the debt installment and the mortgage installment must not exceed forty (40) percent of the applicant's gross salary.**</u> Once the installment has been determined, an application form will then be filled out at any one of the TTMF's offices in the presence of a Mortgage Officer. Alternatively, the form can be filled out online and sent via email or delivered to a TTMF office. This application process is estimated to take five (5) working days.

The **mortgage application**: this involves interviews that are arranged for the submission of an application for financing. All valid, relevant documents concerning the type/purpose of the loan application (purchase of land and building, construction, land, home equity) must be presented, and the necessary fees paid.

The process outlined above usually takes up to two (2) weeks or more depending on if there are any issues concerning the land title. Once completed, a letter of offer of mortgage facilities is then issued for acceptance within one (1) work week.

The **offer of financing** – the TTMF then issues a <u>letter of offer and loan agreement</u> to all mortgage applicants, who are given a discretionary period of fourteen (14) days in which to sign and pay the relevant fees. The letter provides details on all the pertinent matters related to the loan and the loan agreement. Before signing and accepting the loan offer, persons can review the deed by contacting the assigned attorney for a draft copy. All parties to the loan agreement must sign and date all copies of the Letter of Offer as well as all other relevant documentation. Once the offer of financing is accepted, instructions are then sent to the assigned attorneys to prepare the mortgage deed and all other legal documentation.

iii. **The closing** – a date for signing the legal documents is then set by the attorneys. Persons are advised of the legal fees beforehand so that invoices can be presented at the appointment. Applicants must sign the documents in the presence of the attorney or his/her designate. All payments are receipted at this point and the disbursement of the approved mortgage funds is confirmed. In instances where the funds are exchanged for ownership of property, arrangements can be made for the physical receipt of keys at the attorney's office or on a specific date thereafter.

However, if applicants are carrying out construction or improvement works, a part of the approved funds are disbursed at the signing. The amount will usually satisfy any purchase agreement or outstanding debt, as well as deliver funds for the first phase of works.

iv. **After Closing** – at this point, statutory declarations of ownership must be filed with the relevant authorities. A 'Return of Ownership' document will be delivered by the attorney, which has to be filed with the District Revenue Office (DRO). This document demonstrates to the DRO that there has been change in the name of owners. The DRO will then assign an account for the receipt of payment of taxes (where applicable). After filing with the DRO, persons are required to register with the Water and Sewerage Authority (WASA) in order to be assigned an account, which will be used to make payments of quarterly water and/or sewerage rates.

3.86 The timeframe for the entire mortgage process detailed above is a month, although there have been instances where it took just two (2) weeks and in other cases, three (3) months.

Applications for mortgages made by persons employed on short term contracts

3.87 The TTMF assesses the eligibility of a client for future employment and not necessarily on the term of his/her contract.

Securities used to back mortgages

3.88 It was indicated that mortgages are backed by residential property. The property must be covered by Comprehensive Homeowners' insurance to the value provided for by the valuation and time of the disbursement of the loan, and by a current assessment of the replacement value of the property thereafter.

Length of time mortgages are granted

3.89 Mortgages are granted for a maximum period of thirty (30) years, or to the age of retirement (not exceeding age seventy (70)) whichever comes sooner. In addition, there is no ceiling for mortgages offered by the TTMF.

Mortgage Approval

3.90 Mortgages are approved under delegated authority based on Central Bank Guidelines for Prudential Credit Criteria and the TTMF's Mortgage Underwriting Policy. The delegated authority is as follows:

Table 11

Delegated Authority

Approval Limits	Company/Product	Loan Approval Officer
Loans up to $600,000	ALL	Manager, Mortgage

		Origination
Loans up to $1,000,000	ALL	AGM, Mortgage Origination
Loans up to $1.5 million	ALL	General Manager, Mortgage Services
Loans up to $1.999 million	ALL	Managing Director /CEO Chief Operation Officer
Loan over $2.0 million; persons in public life and politically exposed persons (any amount)	ALL	Board of Directors

Rates of Interest offered

3.91 It was indicated that 'Open market' loans carry a rate of seven percent (7%) per annum, while Approved Mortgage Company loans (AMC) carry rates based on the following schedule:

Table 12

Schedule of AMC rates

Approve mortgage company loans		
Rates	Property values	Maximum loan
5%	Up to $200,000	$190,000
5.5%	$250,001 to $300,000	$237,500
6.0%	$200,001 to $250,000	$285,000
6.5%	$300,001 to $350,000	$332,500
7.0%	$350,000 to $850,000	4765,000

3.92 Additionally, there is a two percent (2%) mortgage available through the 2% Mortgage Programme. The property must also be sourced from the HDC, THA, Caroni Lands, or the Land for the Landless Programme (LSA).

3.93 Furthermore, the TTMF offers stable interest rates. However, despite the fact that mortgage documentation provides for rates to be adjusted by the company's discretion, there have been instances in the recent past (over the last 20 years or so), where there have been movements in the rates where the rate had been adjusted downwards. Generally, downward adjustment is effected more readily than upward adjustment.

3.94 The TTMF disclosed that it determines variation in interest rates by making reviews based on movement in the cost of funding and in consultation with the Ministry of Finance and the Economy.

Granting of loans/mortgages to owners with full title to home

3.95 The TTMF grants loans/mortgages to owners who have full title/ownership to their home, otherwise referred to as a *home equity loan*. As at September 30, 2013, the portfolio was valued at $446.5 million and at December 31, 2012, it stood at $417.3 million.

Strategies for recoveries in cases of default

3.96 The TTMF indicated that it has adopted a pro-active/preventative approach to collections and debt recovery with specific emphasis on early arrears management. However, the company is fully aware that there may be certain situations/circumstances that can give rise to genuine cases of delinquency. In such cases, the TTMF stresses the adoption of necessary appropriate measures to ensure full recovery within the shortest possible time frame, at minimal cost. If for whatever reason, this cannot be achieved, the company will then take the necessary appropriate action to protect its interests.

3.97 The TTMF submitted that delinquency management first begins with the origination of the loan and applies to all types of the borrowing facilities offered. It was stressed that from the time of the origination of a facility, all mortgagors must be given assistance to fully understand their obligations concerning repayment. This is especially important in instances where there are co-borrowers or guarantors to a facility.

3.98 The efficiency and effectiveness of delinquency management relies to a great extent on:

- The early input of complete, accurate and verified mortgagor details;
- Careful posting of account transactions;
- Attentiveness in recording all contact with the mortgagor throughout the account relationship;
- Vigilant input of authorized changes in codes, dates and/or amounts that affect the operation of the loan;
- Regular arrangements for mortgagors to notify of changes in such details, followed by timely system update;
- Avoidance of errors in all forms of communication with the mortgagor; and diligence in:
    - Ensuring the correctness in the collateral documentation;
    - Securing the certified paper copies; and
    - Input of the collateral details.

3.99 The above listing has been identified by the TTMF as important to good customer service, fulfilling legislative obligations where customers are concerned, and meeting the demands of court process in providing evidence of prudential handling of its accounts.

3.100 The successful rehabilitation of a delinquent account is dependent upon the following:

- Prompt contact and consistent follow-up with the mortgagor where the monthly payment was not been received;
- Timely issuance of letters advising non-receipt of monthly payments with continuing regular follow-up for receipt of past due payments;
- Establishment of realistic payment arrangements where the situation requires, with timely monitoring to ensure mortgagor adherence to agreements;

- Concise and accurate documentation/record-keeping of all interactions with the mortgagor;
- Maintenance of complete, accurate and up-to-date customer and account details; and
- Consistent follow-up of advancing delinquency via issuance of formal arrears letters with clear documentation and aggressive monitoring of any commitments made by the mortgagor and/or prompt escalation to the recovery effort, that is, to mortgagee foreclosure/sale, where there is persistent breach of the mortgage contract.

Impact of the Mortgage Reference Rate (MMRR) on the TTMF's business model

3.101 The TTMF is not included among the financial institutions governed by the implementation of the MMRR. According to the Central Bank, this is as a result of the fact that the TTMF's funding arrangements do not provide for the development of a pricing mechanism on the same basis as that of the commercial banks.

3.102 Moreover, in a time of reducing interest rates due to high liquidity in the system, TTMF's pricing is relatively higher than that offered by the commercial banks. **As a result, TTMF had to change its approach to competitive advantage to emphasize the stability of its interest rates, the ability to pre-pay or pay lump sum payments at any time without penalty, as well as advertise the fact that mortgage indemnity insurance is not required on its facilities.** The TTMF therefore **does not compete in the area of pricing** but in the other areas in which it has a competitive advantage.

3.103 TTMF's interest rates, prior to the removal of the regulations under the Housing Act, were approved by the Minister of Housing based on the company's recommendations. However, of late, the company's adjustment to its pricing/interest rates has been determined based on evaluation of its overall cost of funds, plus a margin to cover administration and provision for loan losses.

Performance on the Mortgage Market

3.104 According to its submission, the TTMF competes on the Mortgage Market on the basis of those aspects of its product that gives it a competitive advantage, specifically:

- Stable interest rates;
- Up to 100% financing;
- Pre-payment and lump-sum payments at any time without penalty;
- No mortgage indemnity insurance; and
- Relatively low closing costs.

3.105 The features provided above, in tandem with an active market outreach, grant the TTMF a competitive position in the market. Furthermore, the TTMF has been regarded as the lender of choice for ventures such as HDC, LSA and THA. The organization also strives to maintain relationships with each, to ensure that they are afforded the necessary required financing.

Public awareness of TTMF's services

3.106 According to the TTMF, the public is aware of its services, however it is more popularly known for providing financing for first-time home owners, as well as HDC, LSA and THA projects and not for equity financing and borrowing to any limit.

3.107 In its normal course of business, the TTMF does not interact with the Commissioner of State Lands. Any instances of failure to receive consent must be handled by the customer.

Methodology for the selection and retention of external advisors (Attorneys, valuators, insurance etc.)

3.108 The TTMF's methodology for selecting and retaining external advisors is based on the following:

- Letter of request from the supplier to provide services to TTMF's customers by inclusion in its Panel of Suppliers;
- Provision of résumé of all partners/significant players of the firm;
- Membership in the relevant professional association with registration as appropriate;
- Professional indemnity insurance of at least $1,000,000 to be applied retroactively if necessary; and
- Adherence to TTMF's performance and service standards.

3.109 All professional suppliers must meet the requirements listed above in order to do business with the TTMF. Any breaches in the requirements would result in cessation of referral of business.

3.110 The methodology for the selection and retention of advisors regarding insurance (Group Homeowners' Comprehensive Insurance) follows different criteria which begin with the requests for proposals being sent to insurance brokers. These brokers must then meet the following requirements:

- Adherence to all Central Bank and other statutory reporting;
- Three (3) years audited financial statements; and
- Profile of the principals of the firm/company.

3.111 Once proposals are received, they are evaluated by an Insurance Consultant who will then make recommendations to the Board of Directors.

3.112 All costs incurred as a result of utilizing external advisors are to be borne by the customer and not the TTMF.

General administrative cost per mortgage

3.113 The general administrative cost of a TTMF mortgage is four thousand, one hundred and five ($4,105) dollars, a figure which is obtained by dividing the total general administration expenses by the number of mortgages.

3.114 It was stated that it will be difficult to determine the general administrative cost of the TTMF's competitors' mortgages as there may not be any published financials that will provide such information. Additionally, the TTMF's competitors also conduct other business transactions not mortgage related. As a result, no distinction can be made between the mortgage product and their other products. However, the TTMF officials are of the belief that the general administrative cost of their mortgage is relatively high.

3.115 The table below depicts the general administrative cost per mortgage.

Table 13

General administrative cost per mortgage

	Audited Dec. 31, 2012	Audited December 31, 2011	Audited December 31, 2012
Total non-interest expenses (excluding loan loss) ($000)	44,194	37,639	34,649
# of mortgages	10,765	10,611	10,418
Non-interest expense per mortgage	$4,105	$3,547	$3,326

3.116 The costs associated with mortgages and mortgage-related services are detailed in the TTMF's Schedule of Fees, attached at Appendix IV.

Monitoring of services

3.117 The TTMF indicated that it has a customer feedback policy, which has been documented and shared with its entire staff. The policy requires that all customer feedback (positive or negative) be documented/recorded.

3.118 In instances of negative feedback, the customer will usually be contacted within three (3) days, and given the assurance that an investigation will be undertaken, and a response provided within ten (10) days. If the organization cannot respond within the stipulated timeframe, the customer will be contacted, and the TTMF will seek an extension, providing the customer with reasons for the incompletion of the investigation.

3.119 Alternatively, customers can provide feedback via Facebook and email. Additionally, the company's 2014 Business Plan proposes the development of a more interactive strategy for handling customer complaints by utilizing the services of a marketing professional.

Subsidy for sub-prime Mortgages

3.120 According to the definition provided by the TTMF (taken from Investopedia), a sub-prime mortgage is a:

"type of mortgage that is normally made out to borrowers with lower credit ratings. Conventional mortgages are not usually offered to borrowers with low credit ratings because the lender perceives the borrower as having a larger than average risk of defaulting on the loan. Lending institutions usually charge interest on sub-prime mortgages at a rate higher than a conventional mortgage in order to compensate themselves for taking on more risk."

3.121 Sub-prime mortgages are not offered by the TTMF. All loans are required to meet the Central Bank's guidelines for Prudential Credit Criteria. However, the only subsidized mortgage programme is the 2% mortgage which is utilized for affordable housing. It is subsidized because the interest rate required does not meet the TTMF's standard interest rates based on its cost of funds. The subsidy for this mortgage is paid by the Government of Trinidad and Tobago.

3.122 The following is the criteria for a 2% mortgage:

- Family income must not exceed TT$8K;

- Property value must not exceed TT$450K;
- Property must be sourced from HDC, LSA, THA, and Caroni Lands;
- Maximum term 25 years;
- 100% financing is allowed; and
- TT$15K may be added to the amount of the loan to cover appliances.

3.123 It was indicated that at September 30, 2013, the 2% mortgage programme totaled $190.5Mn and was 5.74% of the total mortgage portfolio. Additionally, it was disclosed that the subsidy on the 2% programme is computed at "(TTMF marginal cost of funds – 2%) + 1.5% of the balance of such loans.

Incremental reduction in the size of Government's subsidy

3.124 According to the TTMF, an incremental reduction in the size of the Government's subsidy is not feasible at this time, since the Government intends to expand the programme from developments of HDC, LSA, THA and Caroni Lands, to the open market to include all developments that may qualify.

Involvement in the Land for the Landless Programme

3.125 As earlier indicated, the TTMF usually collaborates with the Land and Settlement Agency (LSA) regarding the LSA programme. The LSA will identify the recipients of land, who will then be sent to the TTMF for pre-qualification. Based on the pre-qualification, the LSA will then allocate lands.

3.126 The LSA programme is a relatively new initiative with an initial allocation of five hundred (500) persons. These persons were pre-qualified for varying amounts of mortgages by the TTMF. However, they are awaiting land allocations by the LSA before returning to the TTMF to apply for a mortgage. To date, the TTMF has, therefore, not received any applications for mortgages under this programme.

Deferred tax

3.127 Prior to 2005, the TTMF defined its status as tax exempt as opposed to a carrier of a tax exempted product. In 2005, however, this was reviewed and with the assistance of its auditors and tax consultants, the status of the TTMF was re-classified as a taxable entity carrying tax-exempt income.

Geographical distribution of mortgage applicants

3.128 It was submitted that there is a geographical concentration of applicants located along the East-West corridor. There has also been a growth of applicants in the Central region of Trinidad.

Customer base

3.129 Public servants accounted for the majority of the TTMF's approved mortgage company (AMC) business, representing thirty-three (33) percent of their portfolio. These public servants received monthly incomes and made regular payments to the TTMF via salary deductions.

3.130 Since there has been an expansion of the company's portfolio onto the open market category, the TTMF now competes with other financial institutions.

Support provided in identifying a home/property

3.131 The TTMF indicated that it would normally advise persons looking for homes, not to restrict themselves to a particular location as this may limit affordability. The organization also encourage clients to select a home based not only on factors such as immediate occupation, but also on its potential for purchase and transformation into their desired home.

3.132 In addition to the options outlined above, the TTMF also recommends the "granny suite", which it has financed in the past for young professionals who assumed responsibility for their parents' mortgage.

3.133 The "granny suite" is really the construction of an annex to the main house, which will be occupied by the parents, who are assumed to require less living space than a younger person, leaving the main house to be inhabited by the younger person. The annex is however, subject to the appropriate Town and Country Planning approvals. Within the last ten (10) years, the organization has had between eighteen (18) to twenty (20) applications for this type of mortgage.

3.134 The TTMF has established a product called 'Stage Financing', where it enters into a tripartite arrangement with a developer and a prospective mortgagor. In this situation, the mortgagor takes a construction loan and the financing is delivered directly to the developer via the TTMF.

Property owned and rented by the TTMF

3.135 It was disclosed that the TTMF owns properties located on Dundonald Street, Port of Spain and Jerningham Court, Tobago. The organization also owns a residence at No. 6 St. Andrews Terrace, Fairways, where the Managing Director is housed.

3.136 The organization also rents office space in Arima, San Fernando and Chaguanas for an estimated annual cost of eight hundred thousand (800,000) dollars.

Relationship between the TTMF and Caroni (1975) Limited

3.137 The relationship between the TTMF and Caroni (1975) Ltd. stems from the fact that Caroni lands qualify for the 2% mortgage programme. However, the allocation of lands by Caroni (1975) Limited took an extended period of time. The recipients were therefore unable to access mortgages from the programmes immediately.

3.138 The TTMF further indicated that it had only just recently started accepting mortgage applications for the Caroni Lands as a result of the late allocation of the lands.

The merger of the TTMF and the Home Mortgage Bank (HMB)

3.139 By letter dated April 18, 2013, both the TTMF and the HMB issued a joint request for proposals to appoint a transaction advisor to lead the process in the establishment of the merger and the IPO. A transaction advisory committee was appointed by the Government to adjudicate on the proposals and make recommendations on the appointment of a transaction advisor.

3.140 PricewaterhouseCoopers (PwC), was appointed transaction advisor by confirmation of engagement dated September 25, 2013. PwC's task in the first instance was to determine the feasibility of the merger. By a report dated January 06, 2014, PwC recommended that the two (2) entities merge under a holding company, whereby the TTMF and the HMB would remain whole but be wholly owned subsidiaries of a company called the **Trinidad and Tobago Mortgage Bank.**

3.141 The need for this merger arose as a result of the funding constraints of the TTMF on one hand, and the HMB's challenges of garnering new business on the other.

3.142 The TTMF indicated that it was not in a position to determine the timing of the merger, as it must await PwC's report, and advice from the Ministry of Finance and the Economy as to the outcome of Phase I.

Potential impact of the merger

3.143 TTMF and HMB compete for mortgage business. However, the core competencies of the entities complement each other as the TTMF's is in lending and HMB's is in capital market activities. It is expected that the merger will allow interaction and cooperation in these two areas, as well as remove the duplication in the mandate(s) of both entities. This will lead to the availability of more sustainable funding mechanisms for the TTMF through the HMB, and will provide added shareholder value, as well as execute the Government's Housing Policy.

3.144 With respect to the progress made in the issuing of the IPO, the Committee was informed that the company was awaiting the report from PwC as well as advice from the Ministry of Finance and the Economy with regards to the outcome of Phase I before there can be any determination of the IPO.

Factors hindering the finalization of the merger

3.145 It was reported that the primary factor that may hinder the finalization of the merger was the completion/submission of the Transaction Advisor's report on Phase I of the project, as this will determine the timing of the merger.

Percentage of business from the HMB

3.146 According to the submission, the TTMF does not acquire business from the HMB. It however, manages/administers mortgage portfolios on behalf of the HMB for a fee. As at September 30, 2013, the value of the administered portfolio is TT$201.1M, and fee income for the year to date (nine months) is TT$1.6M.

Relationship with the TTMF and the HDC

3.147 The TTMF is the HDC's primary provider of mortgage financing to recipients of homes in HDC developments. The HDC and the TTMF have therefore developed a strategic alliance as it concerns the execution of the Government's Housing Policy.

3.148 Despite being the primary provider of mortgage financing, the TTMF however, is not the only mortgage company associated with the HDC, as HDC clients are free to seek their mortgage financing at any commercial bank or mortgage institution of their choice.

3.149 As at September 30, 2013, 5.25% (TT$174M) of TTMF's mortgage business represents HDC properties.

3.150 Of the 2,373 HDC properties financed as at September 30, 2013, 1,036 (43.7%) accessed the 2% programme.

Relationship between the TTMF and the THA

3.151 The relationship between the TTMF and the THA stems from the fact that the majority of the properties developed by the THA are financed by the TTMF. THA properties also qualify for the 2% programme as well. THA mortgages account for 6.71% (TT$205.6M) of the total mortgage portfolio.

4. FINDINGS AND RECOMMENDATIONS

The Committee considered the oral and written evidence received against the established objectives of the inquiry and submits the following findings and recommendations:

OBJECTIVE 1

To understand the role played by this organization in providing mechanisms through which citizens can obtain adequate and affordable housing.

4.1 Through an examination of the role and functions of the TTMF, we were able to acquire a greater appreciation of the work of the organization in providing various mechanisms, through which citizens can obtain adequate and affordable housing. We noted that this affordability is made possible through the 2% mortgage programme and the approved mortgage company (AMC) programme.

4.2 We were quite pleased to learn that the 2% mortgage programme is subsidized by the Government, granting lower income families the opportunity to access mortgage facilities, which otherwise may not have been possible. However, we found it odd that there have been only enquiries about the programme and no applications.

4.3 Moreover, the Committee took into consideration the fact that the company does not compete on the basis of price, since its interest rate is higher than the industry average. Rather, TTMF seeks to establish a competitive advantage by marketing the other features of its products such as; a stable interest rate environment; a relatively quick and hassle free mortgage process; established guidelines for arrears and delinquency; willingness to be flexible concerning the option of refinancing.

4.4 Given the price of the company's products relative to competitors, we concluded that it cannot be said that TTMF is the best option for affordable financing of housing in the market. However, the company's status in the mortgage market is more evident as it concerns the other features of its products.

4.5 With respect to the distribution of its customer base, the company indicated that there was a geographical concentration of applicants from the East-West Corridor region, with an increase in applicants coming from the Central region.

4.6 The Committee concurs with the TTMF, that it can indeed acquire additional applicants outside of the concentrated region of the East-West Corridor. The Committee therefore encourages the TTMF to pursue this possible expansion in its market.

RECOMMENDATION

We recommend that the TTMF explore other avenues of financing in order to provide customers, especially the low-income customers, a wider range of options.[11] Consideration should be given to:

a. Offering a special facility for low and very low-income customers living in rural areas, by providing financing to farmers, the elderly and the disabled. This facility can also be used to access financing for home renovation or repair.

b. Having an energy efficient mortgage programme that can help customers save money on utility bills by helping them finance the cost of adding energy efficient features to new or existing homes as part of their mortgage insured home purchase or refinancing mortgage. It will provide mortgage insurance for customers to purchase or refinance a principal residence and incorporate the cost of the energy efficient changes into the mortgage.

[11] Home Loan Learning Centre. Special programs for home buyers. http://www.homeloanlearningcenter.com/consumerhelpdesk/specialprogramsforhomebuyers.htm

OBJECTIVE 2

To identify the securitization model in place at the TTMF and the type of structure of securities invested by them.

4.7 The Committee observed that the TTMF's securitization model is based on the use of residential property as collateral (residential mortgage backed securities-RMBSs). This was found to be satisfactory as this type of securitization generally offers a yield advantage over other comparable-quality fixed income securities. The investment advantage of RMBS is high credit quality, attractive current yields, monthly income and a variety of estimated maturities.[12] It was also noted that the organization made use of investment securities to secure mortgage portfolio.

4.8 The Committee took note of the fact that the TTMF invested in securities such as the HDC fixed rate 8.5% bond, which secured the company's credit facilities with Republic Bank and CitiBank, the NIPDEC 6.5% bond, and the First Caribbean International Bank, of which the last two were used to secure the TT$100M bond held with First Caribbean Bank.

4.9 It was interesting to note that for the periods 2011 to 2013, the three (3) securities had very similar maturities indicating a stable growth environment.

4.10 The Committee was pleased to note the flexibility of the TTMF, in its willingness to accept guarantees or cash and residential property as security for mortgage facilities.

[12] Mortgage Backed Securities – A Primer. Pgs. 3-4. http://www.blackrock.com/fp/documents/MBS.pdf

OBJECTIVE 3

To determine whether the TTMF's organizational and staff structure are adequate to fulfil their role.

4.11 The TTMF is a subsidiary of the Government-controlled NIBTT, which has a 51% shareholding in the organization and is therefore controlled indirectly by the Government. The other shareholder is the Government itself, accounting for a 49% shareholding in the organization.

4.12 The Company's organizational structure is in keeping with what is generally found in the financial sector. As would be expected, the core areas of business are managed by specialists in the respective areas. It was noted that in addition to the Managing Director, the company's management team comprised various specialized divisions headed in some instances by a General Manager, an Assistant General Manager, Senior Manager or Manager. This structure allows for proper delegation of functions also maintaining clears lines of responsibility.

4.13 The company's one hundred and forty-three (143) employees appear to be adequate to meet the demands of its operations as there was no indication in the evidence received that the current quantity of staff was insufficient. In fact, we noted that in 2004, five (5) senior officers were voluntarily separated through a redundancy programme.

4.14 We noted that the issue of compensation was a major challenge for the company and led to associated difficulties with the attraction and retention of suitable staff.

4.15 In examining the company's staff incentive programmes, we observed that no mention was made of an Employee Assistance Programme (EAP) or a Health and Wellness Programme. We thrust that these programmes are present with the company as they are have the potential of positively impacting the mental and physical wellbeing of employees.

4.16 Despite the relatively unattractive compensation regime, we noted the fact that the majority of the workers are members of the Bank and General Workers' Union. We recognize that operating in such an environment will have innate challenges. Therefore, it would be assumed that the union would be constantly seeking to enhance the remuneration packages of workers through negotiating with management. We noted with concern the fact that negotiations for the period 2009 – 2012 had broken down. We trust that the points of dispute/contention would be settled before 2015. The interim payment of 8% to staff was considered a reasonable interim offer.

RECOMMENDATION

I. We recommend that the TTMF's Board of Directors, Management Team and relevant officials from the Ministry of Housing and Urban Development hold discussions regarding the competitiveness of the company's compensation regime relative to other entities in the financial sector. This may require the acquisition of comparative data on compensation amongst entities in the local and regional financial sectors.

II. We also recommend that the TTMF increase its developmental strategies to include international training in programmes such as Portfolio Management: Operational Risk Management, Financial Institution Supervision and Management of Administrative and Financial Services.[13]

III. If not already established, we suggest the establishment of an EAP and a Health and Wellness Programme for members of staff.

[13] Specialized Programmes offered by the Federal Reserve Bank of New York. http://www.ny.frb.org/banking/trainingprograms.html

OBJECTIVE 4

To gain a greater understanding of the services offered by the Company and to determine whether they are being effectively delivered.

4.17 The TTMF offers a variety of products and services inclusive of the 2% mortgage programme and the AMC programme. Apart from the obvious conclusions that may have been drawn, the information received provided the committee with some more insight into the features of the company's products/services.

4.18 The average member of the public may not be aware that in addition to its open market, and HDC administered portfolio, the TTMF expanded its products and services to include financing for home improvement, education expenses, consolidation of debt as compared to new property purchases, and providing financing using residential property as security. We were pleased that the company has attempted to diversify its business activities. It suggests that the management of the company understands the need to be innovative and competitive in an industry of this nature.

4.19 We were encouraged by the company's outreach programmes such as the "We make House Calls Campaign" and the "Fixed at Six Campaign". These programmes not only demonstrate the TTMF's creativity and innovation, but also a degree of proactiveness.

4.20 It was interesting to learn that the company holds 21.5% share of the mortgage market in Trinidad and Tobago. Based on this, the Committee is of the firm view that despite its challenges, the TTMF is quite effective and efficient in the delivery of its services as evidenced by its balance sheet that showed a steady increase in the net assets of the company for the years 2004 – 2013.

4.21 The Committee also took note that one of the advantages of entering into a mortgage sale agreement with the TTMF is its competitive interest rates. It was clear that the company has sought to acquire a competitive advantage over its competitors by marketing the stability of its interest rate as well as its zero penalty policy for pre-payments or lump sum payments.

4.22 We were also encouraged by the approach that has been adopted by the company in the area of customer feedback and the procedures in place to deal with handling negative feedback. Additionally, the Committee was satisfied with the alternative options of submitting feedback via email and Facebook. Keeping customers updated at required intervals and providing additional channels by which customer feedback can be provided are definitely sound approaches for conducting operations in this industry.

4.23 We found it commendable that the TTMF provides support to clients in identifying homes/properties, as well as additional realistic housing options such as the "granny suite" and "stage financing". Through our inquiry into the Housing Development Corporation, we acquired a greater understanding of the high demand that currently exist for housing and the significant short fall in the construction of same. As such, we were quite pleased to learn that the TTMF has embraced the concept of alternative housing solutions and has been financing alternative housing options.

4.24 We were also pleased to note that the company's risk management framework is administered by an Enterprise Risk Management Committee which is comprised of a number of experienced senior management officials. Furthermore, we were satisfied with the company's pro-active/preventative approach to the collection of debt.

RECOMMENDATIONS

I. We recommend that the TTMF conduct an assessment of the impact of its outreach programmes such as "We make house calls" and "Fixed at six" to determine whether other marketing initiatives of this nature should be implemented at this junction in order to educate more persons about its

products and services, and so target a wider customer base. Future marketing campaigns should seek to inform the public that the company is not solely involved in providing financing for low-income earners and first time home owners. Perhaps the company should develop a marketing strategy that effectively promotes all of its products and services.

II. We recommend that the TTMF undertake frequent audits and review of its services so that the organization can make improvements where necessary.

<u>OBJECTIVE 5</u>

To inquire into the financial operations/position of the Company, with particular reference to:

- **a. The profits/loss attained/incurred over the last 5 years;**
- **b. The company's debt to income ratio;**
- **c. Liabilities;**
- **d. Details on the subsidy for sub-prime mortgages;**
- **e. The value of outstanding mortgage payments; and**
- **f. The number of mortgages negotiated and completed over the past 10 years.**

Profits/loss

4.25 The Committee observed that the profits attained over the last five years have steadily increased with declines occurring in two years, 2008 and 2012. The declines appeared to be marginal, and the Committee noted that the decline in 2008 was as a result of external factors beyond the control of the TTMF. This was also the case for the decline in 2012, where there was a decrease in lending rates by 1%.

4.26 We acknowledged the fact that in 2005, the TTMF was re-classified as a taxable entity carrying tax-exempt income.

Debt to income ratio

4.27 Information received in this regard for the period 2004 to 2013 suggested that this ratio remain relatively stable as the company's debt portfolio is comprised of medium to long term debts.

Subsidy for sub-prime mortgages

4.28 The Committee found it interesting to note that the 2% mortgage programme is subsidized because the interest rate required does not meet the TTMF's standard interest rates based on its cost of funds. Also noteworthy was the fact that the 2% programme cannot be considered a sub-prime mortgage since it does not qualify as one under the terms of the definition of a sub-prime mortgage.

Value of outstanding mortgage payments

4.29 We did not acquire statistical evidence regarding the actual value of mortgages issued by the company, however, we did note that as at September 30, 2013, 96.1% of TTMF's loans were performing loans. We were also pleased to be informed that the company's 4.5% delinquency ratio was below the industry standard that is generally accepted to be 5 %. It suggests that the company's customer service and debt recovery arrangements are robust and adopts certain strategies for avoiding client delinquency.

4.30 Information concerning the number of mortgages completed and negotiated over the last ten years was also not supplied. The Committee was therefore unable to make any findings on this matter.

4.31 The annual auditing of the TTMF's accounts was found to be satisfactory, and the Committee commends the organization for having its financial statements readily available online and at its offices, as well as in the national newspapers (the audited financials and half-year management financial statements

OBJECTIVE 6

To acquire greater insight into the feasibility of the Government's plans to expand the 2% mortgage programme *"to all citizens with access to residential service lots whose incomes do not exceed $8,000 per month and the value of whose property does not exceed $450,000",* as well as to identify the steps the TTMF is taking to prepare for the implementation of the "Land for the Landless Programme".

4.32 The Committee noted that the limit of the property value of the 2% mortgage programme has been increased to six hundred and twenty five thousand (625, 000) dollars and proposals to increase the limit of the person's income to eight thousand (8 000) dollars in one instance and to ten thousand (10 000) in another were made to the Ministry of Finance and the Economy. We found merit in the proposal to increase this limit, since we are aware that middle income earners who earn over $10,000 on a monthly basis may not qualify for traditional mortgages on the market. Therefore, this intervention by the state is quite timely given the acute housing shortage that currently prevails.

4.33 The Committee found the Government's plans to expand the 2% mortgage programme to the open market a commendable initiative as it would make affordable housing more available to persons from a lower income range.

4.34 Despite the optimism and willingness expressed by the TTMF to handle any issues that may happen to arise with the implementation of the expansion, the Committee is more cautious, as it foresees that there might be a need to have additional resources (Human and financial) to meet the needs of the expansion.

4.35 We observed that in relation to the LSA, the TTMF plays a facilitative role; As recipients of land are identified by LSA they are then sent to the TTMF for pre-qualification.

4.36 The Committee further noted that the TTMF had not yet received any applications for mortgages under this programme and questioned why. The Committee however, found it commendable that the TTMF embarked upon an education drive regarding the expansion of the 2% programme.

RECOMMENDATIONS

I. We recommend that the TTMF undertake an impact assessment of the projected expansion of the 2% mortgage programme in order to determine the additional resources that will be required, potential drawbacks as well as possible contingency plans that can be operationalized if necessary.

II. We also expect that the company will acquire feedback from the Ministry of Finance and the Economy regarding its proposal to increase the monthly household income limit of the 2% mortgage programme.

OBJECTIVE 7

To understand clearly the relationship between the TTMF and the other state entities that offer services in the area of land and housing, in particular HDC, Caroni Limited, NIB, EMBDC, and the THA.

4.37 The Committee found it interesting to note that the TTMF is the HDC's primary provider of mortgage financing to persons who are recipients of HDC homes; However, this was not a compulsory arrangement since clients may seek mortgage financing at any commercial bank or mortgage provider. This is demonstrated by the fact that 5.25% of the TTMF's mortgage business is attributed to HDC properties.

4.38 The Committee was unable to make any informed inferences regarding the relationship between the TTMF and Caroni (1975) Ltd., as the interactions between the two have only just begun. However, it was instructive to note that the TTMF accepts mortgage applications for the Caroni lands, which coincidently, qualify for the 2% mortgage programme.

4.39 As a subsidiary of NIBTT, we were not surprised to learn that in determining its approach to long term profit management, the company's shareholder structure requires that it balance the needs of the NIB in order to get real returns on its investment for contribution to the national insurance fund.

4.40 As with the other state enterprises that offer services in the area of land and housing, the THA's relationship with the TTMF is no different. The TTMF finances the majority of the THA developed properties, which also qualify for the 2% mortgage programme.

4.41 TTMF appears to be the primary provider of mortgage financing for state entities that offer services in the area of land and housing. Therefore, we recognized the strategic role the TTMF plays in the provision of "affordable" mortgage financing in Trinidad and Tobago.

RECOMMENDATION

We recommend that the TTMF work closely with the HDC to encourage more persons receiving HDC homes to access the 2% mortgage programme as well as to use the services of the TTMF.

<u>OBJECTIVE 8</u>

To determine the status of the intended merger between the TTMF and the HMB, and the status of the IPO to establish the Trinidad and Tobago Mortgage Bank

4.42 The Committee acknowledged that the TTMF and the HMB both offer basically the same products and services, however the TTMF has core competency in the area of lending, whereas the HMB's is in capital market activities. The Committee therefore found it a feasible proposal to merge the two as they would both benefit from each other's core competencies.

4.43 We also believe that this merger would result in the unification of resources and the removal of duplication of mandates in respect of both companies. The Committee is however concerned about the job security of employees of both organizations as there was no information provided to explain what impact the merger will have on the staff structure.

4.44 We were also informed that as at March 2014, no update had been received regarding the IPO as the TTMF was still awaiting the PwC's report and advice from the Ministry of Finance and the Economy regarding the outcome of Phase I of the merger feasibility study.

RECOMMENDATIONS

I. We recommend that in the Ministerial response to this report, that the Minister of Finance and the Economy provide the Parliament with an update on the status of the merger between the TTMF and the HMB.

II. In the absence of knowledge regarding the terms of reference of the Transition Advisory report, we expect that the TTMF and the HMB will collaborate to assess and determine the impact the merger will have on their respective establishments. This assessment should include proposals for addressing the adverse consequences of the merger.

OTHER FINDINGS AND RECOMMENDATIONS

Mortgage Services

4.45 The Committee noted that the success of the recoveries depends on the customer service of the TTMF's employees and their ability to record accurate information.

4.46 It was interesting to learn that the TTMF is not governed by the MMR due to the fact that its funding arrangements do not provide for the development of a pricing mechanism on the same basis as that of commercial banks.

Selection of Service Provides

4.47 It was observed that the TTMF applies a strict methodology with high standards for the selection and retention of external advisors. The Committee was quite pleased with this as it suggests that the TTMF ensures that clients receive the sound support possible from reputable persons/firms.

Customer Base

4.48 We noted with interest but were not surprised that that the majority of the TTMF's AMC clients were civil servants who had relatively stable jobs and incomes, and were thus able to make regular payments to the TTMF.

RECOMMENDATION

We recommend that the TTMF review its marketing strategy with a view to determining whether it has effectively marketed its product to clients from the private sector, given that there are numerous private individuals who may qualify for financing and have stable employment.

Support provided in identifying a home/property

4.49 We endorsed the company's promotion of alternative housing options such as the "Granny Suite" and "Stage Financing" and were pleased that the company was exploring innovative and creative ways of diversifying its business, particularly in light of the acute shortage in the supply of houses in Trinidad and Tobago.

RECOMMENDATION

We recommend that the TTMF, in conjunction with the HDC, the Ministry of Housing and Urban Development and the other stakeholders in the Housing and Real Estate Sector hold discussions and public consultations regarding the matter of alternative housing options in Trinidad and Tobago. The terms of reference of these consultations should include:

i. **The development of a housing incentive programme;**
ii. **A market assessment of the cost of renting residential property;**
iii. **The feasibility of increasing the construction of more multi-storey housing complexes;**
iv. **Options for the financing of all alternative housing options;**
v. **The establishment of a non-government appeal board to serve the interests of both landlords and tenants using the offices of an organization such as the Association of Real Estate Agents (AREA)**

The Committee respectfully submits the foregoing for the consideration of the Parliament.

Mr. Elton Prescott, SC **Chairman**	Dr. Dhanayshar Mahabir **Vice-Chairman**
Mrs. Carolyn Seepersad Bachan, MP **Member**	Mrs. Christine Newallo-Hosein **Member**
Mr. Ganga Singh **Member**	Dr. Delmon Baker, MP **Member**
Mr. Jairam Seemungal, MP **Member**	Ms. Stacy Roopnarine, MP **Member**
Mr. Gerald Hadeed **Member**	Dr. Amery Browne, MP **Member**
Mrs. Patricia Mc Intosh, MP **Member**	Mr. Faris Al-Rawi **Member**

March 06, 2015

APPENDIX I

ENTITIES FALLING UNDER THE COMMITTEE'S PURVIEW

List of Ministries, Statutory Authorities and State Enterprises that fall under the purview of this Committee:

1. ARTS AND MULTICULTURALISM

Carnival Institute
Naparima Bowl
National Academy for the Performing Arts (NAPA)
National Carnival Commission of Trinidad and Tobago
National Cultural Commission
National Theatre Arts Company
Queen's Hall Board
Trinidad and Tobago National Steel Symphony Orchestra

2. ATTORNEY GENERAL

The Law Reform Commission
Environmental Commission
Industrial Court
Council of Legal Education
Hugh Wooding Law School
Anti-Corruption Investigation Bureau
Equal Opportunity Commission
Equal Opportunity Tribunal
Tax Appeal Board
Central Authority
International Law and Human Rights Unit

3. COMMUNITY DEVELOPMENT

National Association of Village and Community Councils
Village Councils
Export Centres Company Limited

4. EDUCATION

Local School Boards
National Commission for UNESCO
Education Facilities Company Limited
National Schools Dietary Services Limited
National Library and Information System Authority (NALIS)

5. ENERGY AND ENERGY AFFAIRS

Lake Asphalt of Trinidad and Tobago (1978) Limited
National Gas Company of Trinidad and Tobago Limited
National Quarries Company Limited
Petroleum Company of Trinidad and Tobago Limited (PETROTRIN)

Trinidad and Tobago National Petroleum Marketing Company Limited (NP)
Alutech Limited
La Brea Industrial Development Corporation
National Agro Chemicals Limited
National Energy Corporation of Trinidad and Tobago Limited
NATPET Investment Company Limited
NATSTAR Manufacturing Company Limited
NGC NGL Company Limited
NGC Trinidad and Tobago LNG Limited
Phoenix Park Gas Processors Limited
Powergen
Trinidad and Tobago LNG Limited
Trinidad and Tobago Marine Petroleum Company Limited
Trinidad Nitrogen Company Limited
Trinidad Northern Areas Limited
TRINMAR Limited
TRINTOC Services Limited

6. ENVIRONMENT AND WATER RESOURCES

Institute of Marine Affairs (IMA)
The Environmental Management Agency
The Green Fund Advisory Committee
Water and Sewerage Authority (WASA)
Water Resources Agency

7. FINANCE AND THE ECONOMY

Central Tenders Board
National Insurance Appeals Tribunal
National Insurance Board
National Insurance Property Development Company Limited (NIPDEC)
National Lotteries Control Board (NLCB)
Trinidad and Tobago Civil Aviation Authority
Trinidad and Tobago Unit Trust Corporation
Corporation Sole
Divestments
Investments
BWIA West Indies Airways Limited (New BWIA)
Caribbean Airlines Limited
First Citizens Holdings Company Limited
National Enterprises Limited (NEL)
Rum Distillers Limited
The Sugar Manufacturing Company Limited
Trinidad and Tobago Forest Products Company Limited (TANTEAK)
Taurus Services Limited
Caribbean Investment Corporation
Tourism and Industrial Development Company (TIDCO)
Trinidad and Tobago (BWIA International) Airways Corporation (Old BWIA)
Trinidad and Tobago Development Finance Limited
Caribbean Development Network Limited
Caribbean Microfinance Limited

Colonial Life Insurance Company Limited (CLICO)
First Citizens Bank Limited (FCB)
First Citizens Mortgage & Trust Company Limited
First Citizens Investment Services Limited
Trinidad and Tobago Mortgage Agency Company Limited

8. FOOD PRODUCTION

Agricultural Society of Trinidad and Tobago
Caribbean Agricultural Research and Development Institute (CARDI)
Cocoa and Coffee Industry Board
Livestock and Livestock Products Board
National Agricultural Marketing and Development Corporation (NAMDEVCO)
Agricultural Development Bank (ADB)
Caribbean Food Corporation
Sea Food Industry Limited

9. FOREIGN AFFAIRS

Nil

10. GENDER, YOUTH AND CHILD DEVELOPMENT

Adoption Board
Children's Authority

11. HEALTH

Boards regulating the Practice of Medicine and Related Professions
Children's LIFE Fund Board of Management
Eastern Regional Health Authority
North Central Regional Health Authority
North West Regional Health Authority
South West Regional Health Authority
Dental Council of Trinidad and Tobago
Drug Advisory Committee
Emergency Medical Personnel Council of Trinidad and Tobago
Food Advisory Committee
Medical Council of Trinidad and Tobago
National Emergency Ambulance Service Authority
Nurses and Midwives Council of Trinidad and Tobago
Pesticides and Toxic Chemicals Board
Pharmacy Council of Trinidad and Tobago
Opticians Council of Trinidad and Tobago
Princess Elizabeth Home for Handicapped Children

12. HOUSING AND URBAN DEVELOPMENT

Sugar Industry Labour Welfare Committee
Rent Assessment Board
Caroni 1975
Community-based Environmental Protection and Enhancement Company Limited (CEPEP)

Estate Management Business Development Company Limited (EMBD)
Housing Development Corporation (HDC)
Urban Development Corporation of Trinidad and Tobago Limited (UdecoTT)
Trinidad and Tobago Mortgage Finance Company Limited (TTMF)

13. JUSTICE

Nil

14. LABOUR AND SMALL AND MICRO ENTERPRISE DEVELOPMENT

Boilers Examiners Board
Minimum Wages Board
Registration, Recognition and Certification Board
Friendly Societies
Cipriani College of Labour and Co-operative Studies
National Entrepreneurship Development Company Limited (NEDCO)
National Productivity Council
Occupational Safety and Health Authority

15. LAND AND MARINE RESOURCES

Land Settlement Agency (LSA)

16. LEGAL AFFAIRS

Law Revision Commission (LRC)
Legal Aid and Advisory Authority (LAAA)
Police Complaints Authority (PCA)
Sentencing Commission
Criminal Injuries Compensation Board

APPENDIX II

MINUTES OF PROCEEDINGS

MINUTES OF THE TWENTY-SEVENTH MEETING OF THE JOINT SELECT COMMITTEE OF PARLIAMENT APPOINTED TO INQUIRE INTO AND REPORT ON GOVERNMENT MINISTRIES (GROUP I) AND ON STATUTORY AUTHORITIES AND STATE ENTERPRISES FALLING UNDER THOSE MINISTRIES HELD IN THE ARNOLD THOMASOS ROOM (EAST), LEVEL 6, AND IN THE J. HAMILTON MAURICE ROOM, MEZZANINE FLOOR, OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD

PRESENT

Mr. Elton Prescott, SC	Chairman
Mrs. Carolyn Seepersad-Bachan, MP	Member
Mr. Jairam Seemungal, MP	Member
Mr. Gerald Hadeed	Member
Dr. Amery Browne, MP	Member
Mr. Emmanuel George	Member
Ms. Stacy Roopnarine, MP	Member
Mr. Julien Ogilvie	Secretary
Mr. Indar Sieunarine	Assistant Secretary
Ms. Katharina Gokool	Graduate Research Assistant

ABSENT

Dr. Dhanayshar Mahabir	Vice-Chairman (Excused)
Dr. Delmon Baker, MP	Member (Excused)
Mr. Faris Al-Rawi	Member (Excused)
Mrs. Patricia McIntosh, MP	Member (Excused)
Mr. Ganga Singh	Member

OFFICIALS OF THE TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Mr. Albert Vincent	Chairman
Ms. Ingrid Lashley	Managing Director/C.E.O.
Mr. Robert Green	Chief Operating Officer
Ms. Vernie Shield	General Manager, Mortgage

	Origination
Mr. Brent McFee	Chief Financial Officer

COMMENCEMENT

1.1 The Chairman called the meeting to order at 1: 18 p.m.

1.2 The Chairman indicated that Dr. Dhanayshar Mahabir, Dr. Delmon Baker, MP, Mrs. Patricia McIntosh, MP, Mr. Emmanuel George and Mr. Faris Al-Rawi had requested to be excused.

1.3 It was noted that Mr. George joined the meeting subsequent to the Chairman's announcement.

CONFIRMATION OF MINUTES OF THE TWENTY-SIXTH MEETING HELD ON JANUARY 17, 2014

2.1 The Chairman invited Members to consider the Minutes of the 26th Meeting held on January 17, 2014 and inquired whether there were any amendments.

2.2 The following amendments were proposed by the Vice-Chairman:

i. **Item 7.4 (ix) (a) on page 7**- delete the words **"It was noted that".**
ii. **Item 7.4 (ix) (a) on page 7** – in the second bullet point delete the word **"was"** and insert the word **"were"** in its place.

2.3 There were no further amendments, therefore a motion for the confirmation of the Minutes was moved by Mr. Hadeed and seconded by Dr. Browne.

MATTERS ARISING FROM THE MINUTES OF THE TWENTY-SIXTH MEETING

3.1 The Chairman brought the following matters to the attention of members:

Items 3.1 Pages 2 and 3, Pre-hearing submissions were received from:

- the **Police Complaints Authority (PCA)** on February 03, 2014 and was circulated to members in hard copy;

- the **Anti-Corruption Investigation Bureau (ACIB)** on February 10th, 2014 and was circulated to Members in hard copy and via email on February 21, 2014.

- the **Environmental Management Authority (EMA)** on March 05, 2014 and was due to be circulated during the meeting.

In relation to the Inquiry into the EMA, it was noted that of the seven (7) stakeholders that the Secretary wrote to, only the *Fishermen and Friends of the Sea* submitted comments to the Committee thus far.

PRE-HEARING DISCUSSIONS

4.1 The Chairman confirmed whether members received the *Issues Paper* on the TTMF's submission of December 30th, 2013, prepared by the Secretariat.

4.2 Discussion ensued on the approach to be adopted for the questioning of the officials of the TTMF during the public hearing.

CONSIDERATION OF DRAFT REPORT ON THE ADMINISTRATION AND OPERATIONS OF THE MINISTRY OF EDUCATION (WITH SPECIFIC FOCUS ON PRIMARY SCHOOL EDUCATION)

5.1 The Chairman suggested that the Committee defer its consideration of the Report until the next meeting. He also inquired whether members had reviewed the Report and wished to propose any substantial amendments.

5.2 No member indicated that they had substantial amendments to propose. In light of this, the Chairman sought the agreement of the Committee to prepare the report for signing at the next meeting.

NEXT MEETING

6.1 It was agreed that the next meeting will be held on Friday March 21, 2014 at 9:30 a.m. and at that meeting the Committee will convene a public hearing with the Police Complaints Authority (PCA).

6.2 The meeting was suspended at 1:35 p.m.

[Members proceeded to the J. Hamilton Maurice Room on the Mezzanine Floor]

PUBLIC HEARING WITH OFFICIALS OF THE TTMF

7.1 The meeting resumed (in public) at 1:40 p.m. in the J. Hamilton Maurice

Room.

7.2 The Chairman acknowledged the passing of the former Chairman of the Committee, Mrs. Corinne Baptiste-McKnight.

7.3 The Chairman declared that he had a professional relationship with the TTMF since the TTMF is a client of the Law firm at which he practices (MG Daly and Partners.) He also disclosed that he had served as legal counsel to the Company in the past and then inquired whether Members had any objections with him chairing the meeting.

7.4 No objections were expressed.

7.5 The Chairman welcomed the officials and introductions were exchanged.

7.6 The Chairman of the TTMF made opening remarks.

7.7 Detailed hereunder are the issues/concerns raised by Members of the Committee and the responses proffered by the Officials:

(i) Outcome of the "We make house calls" campaign

a. The campaign was an outreach programme based on the TTMF's marketing strategy of being more proactive in engaging customers rather than waiting for potentials to approach it.

b. There were tangible benefits gained from the campaign, such as the booking of loans, but more significant was the creation of a Business Development Unit which is operated by four (4) Business Development Officers.

c. The TTMF has also modified the job description of its Assistant General Manager of Mortgage Orientation to be that of a Manager of a sales force. The Company also intends to expand their outreach programme in terms of frequency, location and manpower.

(ii) Result of the "Fixed at Six" campaign

a. This has been the TTMF's most successful campaign over the last ten (10) years. This campaign gave the TTMF an audience of over two thousand (2, 000) persons who participated in the pre-qualification process.

b. In addition to obtaining a database of more than two thousand (2,

000) potential customers, the TTMF also raised more than five hundred (500) million dollars in new mortgages.

(iii) Impact of the HDC portfolio

a. In order to ease the burden of additional debt to finance the HDC portfolio, the TTMF was asked by the Government of Trinidad and Tobago to administer HDC loans on behalf of the HDC. The HDC received payments by installments from the TTMF as opposed to a salesperson receiving the full payment.

b. Twelve (12) percent of the TTMF's portfolio consists of transaction activity with the HDC.

c. The TTMF was also asked to manage the HDC's licence to occupy portfolio. The HDC's licence to occupy arrangement allows a prospective mortgagor to occupy a HDC house pending the finalization of the necessary the legal transactions. The TTMF would be responsible for getting the prospective mortgagor accustomed to making payments on a mortgage, by applying the same delinquency management procedures that would be applied to an actual mortgagor. The TTMF submitted that this would facilitate a smoother transition when the prospective mortgagor becomes an actual mortgagor.

(iv) Procedure in acquiring a mortgage

a. The mortgage process starts with the pre-qualification process which can be administered by visiting one of the TTMF's offices or the Company's website.

b. After acquiring a pre-qualification certificate or number, the prospective mortgagor would have to determine the value of the home they are eligible to purchase. Once this is done, the prospective customer should visit a TTMF office or the company's website in order to conduct an assessment of the value of the mortgage he/she will be allowed based on the value of the property.

c. When determining the installment, the TTMF limits it to one third (1/3) of the potential mortgagor's gross income. If the person has other debts the total of the debt installment and the mortgage installment must not exceed forty (40) percent of the applicant's gross salary.

d. Having determined the mortgage installment, an application form will have to be filled out at one of the TTMF's offices in the presence of a Mortgage Officer or it can be filled out online and sent via email or delivered to a TTMF office. The process of applying for a mortgage was estimated to take five (5) working days.

e. The approved application is then sent to an Attorney-at-Law or one selected by the client on the TTMF's panel of Attorneys, who conducts a title and personal search of the potential mortgagor and the property to be mortgaged. This part of the process usually takes up to two (2) weeks. However, the process may last longer if there are issues with the land title.

f. The Attorney will confirm whether the title is in order and then the TTMF will commence preparation of the final documents for the execution of a mortgage and the boarding of a loan. The conditions of the loan would include a satisfactory credit report, land and building taxes must be paid up to 2009, a WASA clearance report, evidence of income savings and liabilities. On the basis of the attorney confirming that all documentation is in order the mortgage would be given.

g. The timeframe of the entire process is a month, although there have been instances where it took two (2) weeks and instances where it took three (3) months.

h. Officials of the TTMF also suggested that persons who have experienced a change in their income level should seek a revised pre-qualification certificate.

i. The TTMF has no financial ceiling placed on mortgage approvals.

(v) Monitoring of services

a. The TTMF has a customer feedback policy that is documented and has been shared with their entire staff. This policy require that all customer feedback (whether positive or negative) must be documented/recorded.

b. In instances of positive feedback and the staff member involved is named, the General Manager, the Department Head or the Managing Director responds to the customer providing feedback assuring him the staff member will be recognized through their "Employee of the Quarter" programme.

c. In cases of negative feedback, the customer is contacted within three (3) days and would be given the assurance that an investigation will be undertaken and that a response would be provided within ten (10) days. If the company cannot respond within this stipulated timeframe, the customer will be contacted and the TTMF would seek an extension, giving reasons why the investigation is incomplete.

d. Customers can also provide feedback through Facebook and email.

e. The Company's 2014 Business Plan, proposes the development of a more interactive strategy for dealing with customer complaints by utilizing the services of a marketing professional.

(vi) Involvement in the Land for the Landless Programme and the 2% Mortgage Programme

a. The TTMF collaborates with the Land Settlement Agency (LSA) in respect of the *Land for the Landless Programme.* The LSA would identify the recipients of land, who are then sent to the TTMF for pre-qualification and based on these pre-qualifications the LSA will allocate lands.

b. The *Land for the Landless Programme* is a relatively new initiative and the initial allocation was five hundred (500) persons, all of whom were pre-qualified for varying amounts of mortgages by the TTMF. These persons are awaiting their allocation of land by the LSA before they return to the TTMF to apply for a mortgage. Hence the TTMF has not received any applications for a mortgage under this programme to date.

c. With respect to the 2% Mortgage Programme, the TTMF is guided by the *2% Mortgage Financing Regime,* which was received from the Ministry of Finance and the Economy.

d. The TTMF received approval for the expansion of the 2% Mortgage Programme on January 10, 2014 and since then has sought to educate the public about the programme. The limit for the programme was increased from four hundred and fifty thousand (450, 000) dollars to six hundred and twenty-five thousand (625, 000) dollars and is based on the cost and not the value of the land and building.

e. The 2% Mortgage Programme is funded by the Government of Trinidad and Tobago. The TTMF would source the funding but will be compensated by the Government at the cost of borrowing minus the return of two (2) percent with an administration fee of one and a half (1 1/2) % added on.

f. The TTMF has made proposals to the Ministry of Finance and the Economy to increase the limit of the person's income who can apply under this programme from eight thousand (8, 000) dollars to ten thousand (10, 000) dollars in one instance and to twelve thousand (12, 000) dollars in another, but to date no action has been taken.

g. The TTMF has received enquiries about the programme but have not had any full applications under this programme thus far.

(vii) TTMF's mandate

a. The TTMF is mandated under its bye laws to provide residential mortgage financing.

b. The TTMF was granted approved mortgage company status in 1966 to afford first time home owners financing. However, all commercial banks, trust companies and some insurance companies have also achieved similar status under the Housing Act.

c. Under the approved mortgage company (AMC) programme and the 2% Mortgage Programme, the TTMF focuses on first time home owners and affordable financing. With the progression of time, these customers would need mortgages for home renovation, education expenses and medical expenses.

(viii) Budget allocations to salaries and wages as compared to its competitors

a. The budget of the TTMF for the year ended December 31, 2013 was twenty two (22) million dollars of which 51.5% was allocated for salaries and wages and while its competitors don't always declare their full amount of wages and salaries in their financials, it was estimated to be between thirty (30) and forty (40) percent.

b. The driving factor behind the TTMF having a higher percentage of its budget allocated to salaries and wages as a result of residential mortgages being their only business and they do not have non-interest revenues, such as foreign exchange for example, as a bank would.

(ix) The general administrative cost of a TTMF mortgage compared to its competitors

a. The general administrative cost of a TTMF mortgage is four thousand, one hundred and five (4, 105) dollars. This figure is obtained by dividing the total general administration expenses by the number of mortgages.

b. Officials of the TTMF stated that it was very difficult to determine the general administrative cost of their competitors' mortgages as there may be no published financials giving the information. In addition, its competitors also conduct other business transactions not related to mortgages. Therefore, a distinction cannot be made between the mortgage product and their other products. However, the officials of the TMMF are of the belief that the general administrative cost of their mortgage is relatively high.

(x) Mortgage indemnity insurance

a. Mortgage indemnity insurance is a means by which a financial institution will indemnify payments in the early stages of a mortgage facility when it is most likely to be defaulted.

b. The TTMF and the Home Mortgage Bank (HMB) in pursuing the Government's national housing programme, decided not to add this cost to its product. However, when conducting their credit adjudication, the TTMF takes into account the likelihood of early default on mortgage facilities.

c. Officials of the TTMF indicated that for an extended period of time the company has been considering acquiring mortgage indemnity insurance but no decision has been made thus far.

(xi) Deferred tax

Preceding 2005, the TTMF defined its status as tax exempt as opposed to a carrier of a tax exempted product. In 2005, the situation was reviewed and with the assistance of their auditors and tax consultant, the status of the company was re-classified as a taxable entity carrying tax exempt income.

(xii) Geographical distribution of mortgages applicants

a. Officials submitted that there is a geographical concentration of applicants along the East-West corridor and growth has also been realized in the Central region of Trinidad.

b. Officials of the TTMF are of the belief that the company can acquire additional credit worthy clients outside the current geographical concentration and intends to pursue this potential diversification/expansion of its market.

(xiii) Customer base

a. The majority of the TTMF's approved mortgage company (AMC) business, which represents thirty three (33) percent of their portfolio, was civil servants who received monthly incomes and made regular payments to the TTMF via salary deductions.

b. With the expansion of the company's portfolio to the open market category, they now compete with other financial institutions.

(xiv) Customers defaulting of payment

a. The TTMF's delinquency ratio is 4.5% of its portfolio, which according to the Caribbean Information and Credit Rating Services Limited (CariCRIS) is below the industry average.

b. The TTMF's delinquency management strategy requires that the customer be reminded of the non-payment of his mortgage installment ten (10) days after it becomes due. The mode of communication is usually a telephone call of which the details are recorded.

c. If the payment is not received, the TTMF sends as much as three (3) written correspondences advising the defaulting customer that he/she is required to communicate with the TTMF and arrange a payment plan.

d. If there is no attempt by the customer to arrange a payment plan after the third letter, under the prudential criteria at the end of six months, the company would consult with its attorneys to request an order of possession from the Court. During the process of initiating the Possession Order, the consumer is given an additional grace period to seek refinancing elsewhere, or to attempt to make an arrangement to pay the arrears.

(xv) Support provided in identifying a home/property

a. The TTMF advises persons seeking a home not to restrict themselves to a particular location as this may limit affordability.

b. Additionally, they encourage clients to select a home not only for immediate occupation but also based on its potential for purchase and transformation into their desired home.

c. Furthermore, there is the option of the "granny suite" which the TTMF has financed in the past for young professionals who assumed responsibility for their parents' mortgage. This entails the person constructing an annex to the main house to be occupied by their parents, who is assumed to require less living space than a younger person who would then move into the main house. This additional annex is subjected to the appropriate Town and Country Planning approvals. Within the last ten (10) years, the company has had between eighteen (18) to twenty (20) applications for this type of mortgage.

d. The company has also established a product called 'Stage Financing' where it enters into a tripartite arrangement with a developer and the prospective mortgagor. The mortgagor, in essence, takes a construction loan and financing is delivered directly to the developer by the TTMF.

(xvi) Property owned and rented by the TTMF

a. The TTMF owns properties located in Dundonald Street, Port of Spain and Jerningham Court, Tobago. They also own a residence at 6 St. Andrews Terrace, Fairways where the Managing Director is housed.

b. In terms of rental of property, the company rents office space in Arima, San Fernando and Chaguanas for an estimated annual cost of eight hundred thousand (800, 000) dollars.

(xvii) Human resource issues

a. The TTMF operates in a unionized environment whereby one hundred and forty (140) members of staff are members of the Bank and General Workers Union.

b. Officials stated that the negotiations for the collective bargaining for the period 2009 to 2012 has broken down and is now before the Industrial Court. However, the TTMF has made an interim payment of 8% to staff that was agreed to by the union.

c. With respect to the staff turnover rate, there was a redundancy programme in 2004 in which five (5) senior personnel were separated from the company but were all adequately compensated. In 2008, there was a high turnover of management officers who left mainly because of compensation.

(xviii) Factors affecting the company's profitability

a. In 2009, the TTMF commenced a rationalization of its funding. At that time interest rates peaked at 8 to 8.5 percent. Therefore borrowing at that interest rate level would have carried the company's our lending rates up,—which was not in the interest of affordable housing. To avoid this, the company established the HDC administered fund and was also afforded funding through its parent company, the National Insurance Board.

b. Post 2009, the TTMF benefited from the declining cost of funds since when funds matured, the renewal or the new funds were at a lower level. Also, the turnover of staff was not as frequent as it had been in the past as the job market was more restricted so mobility was not easily facilitated.

(xix) The relationship between the TTMF and Caroni (1975) Limited

a. Caroni lands were specified as part of the 2 % mortgage programme but the allocation of lands by Caroni (1975) Limited took an extended period of time and therefore the recipients were not able to access mortgages from the programme immediately.

b. Although the allocation of Caroni lands is now completed, most of the recipients have either been able to save enough money to make the payment of thirty thousand (30, 000) dollars or have utilized the services of the Sugar Industry Labour Welfare Committee (SILWC), which is a lending agency of the Ministry of Housing and Urban Development.

(xx) The merger of the TTMF and the Home Mortgage Bank (HMB)

a. PricewaterhouseCoopers (PwC) was appointed for the first phase of the merger to determine the feasibility of the merger. By its report dated January 06, 2014, PwC recommended that the two entities merge under a holding company, whereby the TTMF and the HMB would remain whole but would be wholly owned subsidiaries of a company called Trinidad and Tobago Mortgage Bank.

b. The need for the merger arises as a result of the funding constraints of the TTMF on one hand and the challenges of the HMB to garner new business on the other.

(xxi) Applications for mortgages made by persons employed on short term contracts

The company assesses the eligibility of a client for future employment and not necessarily the term of his/her contract.

(xxii) Staff retention strategies

The company provides a comfortable and secure work environment, social programmes as well as employee recognition and training for all levels of staff.

7.5 The Chairman thanked the officials of the TTMF for their attendance.

7.6 The Meeting was suspended at 3:18 p.m.

(Officials of the TTMF exited the room)

POST-HEARING DISCUSSIONS

8.1 The meeting resumed at 3:21 p.m. at the same venue.

8.2 On the resumption, discussions ensued on the work schedule of the Committee.

8.3 It was agreed that in addition to conducting a public hearing with the PCA, the Committee would consider the Draft Inquiry Proposals of the National Insurance Property Development Company Limited (NIPDEC) and the Estate Management and Business Development Company Limited (EMBD) at the next meeting.

ADJOURNMENT

9.1 The meeting was adjourned to March 21, 2014 at 9:30 a.m.

9.2 The Committee concluded its meeting at 3:24 p.m.

I certify that these Minutes are true and correct.

Chairman

Secretary

March 20, 2014

APPENDIX III

NOTES OF EVIDENCE

VERBATIM NOTES OF THE TWENTY-SEVENTH MEETING OF THE JOINT SELECT COMMITTEE OF PARLIAMENT APPOINTED TO ENQUIRE INTO AND REPORT ON GOVERNMENT MINISTRIES (GROUP I), STATUTORY AUTHORITIES AND STATE ENTERPRISES FALLING UNDER THEIR PURVIEW, HELD IN THE ARNOLD THOMASOS ROOM (WEST), SIXTH FLOOR, AND AT THE J. HAMILTON MAURICE ROOM (MEZZANINE FLOOR), TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN, ON FRIDAY, MARCH 07, 2014, AT 1.18 P.M.

PRESENT

Mr. Elton Prescott SC	Chairman
Mr. Gerald Hadeed	Member
Miss Stacy Roopnarine	Member
Dr. Amery Browne	Member
Mr. Jairam Seemungal	Member
Mrs. Carolyn Seepersad-Bachan	Member
Mr. Emmanuel George	Member
Mr. Julien Ogilvie	Secretary
Mr. Indar Sieunarine	Parliamentary Intern
Miss Kimberly Mitchell	Graduate Research Asst.

ABSENT

Dr. Dhanayshar Mahabir	Vice-Chairman [*Excused*]
Mrs. Patricia Mc Intosh	Member[*Excused*]
Mr. Faris Al-Rawi	Member [*Excused*]

Mr. Ganga Singh	Member
Dr. Delmon Baker	Member

1.40 p.m.: *Meeting resumed.*

TRINIDAD AND TOBAGO MORTGAGE FINANCE COMPANY LIMITED

Mr. Albert Vincent	Chairman
Ms. Ingrid Lashley	Managing Director/CEO
Mr. Robert C. Green	Chief Operating Officer
Ms. Vernie Shield	General Manager, Mortgage Origination
Mr. Brent McFee	Chief Financial Officer

Mr. Chairman: Good afternoon all. Permit me to welcome Mr. Albert Vincent, Chairman of the Trinidad and Tobago Mortgage Finance Company Limited and his delegation and the viewing audience to this meeting, the 27th Meeting of the Joint Select Committee appointed to consider and report to Parliament on Ministries, Statutory Authorities and State Enterprises. We are Group I. And there are some things that I need to mention before we commence the hearing, and then I would offer some house announcements, if you like, on how we will proceed, if you permit me.

[*Sen. Emmanuel George enters committee room*]

This morning it was reported that we lost my predecessor as Chairman, former Sen. Corinne Baptiste-Mc Knight, who had been ailing for a brief period and I am satisfied that all of the Members here, who have sat with her—and I am sure I speak for my colleagues in the Senate—are mourning the loss of a Senator whose contributions were always pointed and direct, and who gained the attention of the national public. So, we regret her passing and we trust that the good lord would take care of her soul. This is in probably not the best forum for a minute of silence et cetera, so, I merely, for the record state that we mourn her passing. Thank you.

Secondly, and this is less sad. My firm MG Daly and Partners—my professional firm—has done some work and I think continues to do some work for the Trinidad and Tobago Mortgage Finance Company, and I too have had the pleasure of representing them on more than one occasion. It is therefore incumbent on me to make this observation now, publicly. I cannot imagine that I would venture to say anything that would breach the confidentiality of our relationships. But if anything should arise, which I suspect may put me in a conflict situation, I would seek the leave of my colleagues to stand down and allow the free flow. If, however, there is a violent opposition to my presence here today I would receive it now and deal with it. May I proceed? Thank you. Actually, if it is taking anybody by surprise, I had forewarned some time ago that it may come up, and I did not anticipate that there was going to be any reason for my stepping down.

The Members of the Committee who are here today, I should start with the Member on my left, extreme left.

Miss Roopnarine: Good morning, Stacy Roopnarine, Member of Parliament for Oropouche West.

Mr. Seemungal: Good afternoon Jairam Seemungal, Member of Parliament for La Horquetta/Talparo.

Mrs. Seepersad-Bachan: Carolyn Seepersad-Bachan, Member of Parliament for San Fernando West and Minister of Public Administration.

Dr. Browne: Good afternoon, Dr. Amery Browne, MP, Diego Martin Central. Welcome.

Mr. Hadeed: Good afternoon, Gerald Hadeed, Senator, Minister of Communications.

Thank you, and since I have not done it before, my name is Elton Prescott, Senator, Chair.

Chairman, you would have had an opportunity to view our questionnaire, if you like, and to note what the objectives of this enquiry are, and we have received your written responses. I need to speak, in any event, to the objectives, and there are eight of them:

1. to understand the role played by this organization in providing mechanisms through which citizens can obtain adequate and affordable housing;

2. to identify the securitization model in place at the TTMF and the type of structure of securities invested by them;

3. to determine whether the TTMF's organizational and staff structure are adequate to fulfil their role;

4. to gain a greater understanding of the services offered by the company and to determine whether they are being effectively delivered;

5. to enquire into the financial operations and the financial position of the company;

6. to acquire greater insight into the feasibility of the Government's plans to expand the 2

per cent Mortgage Programme as well as to identify the steps the TTMF is taking to prepare for the implementation of the Land for the Landless Programme;

7. to understand clearly the relationship between the TTMF and the other state entities that offer services in the area of land and housing. In particular, the Housing Development Corporation, Caroni Limited, the National Insurance Board, the Estate Management Development Company (EMBDC), I do not know if that is correct—and the Tobago House of Assembly; and finally.

8. to determine the status of the intended merger between the Trinidad and Tobago Mortgage Finance Company and Home Mortgage Bank.

Also the initial public offering to establish the Trinidad and Tobago Mortgage Bank.

As I said before, we have seen the pre-hearing information of the TTMF, and Mr. Chairman I would invite you to identify your delegation and then to offer us a brief opening remark. Thank you.

Mr. Vincent: Thank you, Mr. Chairman. Our delegation comprises Ms. Ingrid Lashley, Managing Director of TTMF; on her right is Mr. Robert Green, Chief Operating Officer; on my left is Mr. Brent McFee, Chief Financial Officer; and to his left is Ms. Vernie Shield, General Manager, Mortgage Origination.

Mr. Chairman: Thank you.

Mr. Vincent: If you would permit me, Mr. Chairman, I would just like to give a brief overview of TTMF in the context of the issues that we are discussing today. Just by way of a brief history, TTMF really was established in 1965 as an organization that evolved out of Trinidad Mortgage Agency Company which, itself was established in 1961.

TTMF is jointly owned, it is a private company under the Companies Ordinance, which is owned 51 per cent by the NIB and 49 per cent by the Government of Trinidad and Tobago. The objective of TTMF, essentially, is to create opportunities for mortgage financing particularly geared towards facilitating affordable housing for the population. But in pursuing that goal TTMF also has to be mindful of its status as a private company that has to generate adequate returns to the shareholders, namely the NIB, which has its own liability profile to settle in terms of retirement pensions and so on, so that there is this double edged sort of dimension to the operations of TTMF. On the one hand it is a private company and on the other hand it has to pursue a public-policy mandate.

TTMF's loan portfolio now stands at around $3 billion as would have been seen in our submission and the performance of the company has been—it has been a profitable company that has been able to maintain a substantial dividend payment to its shareholders.

Looking forward—of course, the company is faced with funding constraints which we will address during the course of our deliberations, I am sure—I think, the big issue would be whether the merger between TTMF and HMB, and what are the advantages of such a merger? How far out we are in terms of giving effect to this merger and so on? So, Mr. Chairman, I would like to just confine my comments to those issues at this stage.

1.50 p.m.

Mr. Chairman: Thank you very much. The procedure here is that Members of this committee who may have questions either confined within the brief that we have seen or of their own accord, will raise questions. I will just remind you that if any of you is going to be answering, that you should use your microphone. Press the button marked "Speak", so that what you say can be recorded. And I will serve as a kind of arbiter which probably would mean that I would not have much to say because our hearings seldom get better. In the circumstances, may I invite any Member who may want to start the ball rolling to do so. Thank you very much, Miss Roopnarine.

Ms. Roopnarine: Thank you, Chairman. First of all, welcome to members of the TTMF and thank you for the documentation provided which I think was very comprehensive and a lot of useful information in there, in particular, for Members of Parliament who are faced with a lot of these questions, procedural questions, with TTMF and so on.

Coming out of the document, I saw you had two campaigns, one of which was "We make house calls" campaign, which you had during the period January to June 2012. Could you, perhaps, expand a little on the outcome of that particular campaign? I know you gave us some statistics: 404 applications were taken; 374 loans were booked and so on. But could you give us a little more information as to the purpose of the campaign, the outcome of it and, perhaps, what are some of the next steps involved in a campaign such as that. In addition to which, you also had a "Fix at Six" campaign. This ran for three months which basically allowed a fixed interest rate at six per cent. Could you also indicate, out of that campaign, the number of persons that would have benefited and perhaps the success rate of that campaign; how you rate it and how do we go forward.

So those are two questions I have on the campaigns that you would have run for three months and so on. In addition to which, in part of your report, you indicated that in 2009 the HDC portfolio would have been removed and this would have been administered by the HDC themselves. Could you indicate what was the impact of that on the TTMF, if any? That is where I would like to start, with those three questions.

Ms. Lashley: Good afternoon to everyone, and thank you for having us. First, I would address the issue of the "We make house calls" campaigns. The "We make house calls" campaign was an outreach programme based in the essence of our marketing strategy that suggested that we should not wait for our customers to come to us; we needed to go out to our customers. And on that basis, we met our customers at their offices, at their homes, in community centres, in the malls. Wherever they wanted an audience, we would make an attempt at such an outreach.

The pre-answered questions indicate our tangible benefits, but more important than even that was the fact that that programme, that campaign, opened the door for what we now call our business development unit. In other words, the greater lesson out of the campaign was that the outreach was more important than the loans booked. And so for that, as part of our strategic objective, we have initiated a business development unit now manned by four business development officers; we have transformed the job description of our assistant general manager, Mortgage Origination, to be that of the manager of a sales force, and our outreach programme has been expanded to in frequency, in location and in manpower. That is in respect of the "We make house calls" campaign.

In respect of the "Fixed at Six", as you are aware from our written responses, TTMF cannot compete with its competitors on the basis of pricing. Because we do not raise funds by deposits, of necessity our lending rate is a little bit above that of the commercial banks. But, at the same time, we offer flexibility in pricing that will allow for lump sum payments or prepayments at any time, and we offer stability in interest rates that also allows the customer to anticipate what his or her obligation will be.

We used the essence of the stability in interest rates as opposed to the pricing to develop the campaign, "Fixed at Six", and that has been our most successful campaign over the last 10 years. The "Fixed at Six" campaign gave us audience with more than 2,000 persons who wanted to at least determine what they would qualify for as a mortgage. So it gave us a base of more than 2,000 people who we now have email addresses for, who we now can court so that when they get to the place where they can afford a mortgage, we will be there for them. And, as well, we also raised more than $500 million in new mortgages. That is my response to the "Fixed at Six" campaign and its benefits.

In respect of the HDC-administered portfolio, in 2009, borrowing rates to TTMF through the bond market was in the region of 6 to 8 per cent. The borrowing rate, in essence, was equal to our lending rate, which was stable at 6 to 8 per cent. In order to ease the burden of additional debt to finance the HDC portfolio, the Government of the day asked the TTMF, administer the HDC loans on behalf of HDC. So that HDC received payments by installment rather than as a vendor receiving the full payment from TTMF.

In the meantime, however, TTMF administered the portfolio under the same prudential criteria as it would its own portfolio and made reports to HDC on a monthly basis. That, Chairman, is my response to the questions posed thus far.

Mr. Chairman: May I, as a follow up, enquire what percentage of the TTMF portfolio is represented by HDC activity transaction?

Ms. Lashley: HDC business now represents 12 per cent of our portfolio. However, I want to add that in our discussions with HDC, they have recently asked that we also manage their licence to occupy portfolio, which is the portfolio where prospective purchasers are in occupation but the vesting orders do not allow for title so that they can convert to mortgages. So, in essence, what we have done is take a jump on the mortgage process to administer the licence to occupy portfolio in advance of that and establish the same prudential criteria as we would in our own portfolio.

Mr. Chairman: I am not sure I understand how that benefits the house owner. Can you tell me?

Ms. Lashley: The licence to occupy arrangement of the HDC allows the prospective mortgagor to occupy prior to the finalization of the legal work that is necessary for title. So that way, HDC's properties do not remain unoccupied. While they work on the legal work, which is not always within their discretion, TTMF gets the prospective mortgagor used to making payments of a mortgage, so to speak, with the same delinquency management criteria that would be afforded the mortgage, so that there is smooth transition from licence to occupy to mortgage when the vesting occurs.

Mr. Chairman: Thank you very much. Any other questions?

Mr. Seemungal: Good afternoon and welcome once again. This is a live recording and is generally played back and a lot of young people tend to look at the programme as well. Can you advise them as to what are the processes to be followed in acquiring a mortgage, and also, included, who can qualify and if by way of advertising freely, you can tell them where they can go to, and included in that, the length of time it actually takes to get a mortgage and the cost that applies to it.

Ms. Lashley: That would be my distinct pleasure. The mortgage process, we advise, should start with prequalification. In other words, once you determine that you are gearing towards home ownership, you should visit one of our offices in Port of Spain at Dundonald Street, in San Fernando, in Arima, in Tobago, in Chaguanas, and we have customer service representatives who will go through the prequalification process on a first-come-first serve basis. It does not take more than 15 minutes to 20 minutes. On the other hand, you could go to our website at www.TTMF-mortgages.com where the prequalification table is available to the tech savvy, which most young people would be, and you can do it on your own.

With the prequalification certificate, or the prequalification number that you would have determined through your interaction on the website, you would have then in mind the value of the home that you should be looking for, either through a real estate agent, through the HDC, THA, LSA or through family and friends.

Having identified a property that suits your pocket, we advise that you go back to the mortgage calculator or the customer service representative, if you do not go to the website, and get a view of what mortgage you will be allowed, based on the value of the property. The two differ because we you must have some margin of equity between the cost or value of the property and the mortgage amount. That is referred to as your equity or down payment, usually an amount of 10 per cent of the lower of cost or value of the property.

In determining what your installment would be, we limit the installment to one-third of your gross salary. In other words, your installment must not exceed 331/3 per cent of your gross salary, and if you have other debt, the total of your mortgage installment and your other debt, must not exceed 40 per cent of your gross salary. Having done so, we ask that you fill out our application form, either in the presence of a mortgage officer at the locations mentioned previously, or on our website, and send it to us via email, if you do it on the website, or on delivery to our offices.

The processing of a mortgage application takes five days, give or take some—five working days. We then send the approved application or the approved request to an attorney on our panel or an attorney preferred by the customer who is on our panel—that attorney being on our panel—so that they will do a title and personal search of the borrower and the property to be mortgaged. That would usually take up to two weeks unless there are issues with title. The attorney will respond to us indicating that there is clear title, and on the basis of that, we will start to prepare the final documentation for execution of a mortgage and the boarding of the loan, which would take, usually another two or three days to fulfil the conditions of the loan, which would include a satisfactory credit report, land and building taxes paid up to 2009, WASA clearance report, evidence of income, evidence of savings, evidence of liabilities. On the basis of that, the attorneys will confirm that all documentation is in place and the loan should be closed. Ideally, we work with a time frame of a month, but we have had instances where mortgages take two weeks and we have also had instances where mortgages take three months.

Mr. Seemungal: So as a young man just coming out of school, I got a job. A couple years later I decided I want to purchase a house. Can I just come in and make an assessment as to what value of property I can afford, and how often can I come in to do that follow-up assessment to determine if I want to buy a $1 million property or a $100,000 property?

Ms. Lashley: Through you, Chair, generally speaking, young people tend to go to the website so they could do it as frequently as they wish. But I would suggest at a minimum that whenever your income circumstances change, you get a revised prequalification certificate. And as I mentioned earlier, our locations are in Port of Spain, San Fernando, Arima, Chaguanas and Tobago.

Mr. Chairman: Any further questions around the table? Dr. Browne?

Dr. Browne: Thank you, Mr. Chairman, and I want to add my salutation for the submission that has been made thus far. It has been quite useful. I have a few queries, though. The first I would want to preface by saying that I am aware of examples of excellence within the ranks of your staff with regard to customer service and related matters, but that is not always the case, given the feedback that I would receive from time to time from constituents.

So my first question—and I do have a few—speaks to, what processes does the company have in place to monitor the client experience, the quality of that experience, and what periodic evaluations have been done; what is the nature of that feedback, certainly from your perspective, and what are some of the strategies that have been mobilized to bring to bear continuous improvement in the quality of that experience? I do not know if I should take the other questions now or we probably give her a chance for a response.

Ms. Lashley: TTMF's approach to concerns for improved service is handled through, what we call our customer feedback policy. It is a documented policy that has been shared with all of our staff where the process for dealing with customer feedback, whether positive or negative, is detailed.

Where a customer has positive feedback—I will deal with the positive first. Where the customer has positive feedback and the staff member is named, there is response to the customer either from the general manager, the department head or from me, myself, as the MD, congratulating the customer for taking the time for giving us the feedback, as well, assuring that customer that the staff member named will be compensated or rewarded in keeping with our policy.

That compensation or reward is defined in what we call our reward programme where our staff are afforded stars for good performance and recognized quarterly through the "Employee of the Quarter" programme. That is on the positive side.

On the negative side, our complaints policy requires that we acknowledge the complaint within three days. The executive assistant to the managing director keeps a record of all customer complaints, whether verbal or written. We respond in three days indicating that the basis of the complaint will be investigated with an undertaking to respond within 10 working days. If we cannot respond within 10 working days, we would then call and seek an extension and give reason.

Now, that is the policy. There are times when the policy does not apply, and there is need for intervention or escalation of the issues so that it can be resolved in a shorter time. We have had experience where, in attempting to get some evaluation of our performance, we have sign off forms with our attorneys so that the customer gives feedback at that stage, what of your experience. Well, of course, for getting your cheque and running away to get your house, the form is not always completed, so it is very difficult for us to get a full picture of that level of the customer feedback.

We have undertaken in our business plan of 2014 to have a more extensive customer survey and focus group to be handled by a market professional who will give us some feedback so that we can develop a more interactive strategy for dealing with customer complaints.

Dr. Browne: I am a bit curious as to what those stars would add up to at the end of the period. And I was taking a look at your website, which you referred to, Madam CEO, and one area of expansion could be to provide some format for feedback, even on the website itself because some persons may not feel that comfortable with the face-to-face feedback, especially if they are dealing with the same officer about whom the complaint might be.

Ms. Lashley: Through you, Chair, we also offer feedback through Facebook, which we have had. Facebook and email are very, very effective in giving that feedback because my email address is on the website and the complaint could come directly to me. So I think people are fairly comfortable with that route, as you have suggested and we will explore that further.

Dr. Browne: Okay, great. A few other questions, if I may, Chairman. TTMF was featured, to some extent, in discussions around the national budget, well, not for the first time, particularly on the last occasion with respect to playing a role in supporting the land for the landless programme rollout, as well as the expansion of that 2 per cent arrangement being provided to citizens. What has been the experience of your institution with that land for the landless programme both in qualitative and quantitative terms and how many of the TTMF's clients have benefited from that manner of allocation under the land for the landless programme? And I would make the same enquiry with respect to the 2 per cent arrangement thus far.

Ms. Lashley: Under the Land for the Landless Programme, TTMF is working with the major stakeholder in that venture, which is the Land Settlement Agency, in defining the programme for the recipients, as defined by LSA. In other words, LSA identified the recipients; they are sent to TTMF for pre-qualifications, as I had been explaining the process earlier, and on the basis of those pre-qualifications, the LSA will allocate the land accordingly.

Because the programme is relatively new, we have not had anyone come for mortgage application at this juncture but we have been talking to the LSA on the structure of the programme, on the requirements of the programme: how they would manage construction on these lands, which professionals we will share in respect of evaluation and feedback on the construction as it progresses, and I would say that we are well on our way, including documentation in respect of any indemnities or structure in the relationship between LSA and TTMF.

In respect of the expansion of the 2 two per cent mortgage programme, we received official approval of the expansion of the programme on January 10, 2014 and we have started a programme of education to the public around the programme. We have had enquiries, but thus far, we have not had any full applications.

Dr. Browne: Supplemental. I am a little bit surprised, I must confess, that thus far none of those who would have visited to explore prequalification, would have succeeded. I was not clear whether they did not succeed with getting a mortgage arrangement from TTMF or whether they never actually applied, the beneficiaries thus far. So I would want to be clear on that. And how many persons thus far have approached TTMF to explore prequalification under this Land for the Landless arrangement?

Ms. Lashley: Under the Land for the Landless arrangement, the initial allocation was 500 persons. All of them have been prequalified for a certain amount by TTMF. So we are now waiting for the allocations of the LSA, which they are pursuing vigorously, to come back to us for application of mortgage.

In respect of the 2 per cent mortgage programme, we have had persons coming in for prequalification on the basis of which they will go out now and hunt for a prospective home. So that takes some time. Of course, as you would appreciate, buying property is always subject to clear title and these legal concerns, and that makes for a relatively tardy process in converting a prequalification to a mortgage.

Mr. Chairman: Are there any other Member who may wish to take this opportunity? Mr. Hadeed?

Mr. Hadeed: Thank you, Mr. Chair. I just have three questions. One in the documentation when you say: what effect has changes in demand had on the residential mortgage market over the last 10 years? And you said: "While the demand for new property purchases has been relatively slow, demand for mortgage facilities in respect of home improvements, educational expenses, consolidation of debts, et cetera, has been expanded generously." Do you have a mandate under your company's ordinance to go into those types of loans?

Ms. Lashley: TTMF's mandate under its by-laws is to provide residential mortgage financing. That is the full extent of our mandate as defined under our by-laws. In so doing, TTMF was afforded approved mortgage company status way back in 1966 to afford first-time home owners a certain level of financing that was considered affordable at the time. TTMF is by no means the only approved mortgage company in Trinidad and Tobago. All commercial banks, trust companies and some insurance companies, also have the approved mortgage company status under the Housing Act, so that our focus in the beginning was on that status and bringing that affordable housing to the market.

As the times changed, so must we, and in so doing we varied our product—because it is just one product—to meet the demands of the clientele who would have come to us when they were first-time home owners. Those same people would have wanted to improve their property or would have been much older now and needed to finance the education of their children. So it was an easy fit for us while still fulfilling our mandate under our by-laws.

Mr. Hadeed: Thank you very much. Second question: what percentage of the company's budget is assigned to salaries and allowances and other personal expenditure? Answer: "The budget for the fiscal year ended December 31, 2013, 51.5 per cent of total expenditure is allocated to staff cost." How does this stack against your competitors as far as percentages?

Ms. Lashley: Generally—and this is at a best guess because not always is the full amount of salaries and wages declared in the published financials of our competitors—based on a previous life, I would say that their percentages would range between 30 and 40 per cent.

2.20 p.m.

Part of the reason that our percentage is higher is because residential mortgages are our only business. We do not have non-interest revenues as a bank would in respect of foreign exchange, letters of credit, rentals, credit card business, all of which redounds directly to the bottom line, and therefore, whereas we may have less numbers of staff, our percentage costs are higher because we do not have the non-interest revenues to offset.

Mr. Hadeed: Supplemental. I know that in your documentation you said you had 134 employees. How much was your budget in 2013; your total budget in 2013?

Ms. Lashley: Our budget for 2013 was $22 million.

Mr. Hadeed: One other question. What is the general administration cost per mortgage? I noticed figures of $3,326 in 2010, $3,547 in 2011 and $4,105, how does that stack up again; and give me an explanation as to how you worked these figures out?

Ms. Lashley: Our computation would have been based on total expenses, total general admin expenses divided by number of mortgages. Unfortunately, in that regard, I cannot say what our competitors would reflect because their business is not mortgage only, and a personal banking officer in a bank offers mortgages, consumer loans, banking facilities, overdraft facilitates even, whereas our one person is doing just mortgages. There is no published financials where I could get that information. It is not necessarily public information and, even so, I am not sure that we would be able to make any distinction between the mortgage product and the other business provided by the commercial banks.

Mr. Hadeed: Do you find $4,105 per interest expense per mortgage to be high?

Ms. Lashley: I am guessing but I would say it is relatively high, and it is so because we have to compete in the same arena for competence as does the commercial bank without the diversification in product that is afforded our competitors.

Mr. Hadeed: Thank you. I thank you, ma'am.

Mr. Chairman: Do we have any further questions? Mrs. Bachan?

Mrs. Seepersad-Bachan: Just a quick one. I think it may have been explained somewhere. I note in your submission you did indicate that you do not have mortgage indemnity insurance, if you could just give us a little clarification on that.

Ms. Lashley: Mortgage indemnity insurance is a means by which a financial institution will indemnify payments in the early stages of the mortgage facility when it is most likely to fall into default. I am not sure where it would have come from, but at a very early stage it was identified that TTMF and HMB in pursuing the Government's national housing programme would not add that cost to its product. So, as a matter of fact, in doing our credit adjudication we take into account the likelihood of early default and make provisions in our credit criteria for that. We have made recommendation for a national mortgage indemnity programme in the past which is similar to what operates in the US in respect of Fannie Mae and Freddie Mac, and that has been in consideration for some time.

Mrs. Seepersad-Bachan: I think I remember seeing that at some point in time. But just one other issue I noted and, that is, if you take a look at your annual report of 2012, you have noted that there is a substantial amount of deferred tax which is resulting in tax income especially in 2011/2012. Looking at the table it seems that this has started somewhere in 2005, can you just give—[*Interruption*]

Ms. Lashley: Prior to 2005, TTMF defined its status as tax exempt instead of defining its status as a carrier of a tax exempt product. So, in 2005 we reviewed the situation and with the help of our auditors, and tax consultant defined our status as a taxable entity carrying tax exempt income. So, that is when the figure first arose and came to our balance sheet, and it was indicative of the interest income earned on our AMC mortgage portfolio.

Our portfolio has expanded into the taxable mortgage arena. As a matter of fact, most of our growth between 2005 to the present has been in that arena, but because of the size of our AMC portfolio it has not been able to overtake and our deferred tax asset has grown.

Mrs. Seepersad-Bachan: Just one other—going back to my first question, you said with the Fannie Mae and Freddie Mac type of arrangements, the insurance indemnity programme, do we had any headway with that? Because I remember when you all had proposed that, I think some time in—that was earlier on, a couple years ago.

Ms. Lashley: Yes, Chair. Chair, we have not had any progress so far. To be honest, we have not pursued it because we have pursued other things in that time, but certainly it is something that we must look at going forward.

Mrs. Seepersad-Bachan: Okay. All right. Thank you, Mr. Chairman.

Mr. Chairman: Chairman, may I ask for myself: have you found that there is any peculiar geographical concentration where the bulk of your mortgages are granted?

Mr. Vincent: Certainly there has been. There is some concentration along the east-west corridor and there is some growing concentration in central as well. Basically, that is—[*Interruption*]

Mr. Chairman: Are there patterns that are developing? Does the TTMF see itself as an initiator, if you like, of the mortgage transaction in other areas?

Mr. Vincent: Most certainly, to the extent that we can get credit worthy mortgages in areas outside of the current areas of concentration. Certainly, we will seek to diversify geographically.

Mr. Chairman: And may I ask: are there strategies in place to deal with defaulters? To what extent are you aggressive about those?

Mr. Vincent: There are certainly strategies in place. Our loan recovery processes are well-developed, well-defined and are implemented. In respect of the details of our recovery process, I can ask Ingrid to expand on that a little.

Ms. Lashley: Thank you, Chair. Our delinquency management strategy or policy requires that the customer be reminded of the nonpayment of his or her installment 10 days after it becomes due. That is usually via telephone call and the call is minuted. Once the following month's end comes around and that payment has not been received, we document what we consider to be the "oversight" and write the customer indicating that you have missed your payment and another one is coming due so you are now are overdue by so much.

Having not received the payment by the second month, we write a letter that is a little more stern that indicates to the customer that if you do not get in touch with us to make some kind of arrangement for payment of the mortgage, we will have no choice but to seek the interest of the company for recovery of the funds. After the third month, if not having had any feedback from the customer in order to make such an arrangement, we will send what we call an indicative demand letter, that is, a letter indicating that if you continue not to pay we will have to demand on the mortgage. That is, you will have to pay us the full amount of the funds advanced.

Usually, at that stage, the customer would come in and we attempt to make some arrangement that will allow for repayment of arrears within six months while the current payment continues. If that does not occur however, under the prudential criteria at the end of six months we proceed to legal action, and then we consult with our attorneys to request an order of possession from the court.

We go through the court process and very often the court would give the customer some period of time at its discretion to either seek refinancing elsewhere, or attempt to make an arrangement to pay up the arrears. So we would usually wait for that period. If during that period we are no nearer to recovery, then we will proceed to execution of the order and possession and later judgment if necessary.

Mr. Chairman: I gather that there is much delay, if I may use that unfortunate word, in getting to the point where you seek to take possession. Is this a pursuit of Government's policy or this is what people in your business do?

Ms. Lashley: Chair, we tell our customers we are not in the real estate business. We want to recover funds loaned and we will work with you as hard as we can in order to do that on the basis, that if we repossess too soon and are not able to recover there will be a shortfall and loss on the basis of our principal balance advanced. So, it only where we have repeated broken promises that we accelerate our action.

Mr. Chairman: Anyone else?

Mr. George: Chair, I just want to ask one question hanging on this one. This has to do with delinquent mortgagors. But you also have—the first question is: what percentage of your portfolio represent delinquent? But the more important question is that I think that most of your clients are good clients and they pay their mortgages regularly and so on, and come to a final conclusion when this ended 20, 25, 30 years, whenever. At the end of their payment schedule, when they are fully paid and so on, there are certain legal processes that have to be gone through so that they can have in their hands a piece of paper that says to them this house is now yours. Do you pursue helping them to get at that point when they have been a good customer and have paid with the same passion that you would pursue when they are delinquent? I ask that because until you have that piece of document in your hand, the property is not yours, you know, technically. Thanks.

Ms. Lashley: Technically it is not yours, but it is always yours. We just have a lien on it, but I want to say that we go through a programme. Much of the expansion of our portfolio over the last five years or so is based on those people who have paid their loans religiously for 15 and 20 years and we go to them now and say, "Well you have an opportunity now to renovate your home, to upgrade your home, to educate your children and get yourself ready for your retirement before you get to 55 or 60 years old so that you will have a relatively new property at that stage". That has been the area of our expansion for some time, people who have been on our books for 20 years and then we take them through the process.

Once they get to the place of retirement—and retirement we mean stop working completely or retirement may mean moving on to another phase of life—then we interact with them again and ask if on the basis of their new earnings if they have an interest in facilities. So, we do not leave them out to hang at the end. As a matter of fact, whereas before a mortgage customer was one who you did not touch for 25 years if they stayed with you and paid religiously, now we try to interact with our customers much more frequently so that we can identify their need before their bankers do.

The first question—sorry, sorry. The first question—our delinquency ratio is about 4.5 per cent which we have been advised by CariCRIS in their evaluation of our portfolio is a little bit below the industry average, and I think that is because most of our AMC business which represents about 33 per cent of our portfolio back in the day was civil servants who have monthly income, paid regularly and we are paid through salary deductions.

Mr. Chairman: Has that changed much; the categorizations of your borrowers as civil servants?

Ms. Lashley: Yes, Chair. As a matter of fact, the expansion of our portfolio is mostly now in the open market category which means it is the wider market, the same market that we compete with other financial institutions for. So our market has expanded by person, by product and by value.

Mr. Chairman: Fantastic. And in case—you have said before, please forgive me, there are no ceilings on where you can approve your mortgages, no financial ceilings?

Ms. Lashley: No, Chair.

Mr. Chairman: But the potential mortgagor must confine himself to residential mortgages? I heard you mentioned people taking loans for education and that sort of thing.

Ms. Lashley: Even where we do home equity loans as we call them, the basis of the loan or the security for the loan, the collateral of the loan must be a residential property.

Mr. Chairman: I see.

Ms. Lashley: What we do is residential mortgage financing.

Mr. Chairman: So the focus really is on securing the borrowing by reference to the building as opposed to encouraging people to get residences of their own?

Ms. Lashley: I would say it is twofold. It is twofold. Under the AMC programme, the 2 per cent programme, we focus on first time homeowners and affordable financing. Once they grow up, we focus now on home renovation, home improvement, education expenses and even medical expenses.

Mr. Chairman: Thank you very much. Is there anyone else? Dr. Browne?

Dr. Browne: Very interesting interaction thus far. I would want to indicate that a significant percentage of the visits to my office as a Member of Parliament, and I suspect to my colleagues offices, would be from citizens related to the challenge in acquiring a home, especially young people, even young graduates. Clearly, this is due in part to the very high cost of real estate in the country. That has been so for some time, and as an MP we would have to give various forms of advice, refer them to various agencies, and I am certain I have knowledge that persons also walk into your offices sometimes to explore the quantum of mortgage that they would qualify for but without having as yet identified any prospective property. And on achieving that level of prequalification or financial guidance in terms of the quantum of mortgage, they then run into a big challenge in terms of simply finding somewhere that they can acquire.

You just stated, Madam CEO, that you are not a real estate agency, but the TTMF does serve a very important public purpose. I just want to know what kind of guidance are you able to provide, maybe not to the extent of any relationship with real estate agencies, but how are your staff really trained to assist persons in that regard because people really do struggle. Even if they are told, okay, you can qualify for $350,000 or whatever and then they go out onto the street and for the next several months or years—and I am speaking with very specific examples in mind. They really struggle. What I do tell them is you need to expand your horizons. Sometimes you might have to forget about western peninsula; you know, places that you are familiar with look further into the country. But, are your staff and your offices in any way positioned or flexible enough to assist persons may be a little further than your direct portfolio I would indicate? That is the first one.

The second one is a very specific question in terms of properties owned by TTMF. First of all, does TTMF own its own property; the locations of those properties and the values thereof; and does TTMF also rent any properties; locations, values thereof and, of course, the landlords associated with those rentals?

Ms. Lashley: Chair, if I may seek clarification. In respect of ownership of properties you mean office buildings?

Dr. Browne: Yes, your infrastructure.

Ms. Lashley: Okay. First let me address the finding a home once having been prequalified. I think Dr. Browne that you hit the nail on the head in respect of the constraints we put on ourselves in looking for a home. Most people who live around the east-west corridor prefer to look around the east-west corridor, and a middle income home in Diamond Vale is well over a million dollars. So they restrict themselves to a location and in so doing limit their affordability.

So we try to encourage them to go further afield. The central area is expanding, there is a lot of greenery, a lot of fresh air and you can acquire land in the first instance and wait to construct when the land loan is repaid, which we also help you through. The other aspect that we have been trying to encourage is purchase of a fixer upper. In other words, you have to look at a home and see its potential and not necessarily what you see in magazines. That is another avenue of search that our young people are not inclined to do.

The third aspect I would say of house hunting that is not tapped significantly is what we call the “granny suite”. In other words, your parents are on a property, this is an empty nest, they have less need of space than you do with your children, and therefore, you could construct a “granny suite”—what we call a “granny suite” popularly known as an annex—for your parents and move into the main house with shared community arrangements, of course, in keeping with appropriate approvals, and that is something that we have financed in the past especially for young professionals who take over the responsibility of the mortgage from their parents.

In respect of ownership of property we own two properties, one in Port of Spain at Dundonald Street and one in Tobago at Jerningham Court which is a new acquisition that we acquired from the Deposit Insurance Corporation in its role as receiver for Clico Investment Bank. In terms of our other properties, I will turn you over to Robert who has greater detail on the locations and the landlords.

Mr. Green: Thank you, Chairman. As we said earlier, we have offices in Arima, in Chaguanas and in San Fernando. In Arima, we rent space on—I forget the name of the street.

Ms. Lashley: Sanchez Street.

Mr. Green: Sanchez Street—in Sanchez Street. In San Fernando, we recently moved to St. James Street. We rent—am I required to say the owner of the building?

Dr. Browne: That is the enquiry.

Mr. Green: The landlord is J. T. Allum in the Carlton Centre Complex. In Chaguanas, we rent space on the Southern Main Road from the CTC Electronic Group. That is what it is. And then, of course, we recently—[*Interruption*]

Ms. Lashley: Arima.

Mr. Green: Arima is owned by an attorney by the name of Mr. Alfred Pierre. In Tobago, we recently acquired property. We call it St. James Court—Jerningham Court, sorry. It is on the corner of St. James and Jerningham Streets and we occupied just about 1500 square feet of that building. That is all tolled about 7500 square feet. We acquired it late last year. We had an opening ceremony on November 15 last year, and between that time and now we have been preparing the building for rental. While we have one prospect thus far, we have not engaged any tenants as this time.

Ms. Lashley: Chair, just to add to that, we also own a residence at 6 St. Andrews Terrace in Fairways that is referred to as the managing director's residence. It is where the MD is housed.

Dr. Browne: Thank you for that addition, Madam CEO. I did not get the total rental cost bill because I know that one of the forms of advice we provide to even our young citizens is that it is better to own than to rent. So I am very interested, and it is a topical issue in the country at this time. So what is the rental cost of TTMF?

Ms. Lashley: Our rental cost is just about $800,000 per annum, and as a matter of fact, it was on the basis of a rent/buy decision that we recently purchased the building in Tobago on the basis that we must walk the talk.

Dr. Browne: Excellent.

Mr. Chairman: Mr. Hadeed?

Mr. Hadeed: Thank you, Mr. Chair. Objective 8:

"In view of the Government's announcement (via the budget statement and the PSIP of 2013/2014) of a proposed expansion in the 2% mortgage facility to include 'all citizens with access to residential service lots whose income do not exceed $8,000 per month and the value of whose property do not exceed $450,000' including beneficiaries of the 'Land for the Landless' programme.

- what steps are being taken by the TTMF to prepare themselves to implement/manage this expansion in its business portfolio?
- how are the new liabilities expected to impact the financial status of the company"—

and, if so, is the Government subsidizing these mortgages?

Question one: are you all actively promoting this programme of 2 per cent for the land for the landless? In other words, do you have a marketing strategy that you are adopting for this?

Ms. Lashley: When the prospect of the expansion of the 2 per cent mortgage programme was announced, under the guidance of our line Minister we developed a marketing plan for spreading the word of the 2 per cent mortgage programme. We have already had some advertisement in the newspaper. Of course, we had it just before Carnival and we limited the promotion over Carnival because the Carnival newspaper was crowded, but we are intending to resume that advertising programme.

We have published brochures which are to be shared with all parliamentarians upon publication as well, and as I mentioned earlier our business development unit is also a part of the marketing outreach with the HDC. It is our intention, coupled with the HDC, to go out to community centres, even to housing developments and educate people as to what is expected under the 2 per cent programme and who would qualify for the 2 per cent programme.

I also want to add that in the meantime the limit has been increased from $450,000 to $625,000, and as I had indicated earlier we have had some interest in persons coming in for prequalification for these facilities.

2.50 p.m.

Mr. Hadeed: The second question that I would like to ask, how are these likely to impact the financial status of the company and is the Government subsidizing these mortgages if you are going to expect a loss?

Ms. Lashley: The 2 per cent mortgage programme is funded by the Government of Trinidad and Tobago. TTMF sources the funding itself and the Government of Trinidad and Tobago compensates us by paying to us the cost of borrowing less the return of 2 per cent plus an admin. fee of 1½ per cent.

Mr. Hadeed: So in other words, it does not impact your bottom line. You do earn money by an administration fee.

Ms. Lashley: Yes, Sir.

Mr. Hadeed: Thank you.

Chairman: Mr. Seemungal.

Mr. Seemungal: Chair, through you, I just want to expand on what my colleague, Mr. Hadeed, touched on and that is with respect to the 2 per cent mortgage for families' income not exceeding $8,000 and the value of the property not exceeding $450,000.

Ms. Lashley: Six hundred and twenty-five thousand dollars.

Mr. Seemungal: I am quoting from your document. So, I am corrected, $625,000. Now, which property is this? Is it the land or the land and the building?

Ms. Lashley: We are guided by the 2 per cent *Mortgage Financing Regime,* which is a document, provided to us by the Ministry of Finance and the Economy some time ago, that provided the framework for the 2 per cent mortgage programme. Under that financing regime, the property includes land and building. We received notice from the Ministry of the increase in the limit from $450,000 to $425,000 on—$625,000—sorry, on January 10, 2014. Having received that notice, we have gone back to the Ministry to ask for clarification on that score because we have had a particular incident or particular instance where a customer came to us having received an allocation under the Caroni lands and when he adds to that the cost of construction, he will exceed $625,000. And that is not in keeping with the spirit of the programme. So we have gone back to the Ministry of Finance and the Economy for clarification in that regard.

Mr. Seemungal: Because that is what I was coming to. Most of the lands—we are finding that a lot of the lands, even under the "Land for the Landless" programme, in some of the areas in central and south are valued upper $500,000 for the land alone. And in your case, you are up to $625,000. It means that this person can only appreciate his property up to $625,000 to qualify for the 2 per cent. Other than that he would have to go down the scale from 5 per cent to 7 per cent. Yes? Or are you giving consideration to—and adjustment or a pro rata basis whereby the first $625,000 at the 2 per cent and thereafter at the higher rate of interest?

Ms. Lashley: Through the Chair, the flexibility with the 2 per cent mortgage programme is not within our discretion. However, let me say that when the 2 per cent programme was first developed, it was on the basis of cost, not value. So, on the basis of cost, when it was restricted to HDC, THA and Caroni lands, the costs were determined by Government and it provided for some equity in the property. For example, properties were sold at $250,000 but were valued at $425,000. And we took cost as equal to value in applying the programme at the time. So we have gone back to the Ministry of Finance and the Economy for permission to use cost rather than value in respect of, for example, the Caroni lands.

Mr. Seemungal: Excellent. Well that will assist because the—at least that will clarify, for some persons, but the next important criterion is $8,000. Now a young engineer now coming out of school, on contract, his salary is $12,000. He would definitely come out of this. A young doctor, on contract, his salary is $12,000. He would definitely come out of this. A young doctor coming out of school, approaching these institutions for the first time, is in excess of $8,000. And they are the ones who are always left on the sidelines because we generally cater for the very poor, and the very rich is taken care of but the persons between those are the ones that we also would look after as well. Are you all giving the consideration to even apply to the Ministry for variation of this $8,000, to even lift the bar to the minimum young professional, at least to about $12,000?

Ms. Lashley: Some time ago we had made proposals to the Ministry of Finance and the Economy, on one occasion, to increase the limit to $10,000 and on another occasion to increase the limit to $12,000. In their discretion, particularly as it applies to the subsidy required for the programme, they have not taken action on it yet. But we are ready whenever they are.

Chairman: Chair, may I just ask you to shift gears a little and let us address some human resource issues? Perhaps you could tell us the strength of your—the personnel numbers and then I will like to know whether this is an unionized environment?

Mr. Vincent: Yes, we do operate in an unionized environment. The union we deal with is the Bank and General Workers Union. Our staff complement is in the region of 140 members. Operating in an unionized environment does pose its own challenges. For example, we are in a place now where our collective bargaining has broken down and the matter is now in the Industrial Court. That is for the period—[*Interruption*]

Ms. Lashley: 2009 to 2012.

Mr. Vincent: 2009 to 20—[*Interruption*]

Ms. Lashley: Twelve.

Mr. Vincent:—12. So, it does pose some challenges for us operating in an unionized environment.

Chairman: A breakdown over a 2012 agreement seems to be reasonable in today's circumstances. It means that you have a good relationship with the trade union. [*Laughter*]

Mrs. Seepersad-Bachan: Just on the related question on the HR issues. I notice that your staff turnover rate, in 2008 it was 30.8 per cent and in 2004, 40.0 per cent. Now, I note in your submission you also indicated that you have had some challenges based on compensation. So I am just trying to find out the reasons for the 2004 and 2008. Is it along those lines?

Ms. Lashley: In 2004, we had a redundancy programme that had five of our senior people being separated. They were all adequately compensated and I do not think there is any—they were fairly near the retirement age, in any event, so they received their full pension at this juncture.

Mrs. Seepersad-Bachan: So the 40 per cent turnover here is because of the separation programme that you had?

Ms. Lashley: Yes.

Mrs. Seepersad-Bachan: So, 2008 did you have a separation programme again?

Ms. Lashley: No. In 2008, it was the peak of our previous compensation adjustment for management officers and we had a high turnover of management officers who left largely for compensation.

Mrs. Seepersad-Bachan: So that was compensation.

Ms. Lashley: Yes.

Mrs. Seepersad-Bachan: Because I go to your—again, your financials. Well, I do not want to deal with the profit after tax because of the issue with your—your deferred tax issues. But profit before tax, if you go back as well, you had a serious decline in 2008. You went from about $42 million to, I think, $37.2 million. And the reason you stated was because, again, of the—again, probably your settlement?

Ms. Lashley: That is correct.

Mrs. Seepersad-Bachan: Because of the settlement with the collective agreement and the accelerated cost of funding, in addition, increased your loss provisions to ensure compliance. So there are three issues here. First, you had an accelerated cost of funding, I mean, but yet still your profit line recovered and you are up to 53.2 in 2012, which, by the way, you just said you are coming to the—you have a breakdown, again now, for that period of time, 2009 to 2012. So again too your revenue seems to be somewhere at a stable level but you were able to recover up in 2012. What contributed to you being able to get your profit line back up?

Ms. Lashley: As I mentioned earlier, in 2009 we started a process of rationalization of our funding that saw the establishment of the HDC administered portfolio because by that time interest rates had peaked at 8 and 8½ per cent. So to borrow at that level would have carried our lending rates up,—which was not in the interest of affordable housing. To avoid that, we had established the HDC administered fund and was also afforded funding through our parent company.

After 2009—[*Interruption*]

Mrs. Seepersad-Bachan: Which allowed you a reduced cost?

Ms. Lashley: That is correct—reduced funding cost.

Mrs. Seepersad-Bachan: Funding cost, right.

Ms. Lashley: After 2009, our recovery—our stability more than recovery was afforded by two issues. One was the declining cost of funds.

Mrs. Seepersad-Bachan: Okay.

Ms. Lashley: So that when funds matured, the new—the renewal or the new funds was at a lower level. And secondly, the turnover of staff was not as vigorous as it had been partly because of our HR practices having been improved but also more significantly, that the job market had become a little more restricted, so mobility was not as easily facilitated as it had been before.

Mrs. Seepersad-Bachan: But I mean, if you—what are you looking—I mean, I do not want to get into too much of what is happening with the settlement issue but I suspect now that even when you do settle, you are going to take a dip again in your profit line. Am I correct?

Ms. Lashley: No. That is not so. We had been providing for—[*Interruption*]

Mrs. Seepersad-Bachan: Okay, all right.

Ms. Lashley:—the increase—[*Interruption*]

Mrs. Seepersad-Bachan: You have been providing for it over the years?

Ms. Lashley:—over the years.

Mrs. Seepersad-Bachan: Okay. Um hmm.

Mrs. Lashley: We have negotiated with the Union at 9 per cent and we have provided accordingly. With the agreement of the Union, we have also made an interim payment to our staff, while we wait for the outcome of the court matter, at 8 per cent.

Mrs. Seepersad-Bachan: All right.

Ms. Lashley: So they were already receiving 8 per cent and when the court matter is ended, we know, if we have to pay 1 per cent more or more, more.

Mrs. Seepersad-Bachan: Okay, all right. So it would not impact significantly.

Ms. Lashley: No. It would not.

Mrs. Seepersad-Bachan: Thank you, Mr. Chair.

Chairman: Chair, may I invite you to address us, briefly, on what is the relationship between the TTMF and the Caroni lands, or Caroni (1975) Limited, perhaps? The public may wish to know what is so special about Caroni.

Ms. Lashley: Chair, if I might. Caroni lands were specified as part of the 2 per cent mortgage financing regime. The allocations of lands under Caroni (1975) Limited took quite some time and therefore the recipients were not able to take advantage of the 2 per cent mortgage programme right away. Now that the programme though—now that the allocation has been completed, most of the recipients have either been able to save so that they can make payment of $30,000 or they have gone through SILWC which is another agency of the Ministry of Housing and Urban Development, which has always had a relationship with Caroni (1975) Limited and its workers.

Chairman: And SILWC for the uneducated.

Ms. Lashley: Sugar Workers—Sugar Industry Workers League.

[*Sugar Industry Labour Welfare Committee* (*SILWC*)]

Chairman: Is this a lending agency?

Ms. Lashley: It is an agency of the Ministry of Housing and Urban Development.

Chairman: That lends?

Ms. Lashley: Yes.

Chairman: I see. I had once heard that the delays—if you may call them that—in dealing with the Caroni lands had to do with title and a slow process towards granting title to the persons to whom lands were allocated. Is that based on fact?

Ms. Lashley: We would not be aware, Sir.

Chairman: When people come to you, they have already—they are title holders?

Ms. Lashley: That is right. That is correct.

Chairman: I am grateful. The burning question of the merger with the Home Mortgage Bank needs to be addressed, open to the public, if you can—one of you.

Ms. Lashley: By its report on January 06, 2014, PwC, who was appointed Transaction Advisors for the first phase of the investigation as to whether there should be a merger of TTMF and HMB, provided a report to the stakeholders, NIB, TTMF, HMB, Ministry of Finance and the Economy, recommending that Phase 1 be closed with the process to Phase 2 that will see the merger under a holding company. In other words, by this process TTMF will remain whole, HMB will remain whole and be wholly-owned subsidiaries of a company to be called Trinidad and Tobago Mortgage Bank. It is our understanding that the report and an appropriate recommendation are to be made to the Cabinet and we will be guided thereafter.

Chairman: The objectives of the new business will be what?

Ms. Lashley: The need for an entity such as the Trinidad and Tobago Mortgage Bank arises from the constraints at TTMF in respect of its funding resources and the constraints on HMB in respect of its ability to garner new business. The rationalization will allow that each entity operates where it is strongest and that the major shareholder, the National Insurance Board, will benefit by these synergies, to the benefit of pensioners.

Chairman: Are there any questions arising out of that?

Mr. George: I just have one more, which was a follow-up to my colleague's, Seemungal's and on the basis of statements that were made earlier. It appears that the TTMF must be aware of the difficulties that people are experiencing in respect of housing. You spoke to the issue of persons—of making persons aware that there are certain areas that are saturated, for example, or more difficult and more expensive to own homes, like in the west and so on. And you are trying to encourage them to do certain things, do the granny or grandpa—[*Interruption*]

Mrs. Seepersad-Bachan: Granny Suite.

Mr. George:—or the Granny Suite and to do—and to go to the areas of the country but my own intuitive sense of what is happening is that you may have lost a considerable number of clients as a result of the fact that the HCL is no longer building homes, so that the number of public servants or others that may have been purchasing those homes will now not be available to you. That was a significant player in the private supply market as against the HDC and what the Government is trying to do.

My question really is, in that regard have you been approaching private sector persons to do two things: one, provide individual homes à la HCL or to provide condominium homes that will be available to members of the public at different income levels, that would provide homes—or additional homes for people to have available to them as well as to provide you with more business?

I am saying here because of what has been happening with HCL and my intuitive feeling is there is a decline in the production, that you have to now deal with a future supply of mortgages for yourself, and are you, therefore, in touch with the private sector people, to encourage them to get involved in home construction that will provide additional homes for the members of the public who need them and also provide you with additional business?

Ms. Lashley: Through you, Chair. We have established a product called Stage Financing where we get into bed with developers, particularly in the private sector, and enter into a tripartite arrangement between the developer, the prospective mortgagor and TTMF, where the mortgagor, in essence, takes a construction loan and financing is delivered directly to the developer. So, for example, the mortgagor buys the land through that developer and we work with them to establish an agreement where once the developer calls for funding, we deliver directly to the developer. That way the developer decreases his cost of funding because he is not looking for bank financing at commercial rates; the mortgagor is assured of some timely completion of the unit because there is oversight with TTMF professional suppliers and at the end of the day we have booked a mortgage earlier rather than later. So we have two or three developers that we are now having this kind of relationship and discussions with now and part of the mandate of the Business Development Unit is to expand that kind of initiative.

Mr. George: Okay.

Chairman: Are you finished, Mr. George?

Mr. George: Yeah, yeah. Thanks.

Chairman: Take off your microphone for me please. Would you—Mr. Hadeed.

Mr. Hadeed: One last question from me. Do you find that you have moved off from your core customer base? Your core customer base when you first started where low wage earners, early civil servants getting jobs. We now have thousands and thousands of new civil servants getting into the service. Have you moved away from your first customer base now looking for higher markets, higher mortgages?

Ms. Lashley: Absolutely not, Sir. As a matter of fact, our inability to provide more funding to that market is really owing to some delay in the HDC developments having title that would afford us a mortgage. In 2008 we had established what we called an HDC Unit in anticipation of 3500 mortgages from HDC within three years. Three years later we had to disband that Unit because the HDC did not have the title that would afford mortgages.

We have now been able to work with the HDC to get around that because we will now administer the licence to occupy. So for that we will have audience with what you now—with our core business, our core—let me say I do not call it "our core"—anybody who wants our mortgage is our core—with our initial start-up, our baby customers, so we now have more exposure to those who will start with affordable housing and help them graduate as they expand their business through life stages.

So it is not to say that we have moved from our core business. The HDC, the THA, the LSA are a major, major part of our strategic initiatives going forward and, as a matter of fact, recognizing their place as a major stakeholder in housing, we have formed closer relationships with them, with a view to focusing on our public mandate, through affordable housing while at the same time affording some level of profit so that our shareholders will get the return that they expect.

Chairman: Chair, there is a large and growing segment of the population who, we forever hear about, are working on short-term contracts of employment. And one wonders whether they find themselves at your door and with what level of success?

Ms. Lashley: They most certainly do, Chair, and what we look at is not necessarily the term of the contract but really the eligibility for future employment. So, for example, if we have—and I say this because this one comes to mind fairly frequently—we have someone on contract who is a chauffeur to a Government Minister and for that he has a three-year contract but he was a taxi driver. We will still entertain his business on the basis that he could move on to something else in the event that his job tenure was shortened.

Chairman: That is quite an encouraging answer. One more question from me, Ms. Lashley, and I address you directly. You have introduced the question of the Granny Suites and I immediately heard sociological implications as well as planning implications. I cannot imagine that you wanted young professionals to think that they could move their granny into the annex, [*Laughter*] or their mother, or their parents into the annex only because they have a great future ahead of them. Is that what was the thinking?

Ms. Lashley: That was not my intention by any means, Chair. The circumstances we have had of Granny Suites in the past, young professionals who, with the consent and a negotiated position between themselves and their parents, decide how the family unit will move forward, in the spirit of a village raising children. As well—[*Interruption*]

Chairman: It must test your investigative skills—forgive me crossing you.

Ms. Lashley: I beg your pardon, Sir?

Chairman: I said it must test your investigative skills to determine the sincerity of the applicants and the consenting adult.

Ms. Lashley: Well, as a matter of fact, it is usually the parents who come to us first because they have the mortgage with us.

Chairman: And the planning issue—do annexes really not have some planning disadvantages?

Ms. Lashley: You must have the approval of the Town and Country Planning to do any business with TTMF. So it would be in situations where the land space would afford it with compromise on Town and Country Planning approvals.

Chairman: And are there many of those?—people who want to build annexes and need mortgage facilities.

Ms. Lashley: We do not have many but we have had, I would say within the last 10 years or so, maybe 18 to 20 such applications.

Chairman: Anything else? No? Okay, so perhaps I could just ask the final question and once again on an HR issue. I gather that the staff turnover is probably comparable with other financial or people within the financial industry. What are your strategies for attracting and retaining staff at this time and with what level of success?

Ms. Lashley: I think our staff turnover is standard for the financial services sector. Aside from the unionized staff and our management of the collective agreement, our relationship with our Union representatives and our branch offices, we ensure that we have health and safety standards that would give our staff a comfortable and secure environment.

We have staff social programmes, including sports day and family day, long service award functions, end of the year functions and, as well as mentioned earlier, we also recognize an Employee of the Quarter and an Employee of the Year. Our Employee of the Year becomes the spokesperson for TTMF and is afforded social as well as educational interaction during their tenure. We ensure that every employee of TTMF, regardless of level, from executive management to our drivers and so on, is afforded some level of training during the year.

So we have 100 per cent training across the board and, as well, finally, I think it is just in terms of our staff communication, our open door policy, our interaction with staff, regular branch visits, all of these things make people feel worthy and I think that is accounting for the status of our human resource satisfaction rate.

Chairman: Thank you very much, Chair. Mr. Chair, is there any matter that you would wish to speak on before we close?

Mr. Vincent: Not really, Mr. Chairman, except to thank the Committee for the opportunity to be here and ventilate our operations. Should you require any additional information or clarification on our submission, please feel free to make such a request. Thank you.

Chairman: Thank you very much. On behalf of the Members of this Committee, we are gratified with the responses we have received. If indeed we must take you up on the offer of additional information, you will hear from us, and we thank you very much for attending.

At this stage, I shall like to declare this meeting closed. Thank you.

APPENDIX IV

SCHEDULE OF FEES

xxi. Schedule of Fees and Charges

FEE	DESCRIPTION	CURRENT CHARGE
APPLICATION PROCESSING		
Mortgage Application - Administration Fee		TT$150.00
Mortgage Application - Deposit on Title Search		TT$1,000.00
Mortgage Application - Credit Report (per person). There will be an additional charge of $15 if a credit score report is required.		TT$75.00
Mortgage Offer - HDC - Acceptance Fee		TT$350.00
Mortgage Offer - Other		1% of loan amount less $150.00. $500.00 (minimum)
Rescheduling Fee		TT$250.00
Assignment of Interest		TT$250.00
STATEMENTS		
Amortisation Schedules	First one free	TT$30.00
Payment Listing 1-5yr		TT$50.00
Payment Listing 5-10yr		TT$100.00
Reconciliations 1- 5yr		TT$75.00
Reconciliations 5 -10yr		TT$150.00
Redemption Statements		TT$35.00
Statement of account		TT$35.00
PAYMENTS TO SERVICE PROVIDERS		
Bailiff Fees	Bailiffs present customers with a letter and collect cheques only	20% of Arrears Collected
Site Inspections		TT$300.00
Curb-Stone Valuations on sale of repossessed properties	Conducted by the valuator when there is no access to the property and done within 2 years of the last official valuation	Cost
OTHER SERVICES		
Inclusion in property sales listing	Maximum period - 3months. Service provided to customers who want us to list their property in house or on our website.	TT$500.00
Public Sales Advertisements	Newspaper Ads for properties in foreclosure	TT$300 plus Cost
MISCELLANEOUS		
Pre-payment		-
Returned Cheque		TT$50.00
Photocopies		TT$1.00 per side

APPENDIX V

KEY ELEMENTS OF THE FIXED AT SIX CAMPAIGN

Key elements of the Fixed at Six Campaign

NAME	• Fixed at Six (cricket symbolism) – that is, the interest rate is fixed at 6% to the maturity of the loan.
OBJECTIVES	• Stem the current spate of redemptions • Build in-house marketing skills • Establish TTMF as a key player in the Equity Financing market • Contribute 33% towards the achievement of the 2013 Open Market budget target
PRODUCT TYPE	• Open Market *(Including bridge financing and land loans)*
PERIOD	• Campaign ran for 3 months from May 1st – July 31st, 2013; all loans must be booked by Dec. 31st, 2013 in order to qualify for the rate on the basis of assessments during the campaign period. The completion of transactions has been extended to Mar 31, 2014 where statutory approvals or internal processing would not allow for completion by Dec 31, 2013.
AMOUNT	• *New Business*: Any amount subject to a minimum of $250k. • *Existing Customers*: To qualify for the campaign, existing customers must be borrowing at least an additional 50% of their existing loan balance, subject to minimum of $100k.
DETAILS	• *Interest Rate* – 6% which will be guaranteed to the maturity of the debt acquired during the campaign period ONLY. Currently commercial banks mortgage loan interest rates range between 5% and 8%; with the exception of HMB, no lender currently offers a fixed rate option, thus emphasizing what TTMF is known for – stable interest rates. • *Secondary Offer of 100% Financing:* Applicable to professionals only e.g. doctors, lawyers, dentists, engineers, etc. (must strictly meet all lending criteria particularly Gross Debt Service Ratio (33%), Total Debt Service Ratio (40%), clean credit history and the purpose must be only for the acquisition of a home either purchase or construction) • *Commission/Administration Fee:*Remains the same at 1%. • *Lending Criteria* – Subject to all normal lending guidelines strictly adhered to for 100% financing.