

## **ECHMB - 10 YEARS OF COMMERCIAL OPERATIONS** **“A REGIONAL SUCCESS STORY”**

On 22 April 2006 the Eastern Caribbean Home Mortgage Bank (ECHMB) reached a milestone, attaining ten (10) years of commercial operations. At the start of its operations in April 1996, ECHMB presented to the mortgage industry an alternative financial model for funding mortgages. Ten (10) years later ECHMB has emerged as a successful corporation with total assets amounting to over \$130 million, funded by debt raised in the capital market amounting to \$112 million, and equity capital of \$15 million.



*Sir K Dwight Venner, Unveiling the Plaque, Signalling  
The Start of ECHMB's Commercial Operations in April 1996*

ECHMB began its life as a corporation with Shareholder capital of EC\$10 million, with the Eastern Caribbean Central Bank (ECCB) as its biggest shareholder. Today, ECHMB has grown from a pioneering institution into a formidable business in the secondary mortgage market.

During those years ECHMB has been true to the mandate conferred on it by the Monetary Council of ECCB to develop the money and capital market and to provide funding for residential mortgages, throughout its participating member countries namely, Anguilla,



*Participants Attending Home Ownership Day  
Antigua and Barbuda in June 2000*

Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

ECHMB is also mandated to ensure that the citizens of the Eastern Caribbean (EC) have access to quality and affordable housing. In that regard, ECHMB has institutionalised a Public Awareness Programme – **“Home Ownership Day”** Event, designed

to provide information to homeowners on pertinent issues related to the proper construction and maintenance of housing, as well as the responsibilities of personal financial management and home ownership. The Event provides a forum where Stakeholders of the mortgage industry, including prospective homeowners, primary lenders, architect/planners, contractors, lawyers and the public at large, come together to discuss a wide range of topics such as: -

- Obtaining Credit and Managing Mortgage Obligations;
- Planning of Residential Home;
- The OECS Building Code and Guidelines;
- Legal Requirements for Mortgages;
- Post Construction Maintenance to Sustain the Value of Homes; and
- Alternative Investment opportunities in the ECCU.

The Home Ownership Day Event has also focused on enabling customers to become more astute in borrowing by instilling in them the virtues of financial management to improve their creditworthiness. The Event has also provided a forum for senior policy makers from Member States to pronounce on significant policy initiatives, geared in particular to enforcing of Building Codes. To date, more than fifteen hundred (1500) participants directly benefited from the Seminars as well as thousands more who benefited indirectly through television rebroadcast of the Events by the official media network in the country where the Events were mounted.

The business principle under which ECHMB operates, includes the purchasing of high quality mortgages from primary lenders with the aim of repackaging those mortgages for sale to investors, through mortgage-backed-securities. An essential prerequisite for successful implementation of mortgage-backed-securities (MBS) or securitisation, is that the mortgages that are purchased must be of very high quality. Equally important is the need for the mortgages to be standardized. The evidence from the market indicate that, investors though they are generally enthusiastic about real estate, they are equally concerned that the Company issuing the securities are equipped with the capabilities in mortgage underwriting and standard practices with regard to processing mortgages and policies governing servicing and transfer of mortgages that form part of a securitised pool. The timely reporting on the mortgages is also very crucial.



*Participants Attending a Mortgage Underwriting Seminar in Grenada, April 2003*

Over the 10 years ECHMB has been undertaking a Programme to foster International Best Practice and Standards among lending institutions through its accredited **Mortgage Underwriting Seminars**. The Seminars are conducted with the support of Canada Mortgage and Housing Corporation (CHHC) and the Real Estate Institute of Canada (REIC), along with local and regional resource persons. The three (3) part Module Seminar covers country-specific issues pertaining to property valuation, legal requirements, building controls and structural integrity of buildings, mortgage origination, underwriting, default management, credit appraisal and risk management specific to the mortgage industry and ethics. Since the programme was institutionalized, so far about 50 Managers from lending institutions have graduated with the professional Accreditation “**Certified Residential Underwriter**”.

Over the 10 years ECHMB has demonstrated its ability to consistently improve on its financial performance. As at the year ended 31 March 2006 ECHMB’s Shareholders’ Equity reached EC\$17.0 million. Earnings Per Share moved from EC\$2.21 in 1997/98 to EC\$25.0 in 2005/06. In addition, ECHMB has been able to maintain a track record of paying annual Dividend to its Shareholders beginning from its third year in business. In the past six (6) years it has paid annually Dividend amounting to \$10.00 per \$100.00 Share. During the period under review, the Bank paid out Dividend amounting to EC\$6.75 million to its Shareholders. This achievement belies the tenure of the institution as a business entity, as well as the challenging conditions under which the Bank has operated. These conditions included a high liquidity situation in the financial system, and constant erosion on mortgage yield as a result

of lowering of interest rates on mortgages. Furthermore, the players in the primary mortgage market, have shown a preference to originate mortgages for their own portfolio.

Over the ten (10) years, ECHMB has been able to efficiently manage the risks associated with its business operations and at the same time lower its cost of borrowing on the capital market. These initiatives enabled the Bank to reduce the benchmark lending rate for mortgages originated by primary lenders using its Funding Facility. By so doing, ECHMB was able to pass on the benefits of lower interest rates to citizens of the Currency Union.

Ten (10) years after the launching of a Project, the discerning observers of ECHMB's progress are measuring its success by increased shareholder value and the size of its assets base in mortgages. But it is at the qualitative level, that ECHMB's operations become most visible. ECHMB's reputation has been enhanced by the activities in consumer education and



*St Bernard J Sebastian, CEO,  
Eastern Caribbean Home Mortgage Bank*

the international best practices in mortgage underwriting, transferred to lending institutions. In addition, perhaps better than any data, the success of ECHMB is attested for by the enthusiasm demonstrated by eligible Shareholders and non-Shareholders for the purchase of ECHMB shares that were originally held by the World Bank/International Finance Corporation (IFC). ECHMB shares with an original par value of \$100.00 were sold by IFC in February 2006 at a price of \$160.00.

***Bonds in a fledging capital market and at the same time being able to purchase quality mortgages at competitive rates.”***

According to Mr. St Bernard J Sebastian, ECHMB's Chief Executive Officer ***“the success and financial performance of the Bank can be attributed to its efficiency in raising its resources through Corporate***

ECHMB Bonds have become a preferred investment instrument for institutional investors, as well as for individuals. These Bonds generally offer investors a higher yield than what currently obtains on a Fixed Deposit at a Commercial Bank, in addition to being free from Income Tax. Besides they provide investors with a sound and stable alternative to other traditional investments.



For additional information about ECHMB  
or to inquire about its Bond Issues and Mortgage Funding Facility, please contact:

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