



The Ministry of Finance

Ministerial Statement

By

The Hon. E. David Burt, JP, MP
Premier and Minister of Finance

New \$50 million Guarantee

Date: 18 November, 2022

Mr. Speaker, in accordance with Section 2 AA (3) of the Government Loans Act 1978, I rise to inform this Honourable House of the issuance of a new \$50 million Government guarantee to Bermuda Commercial Bank.

Mr. Speaker, as Premier and Minister of Finance I do not take the decision to increase Government exposure lightly and it is critical we take a measured and deliberate approach when doing so. However, when assessing the current status of the housing market and after listening to hardworking Bermudians express their frustrations as their dream of “owning a piece of the rock” becomes increasingly difficult due to high interest rates and downpayment requirements, it was incumbent for this Government to act.

Mr. Speaker, we pledged to create a nation of owners and to work with local banks to reduce interest rates charged on mortgages. In keeping with those promises, last month this Government was pleased to announce a pilot mortgage guarantee programme between the Government of Bermuda and the Bermuda Commercial Bank.

Mr. Speaker, with this pilot programme, the Government agreed to provide a partial guarantee in support of local mortgages with the Bank and in return for the reduced risk, the bank agreed to offer approved applicants a reduced interest rate starting at 5% and to also reduce the standard down payment from 20% to 10%.

Mr. Speaker, the programme is limited to a \$50 million aggregate guarantee. It represents a first step in the process of lowering mortgage rates in Bermuda, as the Government continues to advance a broader scope initiative which will look to reduce mortgage rates across all major local banks.

Mr. Speaker, it is also worth noting that the Government Guarantee is not a traditional guarantee which guarantees each payment of the borrower and therefore subject to being called whenever any payment is missed. Instead it guarantees any deficiency judgment which would be outstanding after the Bank properly exercises its power of sale, with the amount payable capped at \$250,00 per borrowing . This approach helps to mitigate the Government's risk.

Mr. Speaker, as I mentioned earlier this was not an easy decision, but we proceeded with this program as it was deemed necessary and important for a better future for Bermuda and its people. Since launching this programme I've heard many young Bermudians and parents of young Bermudians who have expressed their appreciation for this initiative which confirmed to me, and this Government, that this was the right decision.

Mr. Speaker, as a result of this Government's actions hundreds of Bermudians will be able to qualify for a home sooner as the down payment requirement has been cut in half and will also save hundreds of dollars per month as a result of the reduced interest rate.

Mr. Speaker, we are in the first of 3 phases where first time home buyers 40 years old and under are eligible. The second and third phases will include the refinancing of existing mortgages held with the Bank and with other financial institutions. .

Mr. Speaker, I will remind the public that the approval process and the relationship throughout the entirety of the loan will be between the borrower and the bank.

The Government will have no involvement or influence with any decision made in that regard the Bank.

Mr. Speaker, It is also important to note that the Government Guarantee will not be in place for the entire term of the mortgage. As each loan is unique, the time period when the guarantee will fall away can differ. However, under the agreement the duration of the guarantee for any loan cannot exceed ten years. This process will allow the Government to then apply the guarantee in support of additional borrowers.

Finally Mr. Speaker, this government is currently in discussions with the international business community, particularly those with experience in providing coverage for mortgages overseas, to establish possible terms to cover a portion of the exposed risk.

Mr. Speaker, this Government is committed to providing direct investment in the people of Bermuda and supporting economic growth in a fiscally prudent manner. The economy will benefit from a growing number of Bermudians owning homes in Bermuda and receiving this Government's tangible support will make that a reality.

Thank you