

The Chairman's Message



The meltdown in the world financial system had a dampening effect on the Jamaican economy, and GDP declined by 0.6% over the year. The construction sector experienced a 5.5% decline over the year 2008, and this was reflected in the low level of activity recorded by the Jamaica Mortgage Bank (JMB) during the financial year. Housing Starts and Housing Completions recorded growth over the extremely low levels recorded in 2007; however this was not sufficient to drive the level of home ownership as the number of mortgages granted declined by 16.5% over 2008.

The worldwide tightening in credit affected the ability of individuals and institutions to plan and implement projects. The Bank experienced a downturn in the request for construction financing, its core activity, and out of an abundance of caution to ensure that only viable and well managed projects were funded, the JMB became more selective with the projects we approved by increasing our risk assessment standards. The Bank committed \$623M for the construction of 289 housing solutions and disbursed \$173M during the year. In addition 191 completed housing solutions were delivered to the market.

For the JMB, like most financial Institution, the year ended March 31, 2009 was a challenging one. We saw an overall decline in our revenue by 15%, with the most significant area being a 50% decline in interest on loans, over the previous year. The year saw the bank making significant provision for impaired loans of \$248M or 39% of total expenditure. We however continued to do well in our investment of funds, earning \$164M or a 78% increase over the previous year.

Interest on bonds and the provision for doubtful debts continue to be our major expense categories representing 78% of our total expenses. This trend in expenditure is representative of the high cost of funds raised by the bank and the riskiness of the loans in our portfolio. To help reduce our cost of fund, the JMB successfully lobbied the Government and secured approval for the issuance of \$1 billion in tax free shelter bonds. During the period the bank retired two of our higher interest bearing shelter bonds and re-issued these at lower interest rates, which will benefit the bank in lower interest expenses going forward.

The lower cost of funds has significantly transformed the value proposition the Bank has to offer the marketplace and we have begun to see the effects in increased project flows. The full effect will be reflected in the 2009/10 financial year.

During the period under review the JMB underwent a restructuring exercise to ensure that the Bank is staffed with the requisite skills to carry out the organization's mandate. Through this exercise the Bank was able to upgrade its technical expertise to improve its loan processing and debt management activities and build its Secondary Mortgage Market and the Mortgage Indemnity Insurance facilities. One of the bank's major objectives for the year was the reduction of the bad debt portfolio. An experienced Debt Recovery Manager was employed to tackle this area and over the period a total of \$191Million was collected from these bad debts.

The Bank continues to explore the activation of the Secondary Mortgage Market and is actively establishing the framework and refining the documentation required. Jamaica's interest rate structure has to be regularized before viable trade can commence and be maintained in the Secondary Mortgage Market (SMM). However, the Bank is committed to the re-establishment of the SMM as it can play a pivotal role in reducing rates on mortgages and hence improve the affordability of home ownership to many Jamaicans.

The Government of Jamaica Mortgage Indemnity Insurance (MII) Scheme administered by the JMB continues to perform well. The MII over the years continues to positively impact the lives of Jamaicans, assisting more than twenty three thousand (23,000) individuals in acquiring homes. Despite the challenging year the bank faced, JMB performed fairly well in the management of the insurance fund which showed a value of \$1.021B as at March 31, 2009, growing by 16% over the previous year. This amount is more than adequate to cover any or all claims from the Mortgage Indemnity Insurance portfolio which had outstanding policies valued at \$799.3M as at March 31, 2009.

The Mortgage Indemnity Insurance Act has been amended, which has provided the capacity for a large expansion in the amount of coverage offered to the public. However, the pace of expansion is dependent on the volume and value of mortgages issued in the market.

On behalf of the Board of Directors, I would like to thank the Ministry of Water and Housing and the Portfolio Minister for their on-going support of the efforts of the Jamaica Mortgage Bank. I would also like to thank the management and staff of the JMB for their hard work and dedication to the Bank. I know that the year 2009/2010 will be very challenging but together we will work assiduously toward achieving our vision "to finance safe and affordable housing so that all Jamaicans will have access to home ownership."