

Home Mortgage Bank Employs High Tech

The Trinidad and Tobago Home Mortgage Bank (HMB) has recorded another year of excellent returns, and proposed to rely on high technological competence for progress into the twenty-first century. The HMB recorded strong growth during the 1998 financial year, and introduced an Automated Underwriting System and a Structured Finance capital Markets programme consistent with the mission to deliver high quality service and efficiency.

Financial Performance

The Bank experienced a 23% increase in before-tax profit and a net after-tax profit of \$11.7 million, a 22% increase over that achieved in 1997. At the end of December 1998 the total mortgage portfolio stood at \$630 million, a \$90 million (16.7 %) increase over the previous year. As a result of this excellent performance the Directors agreed to recommend payment of a 37% dividend to its shareholders. This is almost twice the 19% paid to shareholders for the 1997 financial year. Total assets of the HMB stood at \$773 million at December 1998.

The tight liquidity in 1998 necessitated an adjustment

in mortgage interest rates to 12 percent. No upward adjustment in this (still very attractive) rate is anticipated for 1999.

Automating Mortgage Underwriting

The HMB has developed an Information Based Underwriting system, IBUS. This system will allow lenders on-line access to the HMB for the submission of mortgage applications for Mortgage Indemnity Insurance (MII). Approved lenders to the Home Mortgage Bank will be able to access the system. IBUS provides an electronic processing of mortgage applications. Mortgage officers input data directly to the HMB, the information is subjected to sophisticated risking techniques, and the review transmitted to the lender, all in a matter of minutes.

The result is faster decision-making and response time to mortgage applications. In the near future automatic approval/disapproval will also be available.

The development of IBUS began in February 1998 and was patterned after Canada's Mortgage and Housing Corporation's PC based automated underwriting system.

Development and testing of the system was completed in November 1998 and installed in the first lending institution in February 1999.

According to Mr. Robert Green, HMB's Manager, Mortgage Operations, IBUS introduces into Trinidad and Tobago an opportunity for standardization of the mortgage underwriting process by placing at the hand of lenders a standard tool for underwriting. This tool will ensure that every mortgage application is processed and analyzed to the same high standard.

Intro to Mortgaged-backed Securities

The HMB spearheaded a major capital market innovation, when in April 1999 the Bank launched its structured finance capital markets programme, with introduction of the Guaranteed Mortgage Investment certificate (Garee MIC). This is the first truly collateralized mortgage obligation (CMO) security to be offered on the local market.

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