

# Republic raises mortgage rates



Republic Bank head office on Park Street in Port-of- Spain.

Republic raises mortgage rates Republic Bank Ltd yesterday announced that it was increasing its mortgage reference rate to 4 per cent from 3.50 per cent, potentially increasing the monthly payments on home loans to thousands of its customers who hold adjustable-rate mortgages.

In a small advertisement in yesterday's newspapers, the bank did not explain the reasons for increasing its Republic Mortgage Reference Rate (RMRR). Calls to the bank yesterday seeking an explanation of the rate increase were not immediately returned by Republic Bank, T&T's largest financial institution.

In its November 2024 Monetary Policy Report, the Central Bank said, "The pickup in Government borrowing coupled with the uptick in overall credit, led to a tightening of banking system liquidity. The Government's fiscal accounts realised an overall deficit of \$7.1 billion in FY2023/24. To finance the deficit, funding from the domestic and international capital markets was utilised along with withdrawals from the Heritage and Stabilisation Fund leading to an increase in adjusted General Government debt."

In an explainer on its website, the Republic Bank said RMRR is used to calculate the rate of interest on variable and adjustable rate. The rate of interest charged to customers is based on two components, the RMRR and a margin.

Republic described the RMRR as a benchmark rate calculated quarterly by the bank using the weighted average of the commercial banks' cost of funds (40 per cent) and a 15-year treasury rate (60 per cent).

"The margin is also determined by the Bank and takes account of factors inclusive of credit-related elements associated with the mortgage, the amount of the downpayment as well as the bank's normal lending criteria," said Republic.

The RMRR was published after the Central Bank introduced the Mortgage Market Reference Rate (MMRR) in September 2011, which the regulator of financial institutions said "commercial banks may choose to utilize as a base rate for setting their adjustable mortgage rates."

The Central Bank has kept its MMRR at 3 per cent since March 2016.