

# Trinidad and Tobago Mortgage Bank Limited Social Bond Framework

December 2024

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## 1. Introduction

The Trinidad and Tobago Mortgage Bank Limited (TTMB) is a specialized non-bank financial institution in Trinidad and Tobago. TTMB's core businesses include the origination of mortgages and to account as the custodians of the Government of Trinidad and Tobago's subsidized mortgage programs to low- and middle-income households.

TTMB is headquartered in Port of Spain, Trinidad and Tobago, and was incorporated under the Companies Act on December 3, 1965. It was derived from an agreement between the Commonwealth Development Corporation (formerly Colonial Development Corporation) and the Government of the Republic of Trinidad & Tobago (GORTT), and succeeded the Trinidad Mortgage Agency Company Limited (TRINMAC), a limited liability company that was formed in 1961. TTMB is jointly owned by the GORTT and the National Insurance Board of Trinidad and Tobago (NIBTT) in a current shareholding ratio of 49%:51% respectively.

TTMB was incorporated to fulfill the GORTT's mandate of providing affordable residential mortgage financing for low to middle-income households in T&T. It is the lead vehicle for mortgage financing under the GORTT's Expanded Affordable Housing Programme (AHP). It is also a key part of the State's housing business model in which the Trinidad and Tobago Housing Development Corporation (HDC) constructs the housing units and TTMB provides the mortgage financing.

The projects financed using the resources provided by the bond issuance will be aligned with TTMB's institutional strategy, with the United Nations Sustainable Development Goals (SDG), and with the Social Bonds Principles (SBP) and its four key pillars: (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of proceeds; and (iv) reporting.

## 2. Goals and applicable principles

On issuance of its first Social Bond, TTMB will be delivering on its mandate of providing affordable residential mortgage financing for low to middle-income households in T&T. The Social Bond Principles<sup>1</sup> ("SBP"), published by the principles' secretariat The International Capital Markets Association (ICMA), are voluntary guidelines that recommend transparency and disclosure. They promote integrity in the development of the Social Bond market by clarifying the approach for issuance of these Bonds. The SBPs are intended for broad use by the market - they provide issuers with guidance on the key components involved in launching a credible social bond; they aid investors by ensuring the availability of information necessary to evaluate the social impacts of their Social Bond investments; and they assist underwriters by moving the market towards expected disclosures that will facilitate transactions.

Trinidad and Tobago Mortgage Bank Limited will issue its first Social Bond in alignment with the SBP.

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<sup>1</sup> [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022-280622.pdf)

## 2.1 Use of Proceeds

The net proceeds of the bond issue will be used exclusively to originate mortgages in accordance with the eligibility criteria described below. A minimum of 50% of the value of mortgages originated will be Women-owned and Women-led mortgages.<sup>2</sup> The funds raised will be assigned within a maximum time horizon of five years from the date of issuance.

The mortgages originated will comply with the following eligibility criteria:

- Residential mortgages originated under the government of Trinidad and Tobago subsidy programs, specifically the 2%<sup>3</sup> and 5%<sup>4</sup> interest rate subsidy programs which are designed for households who have difficulty accessing mortgages through traditional financial institutions. These mortgages benefit individuals or households with an income of TT \$30,000 (US\$4,478.00)<sup>5</sup> and under. This monthly income allows the mortgagor to receive financing up to a value of TT\$1,425,000 (US \$212,689.74).
- Maximum property value financed cannot be higher than TT\$1.5million.
- The proceeds of the mortgage instruments must be destined for the financing of the acquisition of the permanent residence of a natural person who is a first-time homeowner.
- The proceeds will be focused on the provision of (i) affordable housing and (ii) affordable housing for women (mortgages whereby the sole mortgagor is a woman) and women-led mortgages (joint mortgages whereby the primary mortgagor is a woman and who earns the higher of the incomes)

### The 2% mortgage portfolio.

This portfolio consists of those mortgages that were originated with an interest rate of 2%<sup>6</sup>. Under this facility, the monthly income of the household must not exceed TT\$ 14,000.00 (US \$2,089.55) per month. This enables the mortgagor to acquire a property with a maximum value of TT \$1,000,000.00 (US \$149,254.00)

### The 5% mortgage portfolio

This portfolio consists of those mortgages that were originated with an interest rate of 5%<sup>7</sup>. Under this facility the monthly income of the household must not exceed TT\$ 30,000.00 (US\$ 4,478.00) per month. This enables the mortgagor to acquire a property with a maximum value of TT\$ 1,500,000.00 (US \$ 223,880.60)

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<sup>2</sup> This minimum threshold applies to the first issuance under this social bond framework, and does not apply to other future issuances by the TTMB.

<sup>3</sup> <https://ttmortgagebank.com/mortgage-financing/2-percent-mortgage/>

<sup>4</sup> <https://ttmortgagebank.com/mortgage-financing/5-percent-mortgage/>

<sup>5</sup> 1 USD = 6.70 TTD



<sup>6</sup> The 2% interest is at the inception of the mortgage and increases annually by 0.5% until it reaches the next level of subsidized interest rate of 5%

<sup>7</sup> The 5% interest rate is at the inception of the mortgage and increases annually by 0.5% until it reaches the open market interest rate (currently the open market rate is 6%, this is a rate determined by the TTMB based on their cost of funds.).

Affordable home ownership remains a challenge for low and middle-income earners and young professionals in Trinidad and Tobago. Successive government administrations have developed policies to increase the housing market supply including the offering of subsidized mortgages for first-time homeowners. Both the 2% and 5% mortgage programs are subsidized mortgage facilities offered by the Government of Trinidad and Tobago and are administered by TTMB for individuals or households who are usually unable to access housing finance through the traditional banking institutions. The provision of low-cost housing has been a pillar of the Trinidad and Tobago public housing policy agenda. To date there is a backlog of 200,000 applicants in the low to middle income segments of the market. Additionally, national censuses suggest that at least 33%<sup>8</sup> of households in Trinidad and Tobago are female-headed, and existing data find a greater likelihood for poverty than households headed by men. The mortgage origination through the identified use of proceeds of this issuance will address these gaps. As such, this issuance is intimately aligned with Sustainable Development Goals (SDGs) 1, 5, 10 and 11 as it will promote gender equality and women's economic empowerment, thereby reducing poverty and inequalities.

## 2.2 Alignment to the Sustainable Development Goals

The UN 2030 Agenda for sustainable development defines 17 global objectives with 169 targets that seek to promote sustainable development - economic, environmental and social - with a focus on equity and inclusion. This Bond is aligned with the following Principles of Social Bonds (SBP) and United Nations Sustainable Development Goals (SDGs). The bond issuance will help TTMB to contribute to housing finance in Trinidad and Tobago and to the following SDGs:

Eligible Categories	SDG Category	SDG Target
Residential mortgage loans originated under the 2% and 5% subsidy programs	SDG 1: End poverty in all its forms everywhere 	1.4 To ensure that all men and women, in particular the poor and the vulnerable, have access to financial services
	SDG 5: Gender Equality 	5.7 To ensure equal rights to economic resources, property ownership and financial services

	SDG 10: Reduced Inequalities 	10.B To encourage financial flows to states where there is the greatest need, in particular small and island states
	SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable 	11.1 By 2030, ensure access for all to adequate, safe and affordable housing.

### 2.3 Project evaluation & selection

As noted above, the objective of the bond proceeds is to support the delivery of affordable housing to low- and middle-income households in Trinidad and Tobago.

In 2024, TTMB's Strategic Plan 2024 - 2026 was approved. This included a Funding Strategy that provided the targeted mortgage origination activity for each year (2024, 2025, 2026). The achievement of these targets is dependent on HDC's ability to complete and deliver units, TTMB's expected level of mortgage originations and the achievement of TTMB's and HMB's funding requirements. HMB will also influence the availability of housing units by the provision of financing to private developers and contractors aligned to public housing.

On approval of the Business Plan, TTMB's Mortgage Banking Department is charged with finalizing the timing, value of transactions and identifying customers for origination. The mortgages are governed by the approved Mortgage Origination Policy.

The origination process would include the following: -

- The customers being on-boarded in compliance with local Anti-money Laundering / Counter-terrorism Financing Laws
- An independent valuation report that supports the mortgage application
- Up-to-date receipts for Property Taxes

- Approved Building Plan (from Town and Country Planning Division and Regional Corporation (local authority))<sup>9</sup>
- Completion Certificate from the Regional Corporation (local authority) where the property is less than four (4) years old.

TTMB's Residential Mortgage unit of the Mortgage Banking Department will review the mortgages on-boarded to select those that meet the social bond criteria:

1. Currency: Denominated and payable in TT\$.
2. The mortgages have not been utilized as collateral or were not originated from the proceeds of a previously issued thematic bond. TTMB seeks to prevent any double-counting risk and maintain the integrity of this issuance (social bond); therefore, the entity verifies that the mortgages originated/purchased were not included in any previous thematic instrument.
3. Excluded Loans: Home equity lines of credit, land acquisition, second mortgages, investment homes, second homes and developer financing/bridge loans and any loan made for the purposes of funding any of the activities on the List of Excluded Activities.
4. Use of Proceeds: proceeds of the mortgage instruments will be destined for the financing of the acquisition of the permanent residence of a natural person. The origination by TTMB should be over a sixty-month (5 year) period.
5. Location of Properties: Each property must be located in an urban zone. An urban zone is defined as an area that has the required infrastructure, including transportation arteries, access to water and sewage facilities; moreover, the property must not be in locations presenting the following characteristics:
  - Located in areas of abandoned landfills or waste disposal areas, industrial facilities; or located in areas of high environmental risk activities, such as storage and use of hazardous materials and wastes, high potential for explosions or fires; or
  - Located in national parks, designated special protection zones/areas, indigenous territories or natural reserves.
6. Compliance with Applicable Laws: any and all documents relating to the mortgage instruments must comply with any and all Applicable Laws, including the Issuer's Country consumer laws.
7. Compliance with Environmental and Social Requirements: any and all mortgage instruments must comply with any and all applicable environmental, social, health and safety requirements of Trinidad and Tobago, both at a local and national level.
8. Subsidy program: the mortgage must have been originated under the GORTT's Expanded Affordable Housing Programme (AHP).
9. Maximum Property Value: up to TT\$1.5 million or maximum values allowed under the subsidized mortgage programs.

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<sup>9</sup> The Approved Building Plans and Completion Certificate include the necessary environmental regulations required by the Government of Trinidad and Tobago necessary for home construction.

## **About the Trinidad and Tobago Mortgage Bank Limited**

The Trinidad and Tobago Mortgage Bank Limited (TTMB) is incorporated in the Republic of Trinidad and Tobago and provides mortgage financing secured by residential property. The Company is an “approved mortgage company” under the provisions of the Housing Act, Ch. 33:01. The Company is jointly owned by the Government of Trinidad & Tobago (GOTT) and The National Insurance Board of Trinidad and Tobago (NIBTT) in a current shareholding ratio of 49% to 51% respectively.

TTMB has the mandate to administer the Government of Trinidad and Tobago’s Affordable Housing Finance Programme<sup>10</sup>. This programme caters specifically to low- and middle-income persons in Trinidad and Tobago by subsidizing the cost of their mortgage financing

TTMB continuously strive to improve on the quality of mortgages on book by managing the non-performing loan rate. TTMB also ensures that all mortgages have a low risk of default due to the compliance of the measures outlined below:

- The Debt Service Ratio – which is limited to 35%.
- Total Debt Service Ratio -which is limited to 45%.
- Loan to Value Ratio (LTV) – must not exceed 100%.

The mortgages to be originated will deliver a social benefit to mortgagors. This benefit is measured as the difference between the interest rate paid by the mortgagor and TTMB’s open market mortgage rate (currently 6%).

Mortgages originated at 2% will graduate to 5% and are (capped/fixed) at this rate after six (6) years. On the assumption that TTMB’s open market rate remains at 6%, for mortgages originated at 2%, mortgagors benefit from an interest rate subsidy ranging between 1% to 4% within the graduating period. This facility will further deliver a minimum 1% interest rate subsidy to mortgagors outside of the graduating period.

Mortgages originated at 5% will graduate to TTMB’s open market rate (6%) and are (capped/fixed) at this rate after two (2) years. On the assumption that TTMB’s open market rate remains at 6%, for mortgages originated at 5%, mortgagors benefit from an interest rate subsidy ranging between .5% to 1% within the graduating period.

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<sup>10</sup> <http://www.housing.gov.tt/making-home-ownership-affordable/>



It is customary that mortgages that have graduated to their respective caps (5% or 6%) remain at those rates for the remaining life of the loan. Mortgages within their graduation phase are exposed to interest rate risk as follows:

Interest Rate Change	2% Mortgage	5% Mortgage
Open market increases above 6.00%	No impact	<p>Mortgage graduates to the new rate</p> <p>The graduation period is extended by 0.50% increments to the new open market rate. This applies for mortgages that have not yet graduated to the cap of 6%</p>
Open market decreases within the range 5.00% to 5.99%	No impact	<ol style="list-style-type: none"> <li>1. Mortgages below the new rate, graduate to the new market rate</li> <li>2. No change for mortgages already above the new market rate</li> </ol>
Open market less than 5.00%	<ol style="list-style-type: none"> <li>1. Mortgages below the new rate, graduate to the new market rate</li> <li>2. No change for mortgages already above the new market rate</li> </ol>	<ol style="list-style-type: none"> <li>1. No change for mortgages already above the new market rate</li> </ol>

2.00% mortgage cap less than 5.00%	<ol style="list-style-type: none"> <li>1. Mortgages below the new rate, graduate to the new market rate</li> <li>2. Interest rates capped at existing level for graduating mortgages that are above the new cap</li> </ol>	<ol style="list-style-type: none"> <li>1. The interest rate would start at the new 2% mortgage cap</li> <li>2. The graduation period to the open market rate will increase</li> </ol>
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## 2.4 Management of Proceeds

The proceeds received from the issuance of the Social Bonds will be managed by TTMB's Finance and Treasury Departments and will be used to finance the origination of residential mortgages that qualify under the criteria described above. The Finance and Treasury Departments will carry out activities aimed at controlling the flow of operations, analysing results, etc. The composition of this team and expertise of these officials is described in more detail in Annex II.

The Social Bond will be registered in TTMB's accounting books in the Financial Instruments at Amortized Cost, identifying this transaction with a sequential number that is registered with the Trinidad and Tobago Securities and Exchange Commission, such that this issue will be called the "TTMB's \$550M Social Bond" distinguishing it from any other existing ordinary bond issue. Likewise, the mortgages originated in support of the issuance of the social bonds, will be identified and marked by a specific pool number as its primary identifier. This identification of the financial portfolio will allow specific reports to be issued on the group of purchased mortgage loans.

TTMB will commission an external audit<sup>11</sup>, with an annual frequency from the year following the full issue and until its expiration, an assurance report on the allocation of funds from its social bond issues (see section 3 for additional details).

The amount of unallocated bond proceeds will be held exclusively in cash or other highly liquid and low-risk instruments, and in any case will not be used by the TTMB to finance projects other than eligible social projects.

<sup>11</sup> The TTMB currently uses an external audit provider, Ernst and Young, who on an annual basis reviews and certifies TTMB's financial statements. For the purpose of the annual report, TTMB will use Ernst and Young or any other approved external auditor at that time to review and sign off on the annual report.

To the extent that the mortgage debtors repay their loans, TTMB will assign monthly an additional portfolio that provides sufficient support to the amount of outstanding social bonds. Likewise, once the bonds begin to amortize, loans will be withdrawn from that financial portfolio to maintain the total amount of assigned mortgage loans equal to the outstanding bonds amount with an agreed margin. Additionally, in the event of disinvestment, that is, a mortgage loan is canceled or ceases to meet the eligibility criteria, the TTMB will replace this mortgage loan with another eligible one in the shortest time possible to maintain sufficient support for the outstanding bond amount.

The processes set forth above will be applicable throughout the life of the bonds issued based on this framework.

## 2.5 Reporting

TTMB will report annually, and until the full repayment of the bond, a detailed account of the annual allocation of the proceeds including:

- Allocation of the proceeds of the social bonds (mortgages originated),
- Percentage of the proceeds pending to be assigned into eligible assets and information on their management and temporary administration until their assignment,

The process of monitoring, data collection, consolidation, aggregation and reporting will be carried out by TTMB. The report will also inform about the following indicators aggregated by category:

Indicator	Description
<b>Use of Proceeds</b>	
<b>Output Indicators</b>	
<b>Number of mortgages originated (2% mortgages)</b>	Number of mortgages originated by the TTMB during the reporting period under the 2% mortgage rate program
<b>Value of Mortgages originated (2% mortgages)</b>	Value of mortgages originated by the TTMB during the reporting period under the 2% mortgage rate program
<b>Number of mortgages originated to Women (2% mortgages)</b>	Number of mortgages originated by the TTMB to women during the reporting period under the 2% mortgage rate program
<b>Value of Mortgages originated to Women (2% mortgages)</b>	Value of mortgages originated to women by the TTMB during the reporting period under the 2% mortgage rate program

<b>Number of mortgages Women -led (2% mortgages)</b>	Number of Mortgages originated to women by the TTMB during the reporting period where the woman earns a higher income under the 2% mortgage program
<b>Value of Mortgages Women -led (2% mortgages)</b>	Value of Mortgages originated to women by the TTMB during the reporting period where the woman earns a higher income under the 2% mortgage program
<b>Number of mortgages originated (5% mortgages)</b>	Number of mortgages originated by the TTMB during the reporting period under the 5% mortgage rate program
<b>Value of Mortgages originated (5% mortgages)</b>	Value of mortgages originated by the TTMB during the reporting period under the 5% mortgage rate program
<b>Number of mortgages originated to women (5% mortgages)</b>	Number of mortgages originated by the TTMB to women during the reporting period under the 5% mortgage rate program
<b>Value of Mortgages originated to women (5% mortgages)</b>	Value of mortgages originated to women by TTMB during the reporting period under the 5% mortgage rate program
<b>Number of mortgages Women-led (5% mortgages)</b>	Number of Mortgages originated to women by the TTMB during the reporting period where the woman earns a higher income under the 5% mortgage program
<b>Value of Mortgages Women-led (5% mortgages)</b>	Value of Mortgages originated to women by the TTMB during the reporting period where the woman earns a higher income under the 5% mortgage program
<b>Outcome Indicators</b>	
<b>Percentage of Low income or Vulnerable Clients <sup>12</sup></b>	The percentage of the mortgage portfolio that are mortgages with an original value of TTD 1 million and under.
<b>Percentage of unserved or underserved population (women) <sup>13</sup>with access to the first mortgage loan</b>	Percentage of the 2% and 5% mortgage portfolios that are women or women-led mortgages

<sup>12</sup> In accordance with the Harmonised Framework for Impact Reporting for Social Bonds, this outcome indicator acts as a proxy for the recommended outcome indicator improved access to affordable housing loans.  
[https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf)

<sup>13</sup> In accordance with the Harmonised Framework for Impact Reporting for Social Bonds, this outcome indicator acts as a proxy for the recommended outcome indicator Increase in women's ownership of property and housing.  
[https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf)

### 3. External reviews

#### 3.1 Second Party Opinion.

TTMB will retain a Second Party Opinion (SPO) provider with a recognized track record in the market to prepare a Second Party Opinion that confirms the alignment of this framework with ICMA's SBP. The Second Party Opinion will constitute an independent external review that will serve as a reference for investors and will be published, together with this framework, on the TTMB's website no later than the issuance date of the bond. This external review must clearly indicate the capacities in environmental and/or social matters that the provider of the Second Opinion has, as well as their credentials and relevant experience.

#### 3.2 Annual review

The TTMB will commission independent auditors acceptable to IDB Invest (preferably a big 4) on an annual basis and until maturity of the bonds, to prepare an assurance report on the allocation of the proceeds of the social bonds in accordance with the criteria and processes defined in this framework. The first report will be completed at the end of the fiscal year following the issuance of the Social Bond. The audit company will also review the current and expected results of the KPIs identified in the table above<sup>14</sup>.

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<sup>14</sup> TTMB as a requirement of the assistance from IDB will submit on an annual basis a development indicator report which details the achievements of the KPIs identified in the table above.

## I. Annex

### *IDB Invest - List of Excluded Activities*

IDB Invest will not knowingly finance, directly, or indirectly through FIs, projects involved in the production, trade, or use of the products, substances or activities listed below. Additional exclusions may apply in the context of a specific operation.

#### 1. Prohibited Activities

- a) Activities that are illegal under host country laws, regulations or ratified international conventions and agreements, or subject to international phase out or bans, such as:
  - i. Polychlorinated biphenyl compounds (PCBs).
  - ii. Pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase-outs or bans.
  - iii. Persistent Organic Pollutants (POPs).
  - iv. Ozone depleting substances subject to international phase out.
  - v. Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora CITES.
  - vi. Transboundary trade in waste or waste products, except for non-hazardous waste destined for recycling.
  - vii. Lead paint or coatings in the construction of structures and roads.
- b) Activities that are illegal under host country laws, regulations or ratified international conventions and agreements relating to the protection of biodiversity resources or cultural heritage.

#### 2. Other Activities

- a) Activities that, although consistent with a country's legal and/or regulatory framework, may generate particularly significant adverse impacts on people and/or the environment.
  - i. Weapons, ammunitions and other military goods/technology.
  - ii. Tobacco.<sup>15</sup>
  - iii. Gambling, casinos and equivalent enterprises.<sup>16</sup>
  - iv. Radioactive materials.<sup>17</sup>

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<sup>15</sup> This does not apply to projects whose primary objective is not related to the production, trade, or use of tobacco.

<sup>16</sup> This does not apply to projects whose primary objective is not related to the construction and operation of gambling, casinos and equivalent enterprises

<sup>17</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where it can be demonstrated that the radioactive source is to be trivial and/or adequately shielded.

- v. Unbonded asbestos fibers or asbestos-containing products.
  - vi. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- b) Activities that are inconsistent with the [IDB and] IDB Invest's commitments to address the challenges of climate change and promote environmental and social sustainability
- i. Thermal coal mining or coal-fired power generation and associated facilities<sup>18</sup>.
  - ii. Upstream oil exploration and development projects.
  - iii. Upstream gas exploration and development projects. Under exceptional circumstances and on a case-by-case basis, consideration will be given to financing upstream gas infrastructure where there is a clear benefit in terms of energy access for the poor and where greenhouse gas (GHG) emissions are minimized, projects are consistent with national goals on climate change, and risks of stranded assets are properly analyzed.

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<sup>18</sup> This applies only to associated facilities which primary objective is related to the production, trade or use of coal for power generation or to the transmission of energy generated by a coal-fired power plant (e.g., a dedicated transmission line).

## II. Annex

Refer to Organization Structures for the Finance and Treasury Units detailed below and attached bios for the positions of Chief Financial Officer, Chief Treasury Officer, Manager, Treasury and Treasury Officers. Please note that the position of Manager, Finance is currently vacant with the recruitment of a replacement in progress.

