

**Feature Address by
The Minister of Finance Honourable Winston Dookeran**

**HOME MORTGAGE BANK (HMB)
GALA AWARDS CEREMONY
held at
The Port of Spain Ballroom
Hyatt Regency
on
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Thank you very much, Paul. When I heard my friend, Black Sage, said he was happy to share this platform with me and with you, I almost slumped, which I must admit is an experience I do at three o'clock in the morning when we have these major debates in Parliament and my colleague next to me always get up and tell me, "You cannot slump because the economy is not in a slump."
[Laughter]

Paul, I very rarely see you in such a congenial atmosphere because when I see you in "First Up" on mornings, it is a very combative individual with Jesse and I know I have been on your show once or twice and you have never really allowed me to escape from that combative zeal that you have always expressed, so I am very happy to see you in this very congenial mood.

My colleague, Rudy Indarsingh, the Chairman of the Home Mortgage Bank, Mr. Hospedales, Mr. Ramquar who is the Deputy

Chairman and also Deputy Chairman of the National Insurance Board, and other very distinguished members who are here today, let me start first of all by saying a word of congratulations to those who have received their awards for their sterling service to the Home Mortgage Bank and by extension to Trinidad and Tobago.

I know how it is when, after a career, whether short or long, you are acknowledged by your peers. It is indeed the best feeling of satisfaction that one can get and I share the joy of seeing you come up on stage and receive your awards for your sterling service to the Bank.

I believe it is about 12 years ago when I was the Governor of the Central Bank and was asked by the then Chairman of the Home Mortgage Bank to do a foreword for your annual report and in my recollection, although I have not read it recently, was that the Bank was setting its own foundation to become a formidable mortgage institution in our country. I heard the Chairman in his address speak about this formidable banking and mortgage institution in our country. So much has happened in the last 12 years since I had that opportunity to do the foreword in the annual publication, and therefore I congratulate the Chairman, the Directors, the Chief Executive Officer, Mr. Ramlogan and staff for holding this institution together in very, very trying times.

You would recollect it was not long ago that the subprime mortgage bubble burst in the United States and that was the

beginning of what today continues to be a major upheaval in the global economy. It all started in the mortgage sector. It started in the housing sector and it soon spread beyond the United States into some of the major economies of the world. Back then it seemed that this was a simple problem; it was a problem of overzealous investors, a problem of lax regulation and a problem that lead us into difficulties. If it could not be contained then a bailout programme came into place.

As events unfolded since that subprime mortgage bubble burst, it soon became very clear to all that that was not really the real crisis. For that bubble having burst generated a new crisis which eventually turned out to be a sovereign debt crisis affecting most of Europe but certainly affecting countries around Europe. So what appeared to be a rather simple economic event became a major continental crisis. Today, four to five years later, we are still trying to unearth what really was the source of that problem. Recently there was an election in France and we saw the articulation of this crisis in the political sphere. The problem has now moved beyond a sovereign debt crisis, as we see exemplified in Greece and is now a fundamental crisis of challenge to development itself.

So what we have seen in our own sphere over the last four to five years is a crisis emanating in the housing sector, in the mortgage sector and converting itself to become a global phenomenon. Today many countries in the world, large and small have begun to revise downwards the expectations for growth in their respective

economies. This is all because of the problem which started and manifested itself in the mortgage sector. I say that as a background only to emphasize that one of the strongest pillars in our financial system is our home mortgaging system. I can further say with a sense of confidence, especially after hearing the remarks of your Chairman, Mr. Hospedales, that this bank has withstood the crisis of our times and stands strong and ready today to take on the next challenge in Trinidad and Tobago.

What indeed is that challenge? Clearly there's an old saying that if, in fact, you are not growing then you are dying, and this applies to almost every institution. In that sense, the challenge now is for growth. The challenge now is to organize the portfolio you discharge on behalf of all the people of Trinidad and Tobago which is to embark on an ambitious programme of growth, but to do so you need of course to do many things, and tonight I would like briefly to express one or two public policy measures that have been introduced in order to allow the bank embark on that programme of growth.

I was very pleased to have heard the Chairman speak about the \$2.2 billion of bonds that were issued over the years in order to facilitate homeownership and I think we all recognize that homeownership is one of the fundamental pillars of a stable society. But we also recognize that, in our own country, perhaps that is a single most important deficit, for as we look around to our brothers and sisters and to our citizens, we sense that homeownership is a key

problem and therefore there must be a response that is sufficiently large to tackle what really is a major deficit in our country.

There are many institutions that are engaged in this exercise, but perhaps the most innovative of them all has been the Home Mortgage Bank. It must not go without notice that the largest shareholding of this bank is the National Insurance Board who acts on behalf of all the citizens of Trinidad and Tobago, and that Board in its own innovative way has begun to address the problems facing it. One such problem—and I am very proud to announce for yet another time, the introduction of an increase in the contribution with respect to national insurance payments, but that is based on the fact that there was strong financial discipline, and I believe what has been the pillars for the Home Mortgage Bank for the National Insurance Board is really a commitment to very strong financial discipline, and today I want to acknowledge that with respect to the Home Mortgage Bank.

The new Board that has been installed has a tremendous responsibility to build on that foundation and to enhance its growth prospect at a fairly high rate because that is a requirement of today's society in Trinidad and Tobago. To do that, you obviously need a public policy support environment and that is where, as Minister of Finance, I have placed some emphasis within recent times. I would not go through all the measures that we have been put into place to enhance homeownership but to just point out three measures that I

believe are of significance to the future development and growth of the Home Mortgage Bank.

The first was referred to by the Chairman when he indicated that, as Minister of Finance, in the last budget speech I announced that there will be a merger between the Trinidad and Tobago Mortgage Finance Company and the Home Mortgage Bank. The idea was that we understood that there was need for economies of scale. We understood that the growth of this sector must be phenomenal. We understood that the synergies between the two public institutions which are engaged in home mortgaging must be strengthened and it is in that context we took the policy decision to start the process of merging the institutions so that we can have a more powerful engine dealing with the issue of homeownership in Trinidad and Tobago and providing mortgaging. So that's one of the major steps and, as of now, it is still being worked on by the technical people to make it happen shortly.

The other area that we looked at was specifically to look at first-time homeowners for we felt that in that target group posed the greatest challenge. For first-time homeowners have found themselves in a situation where their salaries cannot allow them to even think about homeownership in an environment of high interest rates and, therefore, it was important to intervene in the system to bring about social stability and to provide new opportunities for first-time homeowners.

To do that, what we did in terms of measures, one, to

reintroduce an old measure that, for some reason, had been discontinued but we felt it had merit and introduced for first-time homeowners a tax credit of \$18,000 to their income so that they can get at least some subsidization via lower taxes. I don't think many people are aware of these things. I say that because in my other role as the Member of Parliament in Tunapuna, the problem that comes to me most every Saturday where I tend to constituency matters, is this issue of homeownership. And when I explained to them the issue with respect to the tax credit, I have found really invariably very few people are aware of it. And therefore, they come with the view that homeownership is tantamount to getting an HDC house and I try to persuade them that that is only one avenue because I cannot expect to deal with the backlog in HDC housing in one year.

There are 143,000 people on the waiting list and therefore, if I were to advise you to wait on that, I will really be fooling you and therefore I suggest, let us look at the incentive structure and while we enhance the HDC housing stock, we, at the same time, encourage people to move into the private sector and therefore utilize the credit. So hence I take this opportunity to repeat that that is an incentive that has been in place. It has been used but not as well as one would have expected. But that is not sufficient because it is necessary also to find ways and means to handle the cost of homeownership and, in that respect, the public policy measures that we continue to introduce in an enhanced form has been, among the lowering of the interest rates of which the Chairman spoke, is the

access to a 2 per cent interest rate for first-time homeowners.

That particular programme has been accessible to those who can't get access to HDC housing or to the Tobago House of Assembly or to lands in Caroni. So what we have discussed recently is to expand that catchment area to go beyond those categories and to include many more institutions that can qualify for the 2 per cent housing. Now, the 2 per cent housing is not without cost for, as you know, there's no such thing like a free lunch. I mean, I'm the only person in Cabinet as Minister of Finance who understand that. There is no such thing like a free lunch. If you pay here, if you give here, you have to get it back there and therefore that costs money because a subsidized interest rate is, in fact, a costly position.

I was advised by your sister institution, the Trinidad and Tobago Mortgage Finance Company, that they have expended during this year alone \$53 million in first-time owners' interest rate subsidy. In my view, it is still small but at least it is not insignificant, and I want to also suggest that that should be another avenue which we will expand. Hopefully, if the economics is right, we will probably expand it beyond the present catchment area which I've already indicated to you that we are looking at into the private sector as a whole, given certain thresholds of income, whatever it may be will then determine eligibility and such persons who do not own homes and are first-time owners, rather, I should say, would then have access to that particular facility.

To me, that is a very significant intervention in fostering the

mandate of the Home Mortgage Bank and the mortgage industry in general and, more specifically, those first-time homeowners. These are only three measures that I will refer to today because there are many other measures that are put in a total package because I recognize, as we all do, that homeownership not only satisfies the demand among our people but it also provides a sense of support to the construction industry and I want to urge those in the construction industry to begin to consider plans that will provide affordable homes to those who can qualify for these subsidies, because that will then increase the market and hopefully we can keep the cost of production less than it is today.

I recognize the difficulties in so doing, but the Government has taken significant steps in order to try to encourage the development of construction in the housing sector and indeed to encourage the affordability of homes to first-time owners and also for families, because there are many families who have come to me and have said that their children still live with them because they can't afford to go and get their own homes. So we are trying to handle these problems but handle them in the context of fiscal discipline, handle them in the context of ensuring sustainability and handle them in the context that will also keep the economy moving forward.

It is in that context, therefore, that I believe the Home Mortgage Bank has and continues to play an important role. The bank must now prepare itself for an enhanced responsibility and in the merger that is currently being worked on, I have no doubt that

they will begin to realize that the resources will have to be channelled, either through the bonds that have been issued or elsewhere. It will have to be multiplied in the years to come and, therefore it is in that context that I'm very pleased to be here to share these words with you and to also indicate that the Home Mortgage Bank has done its part in building the foundation.

You have had your own challenges. You have had difficulties to overcome over the years but you stand today as an institution that has been held with great pride in Trinidad and Tobago and by all the thousands of people who have walked through your doors and are now proud homeowners must feel a sense of gratification.

So to the 40-odd workers who are in the company, I applaud you for the work you have done and want to assure you that the contribution that you are making to our society is not unnoticed. Maybe you don't get the laurels as you would like because you are serious in your business, but the fact is, you are making that impact. I can also assure you that the Government's fiscal policy will be such to provide the support that is required and today I had full discussions with both institutions as to see what more can be done during the next fiscal year to accelerate the process of homeownership in Trinidad and Tobago.

I say this against the very background that the world went into a tailspin, ending today in a major challenge for recovery and development. We in Trinidad and Tobago have been somewhat insulated from that and we have been insulated from that because of

policies that have been followed. We have been insulated from that because we have found the right buffers and we are building the right buffers to deal with external shocks and when I listen sometimes to the commentators on the issue of the economic future of Trinidad and Tobago and I hear the noises around me, I sometimes wonder if indeed we understand how the buffers that we have built from the past and the buffers that we are continuing to build today have provided us with a sense of comfort.

I say that in the context of the current debate that recently took place in Parliament when it was suggested that the country must look to the future, not with the sense of confidence that I have been expressing but with a feeling of fear. I want to assure you that I have no fear. I am sure that this economy will come out of its negative growth in which it has been for the last three years, starting in 2008. I know that our wage negotiations which, most of it has been done for that period, would allow us the freedom to move in that direction.

I know that a capital injection that will take place in the public sector, although slower than I would have liked, will take place, and I know Trinidad and Tobago is somewhat insulated, but at the same time I'm very conscious that we are not an island unto ourselves. I am conscious of the fact that what happens elsewhere in the world affects us. What happens to Caribbean countries other than us are very important for our own well-being.

So we must be aware that there are risks ahead. So there is

comfort today and there are risks ahead and we must find the right equilibrium between ensuring the comfort, comfort in the sense that we have been able to maintain a steady level of employment, comfort in the sense that we are able to enhance our level of foreign reserves, comfort in the sense that we are now earmarking more funds for social expenditure of a productive nature, comfort in the fact that the environment in Trinidad and Tobago has maintained credit ratings that many countries in the world would like to see, but, at the same time, there are risks. Much of the risk has to do with the issue of operations, executions, getting it done, getting it done on time and getting it done within budget.

I heard of your venture in Tobago and very shortly you will be going to the market to seek the returns of your investment in Tobago. We must all be conscious of the fact that this country cannot afford at any time to have investment that does not have its due return, for, in the final analysis, it is economic discipline that allows a country to build a solid and sustainable future.

I challenge, therefore, the Home Mortgage Bank to be part of this new story, to be part of this new phase, to be part of this new challenge, as we in Trinidad and Tobago collectively come together to ensure that our future is sustainable in economic and financial terms, sustainable also in other terms, but today I only want to speak to you on the issue of financing of the home sector and urge the construction companies to start thinking of how they can supply houses in Trinidad and Tobago within the confines of the interest

rate and tax credit framework that we have developed.

It is in that context I say a word of appreciation and sincerely hope that the Home Mortgage Bank in its reformed basis will rise to the occasion and that the next time around we will be able to say with great sense of satisfaction and pride that the Home Mortgage Bank has served us well, has served its clients well, has served the citizens of Trinidad and Tobago well and in so doing has served the nation of Trinidad and Tobago well. Thank you very much.

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