



MEDIA RELEASE

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CariCRIS lowers the ratings of TTMF

Caribbean Information and Credit Rating Services Limited (CariCRIS) has lowered the Issuer/ Corporate Credit ratings by one-notch to *CariA+* (Foreign and Local Currency Ratings) on the regional rating scale, and *ttA+* on the Trinidad and Tobago (T&T) national scale to the Trinidad and Tobago Mortgage Finance Company Limited (TTMF or the company). These ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean and within T&T is **good**. The ratings include a 1-notch upgrade for the high likelihood of support from the Government of the Republic of Trinidad and Tobago (GORTT), if needed.

The one-notch downgrade is driven by the challenging labour market conditions in T&T which resulted in the worsening of TTMF's asset quality metrics over the past year. This was evidenced by a significant increase in non-performing loans (NPLs) and high delinquency levels.

CariCRIS has also assigned a **stable** outlook on the ratings. The stable outlook is based on our expectation that the major impact of the COVID-19 pandemic has passed and economic activity in T&T is expected to somewhat recover over the next 12-15 months as domestic lockdown measures are gradually lifted, and the COVID-19 vaccines are rolled out. Though we do not expect any material improvements in 2021, TTMF's financial performance and asset quality are likely to gradually improve in 2022 though at a slower pace when compared to the previous years. Furthermore, the Company is expected to continue to comfortably cover its debt obligations as they come due.

TTMF's ratings continue to reflect its moderate market position in T&T's real estate mortgage market, supported by its crucial role in the implementation of GORTT's national housing policy. The Company's comfortable capitalization level reflected in high capital adequacy and good capital coverage of total assets, as well as continued good financial performance despite a fall in profitability also support the ratings. These rating strengths are tempered by TTMF's asset quality which has been adversely impacted by the COVID-19 pandemic. The Company is also exposed to liquidity risks as a result of its asset/liability mismatch given its high reliance on debt financing. Furthermore, the lack of geographic diversity in the company's revenue and funding base which exposes TTMF to significant sovereign risk also constrains the ratings.

Rating Sensitivity Factors

Factors that could, individually, or collectively lead to an improvement in the ratings and/or outlook:

- An improvement in the credit rating of the sovereign over the next 12-15 months
- The advancement of the proposed merger over the next 12 months which will lower funding costs and introduce new products
- Successful completion of housing projects over the next 12 months which should grow TTMF's subsidized mortgage portfolio

Factors that could, individually, or collectively lead to a lowering of the ratings and/or outlook:

- A deterioration in the credit rating of the sovereign over the next 12-15 months
- A rise in the cost to income ratio to 55% or greater
- A sustained increase in interest rates by 100 basis points or greater over the next 12 months, resulting in increased debt funding costs
- A material reduction (50% or greater) in or complete withdrawal of subsidized funding from the GORTT
- NPLs/Gross loans greater than 8% for 2 consecutive years



About the Company:

Trinidad and Tobago Mortgage Finance Company Limited (TTMF) was incorporated under the Companies Act of Trinidad and Tobago on December 3, 1965. Its shareholders are the Government of the Republic of Trinidad and Tobago (GORTT) and the National Insurance Board of Trinidad and Tobago (NIBTT), with shareholdings of 49% and 51% respectively. TTMF is not a licensed deposit-taking institution and relies primarily on bonds to fund its lending operations.

TTMF was formed to fulfil the GORTT's mandate of providing affordable residential mortgage financing to low to middle-income households in Trinidad and Tobago (T&T). It is the lead vehicle for mortgage financing under the GORTT's Affordable Housing Finance Programme (2% and 5% Mortgage Programme). It is also a key part of the State's housing business model in which the Trinidad and Tobago Housing Development Corporation (HDC) constructs the houses, and TTMF provides the mortgage financing. Although the HDC refers potential homeowners to the TTMF, they can obtain financing from other institutions. TTMF widened its target market several years ago to include all persons interested in residential mortgage financing. As such, the company's product range now includes subsidized and open market residential mortgage loans as well as home equity loans with tenors of up to 30 years at stable interest rates, currently ranging between 2% and 6% per annum¹.

In 2014, the GORTT approved a merger to create an institution conceptualized to leverage on synergies between TTMF and Home Mortgage Bank (HMB). In 2016, a Memorandum of Understanding (MOU) was signed between the TTMF and HMB, which allows both companies to derive benefits from a close corporate alliance while maintaining the integrity and independence of both companies. Under the terms of the MOU, HMB is required to develop appropriate products and markets for the sale of securitised mortgage products to provide consistent sources of low-cost long-term financing to TTMF, by way of an agreed programme of mortgage purchases. Following the completion of a cost benefit assessment earlier in 2021 by PricewaterhouseCoopers Advisory Services Limited ("PwC") on the type of merger to be pursued, approval to commence the merger of both entities was granted by the Minister of Finance. The approved method for the merger is a Distribution in Specie, whereby all assets and liabilities of the liquidated HMB will be transferred to TTMF.

¹ TTMF receives a Government subsidy for its 2% and 5% mortgage rates, through which qualifying citizens can benefit from subsidized interest rates.



**Caribbean Information &
Credit Rating Services Limited**

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