



## *Premier of Bermuda*

### **Press Conference Remarks**

**By**

**The Hon. E. David Burt, JP, MP**

**Premier and Minister of Finance**

### **Government/BCB Mortgage Guarantee Programme**

Date: October 13, 2022

Good afternoon members of the media and colleagues; good afternoon to the people of Bermuda.

Today we are at Loughlands, a true success story in creating new homeowners through direct Government assistance. Between 2008 – 2011 the Bermuda Housing Corporation facilitated, through four phases, 60-plus families becoming first-time homeowners in this new condominium community in Paget.

This 96-unit development provided an opportunity for Bermudians to purchase an affordable home and to build a community. The need for affordable housing was met by this project, as well as others around the Island.

Just over a decade later, access to the housing market is again an issue I hear on the doorstep in casual conversations with young professionals, expert tradespeople, and women and men across the Island.

After securing an education or employment, many Bermudians look to enter the property market as a means to secure a family home and an asset that will benefit them and the next generation. However, this aspiration can be frustrating at various stages as there are sometimes barriers to entry, such as high interest rates and high down payments, making entry into the market seem insurmountable.

This saps hope from young people who desperately want to own a piece of the rock - and it is the role of your Government to deliver on our promise to create a nation of owners.

On the first page of the Progressive Labour Party's 2020 General Election Platform, we pledged to create a nation of owners and to "work with local banks to provide security for mortgage loans to reduce interest rates charged on mortgages."

We have listened to the people who openly shared their experiences. In keeping with our promise to the electorate, I am today pleased to advise of a joint venture, in the form of a pilot mortgage guarantee programme, between the Government of Bermuda and the Bermuda Commercial Bank.

The Government has been working with many local stakeholders on opportunities to lower mortgage rates in Bermuda in an effort to reduce the financial pressures on families. Today's announcement represents the first step in that process. With this pilot programme, the Government has reached an agreement with the Bermuda Commercial Bank to provide a partial guarantee in support of local mortgages.

The Government's support reduces the risk to the Bank, and in return for the reduced risk, the Bank will offer approved applicants a reduced interest rate starting at 5% and also reduce the standard down payment from 20% to 10%.

Whilst this is a pilot programme with limited capacity estimated to benefit over 250 Bermudians, the Government is advancing a broader scope initiative that will look to reduce mortgage rates at our major local banks generally.

In the meantime, this pilot programme will provide an immediate hand-up to Bermudians as we recognise the impact local interest rates and high down payments have on the dream of homeownership for many Bermudians.

The pilot programme will be limited to a \$50 million aggregate guarantee, and the eligible borrowers will be rolled out in three phases. This first phase will be for first-time home buyers. Many Bermudians wish to own a "piece of the rock", and this initiative will assist them in achieving that dream by making it more affordable. The second and third phases are being fine-tuned and will be the subject of further announcements.

We aim to extend this programme to include those with existing mortgages interested in transferring them over and participating in the programme with reduced interest rates. 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 by the Bank.

It is also important to note that the Government Guarantee will not be in place for the entire mortgage term. As each loan is unique, there is no definitive time period as to when the guarantee will fall away; however, the Government Guarantee will remain in place for a minimum of five years and is anticipated, on a normalised basis, to be in place between five to 10 years.

This process will allow the Government then to apply the guarantee in support of additional mortgages.

In terms of savings, under this pilot programme, a new \$500,000 mortgage will save approximately \$500 per month, and a new \$750,000 mortgage will save roughly \$650 per month. The programme will also require only a 10% down payment where the standard requirement is 20%, saving new homeowners \$50,000 or \$75,000 in the two scenarios I just mentioned.

Many Bermudians may be working on saving for a 20% down payment to buy their first home and are halfway there. This programme, which reduces the down payment to 10%, will enable them to advance their home ownership ambitions sooner, which I'm sure is welcomed news as many young persons have called on their Government to make the dream of home ownership easier.

Other associated loan fees will also be reduced, which in its totality will provide additional savings for Bermudians purchasing a home or refinancing their existing mortgage.

I am also pleased to advise that the Bermuda Credit Union has been in discussions with the Government to implement a similar programme. The Government looks forward to working with this member-based organisation to assist them in providing mortgage rate reductions to their members in the near future.

Corporate interests argue that the risk they take in investing in Bermuda or within the industry should be supported by tax relief or government guarantees. Governments provide both when it appears that the investment is worth it and will bring some economic benefit to the community.

Creating a nation of owners was our promise. This programme represents a direct investment in the people of Bermuda, deploying the Government's capacity to support economic growth for the people we serve. The economy will benefit from a growing number of Bermudians owning homes in Bermuda and receiving this Government's tangible support to make that a reality.

Before I hand over to Mr. Neville Grant the CEO of the Bermuda Commercial Bank, I want to thank the Bermuda Commercial Bank for working with the Government to design this programme. And I want to extend special thanks to MP Jache Adams who works in the Ministry of Finance and who was a driving force to make sure this programme is a reality. I invite Mr. Neville Grant to provide some remarks.

Thank you.