REPUBLIC RESIDENTIAL REAL ESTATE
MORTGAGE RATE GUIDELINE

1. INTRODUCTION

1.1 A home is one of the biggest and most important investments that you will ever make and for over 180 years, we at Republic Bank have been making your home ownership dreams a reality.

1.2 In this Guideline we help you to understand some important aspects of our residential real estate mortgage, so that you are equipped with the information you need to make this important decision.

2. YOUR MORTGAGE RATE OF INTEREST (ROI)

2.1 The Republic Mortgage Reference Rate (RMRR), is used to calculate the Rate of Interest (RoI) on variable and adjustable rate mortgages. The RoI is based on two components - the RMRR and a Margin.

2.2 The RMRR is a benchmark rate calculated quarterly by the Bank using the weighted average of the commercial banks' cost of funds (40%) and a 15 year treasury rate (60%). The Margin is also determined by the Bank and takes account of factors inclusive of credit related elements associated with your mortgage, the amount of your down payment as well as the Bank's normal lending criteria.

2.3 The RMRR formula is therefore:

$$\mathbf{RMRR_t = 0.4\ COF_t + 0.6\ YT_t;}$$

where $\mathbf{RMRR_t}$ = Republic Mortgage Reference Rate, in time period t; $\mathbf{COF_t}$ = Cost of Funds (**40 per cent weighting**) and $\mathbf{YT_t}$ = the applicable treasury bond yield (**60 per cent weighting).**

2.4 The mortgage interest rate is calculated as follows:

$\mathbf{RoI_t = RMRR_t + Margin}$;

where $\mathbf{RoI_t}$ = the Mortgage Rate of Interest for time period t;

$\mathbf{RMRR_t}$ = the Mortgage Market Reference Rate for time period t;

3. MORTGAGE LETTER OF OFFER

3.1 Upon approval of your mortgage loan, the Bank will provide you with a mortgage letter of offer with the terms of the mortgage agreement, including the RoI payable, your monthly instalments and how and when the RoI may be reviewed and re-priced (adjusted). You will also receive an amortization schedule showing how instalments would be split between principal and interest repayments over a twelve-month period until the mortgage is re-priced.

4. DISCLOSURE STATEMENT

4.1 When you sign/agree to our mortgage letter of offer, we will also provide you with a Disclosure Statement with the following information:

i. the type of residential mortgage contract granted (*fixed, adjustable or variable*);

ii. the principal amount of the residential mortgage;

iii. the term of the residential mortgage;

iv. the RMRR used to price or re-price the residential mortgage and the margin;

v. the mortgage rate that is applicable at the time of signing of the mortgage contract and the period for which this rate applies (e.g. five (5) years, fifteen (15) years, etc.);

vi. the terms and conditions governing pre-payments and accelerated payments, including fees and charges; and

vii. the monthly instalment and the date the instalment is due. In the case of a fixed-rate mortgage, the instalment is fixed for the life of the mortgage. In the case of variable and adjustable-rate mortgages, the instalment remains unchanged until the next re-pricing date.

5. APPLICATION OF THE GUIDELINE

5.1 The Guideline is applicable to all residential real estate mortgages granted by the Bank from 1 September 2017.

5.2 The Guideline is not currently applicable to:

i. mortgages granted under any special housing arrangement with the Government of the Republic of Trinidad and Tobago;

ii. mortgages (or the portion of the mortgage) granted to employees of the Bank at preferential rates;

iii. mortgages granted by the Home Mortgage Bank; and

iv. commercial mortgages.

APPENDIX 1

DEFINITIONS OF KEY TERMS

i. A **real estate mortgage** is defined as a written agreement that creates a claim or lien upon real estate as security for the payment of a specified debt.

ii. A **residential mortgage** is a written agreement that creates a claim or lien upon real estate for residential use as security for the payment of a specified debt.

iii. A **fixed-rate mortgage** (FRM) is a mortgage in which the rate of interest charged remains unchanged throughout the entire term of the loan.

iv. A **variable-rate mortgage** (VRM) is a mortgage in which the rate of interest charged is subject to change during the term of the loan.

v. An **adjustable-rate mortgage** (ARM) is a mortgage in which the rate of interest charged is fixed for a specified period but is subject to change thereafter.

vi. The **Republic Mortgage Reference Rate** is the interest rate benchmark against which mortgages are priced or re-priced.

vii. A **margin** is defined as the difference (in basis or percentage points) between the mortgage market reference rate and the interest rate applicable to the mortgage.

viii. The **cost of funds** is the cost paid by a commercial bank to obtain the funds needed to lend to borrowers.

ix. The **rate of interest** is the interest rate payable by a borrower on a mortgage loan. It may be fixed, adjustable or variable during the term of the loan.