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SECONDARY MORTGAGE MARKET OPERATIONS

ISN - 25511

PO-APP-757

PROGRESS REPORT - PERIOD  
APRIL 1, 1975 - JUNE 30, 1975

During the quarter significant progress was made in the implementation of the programme. As a result of the activity during the period, it is felt, with reasonable justification, that actual disbursements should begin in the current quarter of 1975. Additionally, the period should produce a modest commitment of loan funds through the forward commitment route. However, a note of caution must still be sounded.

The rate of progress on the programme will continue to be slow, and at this time it seems hardly likely that total disbursement of loan funds can become a reality by the terminal date of the loan agreement.

Activity during the period involved both the preparation of the internal machinery to handle the scheme, and the 'promotional' activity involved in the 'sale' of the scheme to the potential seller/servicers. A summary of the activities in each area is offered below.

(1) Internal Activity

During the quarter a concerted effort was made to satisfy the internal requirements of the CDB to establish the mechanism required to administer the programme. The

arrival of Mr. Lloyd Galloway, as Consultant on the programme, culminated the activity in this area during the period.

Mr. Galloway who arrived early in June for a three month assignment has been entrusted with the task of setting-up the internal mechanism required to handle the operations, and also to assess the existing conditions from the standpoint of the Seller/Servicers.

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Prior to the arrival of Mr. Galloway, the CDB presented a paper to USAID suggesting that a number of listed amendments to the rules and policies governing the programme, could in fact alleviate some of the problems being faced in getting the programme off the ground. AID gave its concurrence to CDB on all the points raised in the earlier mentioned letter. Consequently, the rules and policies were amended to reflect these changes on the approval of the Bank's Board of Directors at their May meeting. (A copy of the amendments as per the Bank's Board paper attached).

*not attached*

It has been recognised also that there exists an urgent need for additional staffing in the programme, specifically, to deal with the accounting and financial aspects of the scheme. The matter of personnel from the Bank's Financial Division being identified, to take immediate control of this aspect of the scheme has been raised with management and it is expected that a decision on the matter of the appointment of accounting personnel will be resolved shortly.

(2) External Activity (Seller/Service Relationship)

During the quarter the Bank made its first approvals of institutions as Seller/Service providers under the terms and conditions of the scheme. The following institutions were approved during the period.

(a) The St. Kitts-Nevis-Anguilla National Bank Trust Co.

USAID granted a waiver allowing the participation of this quasi-governmental institution. Of all the approved and potential Seller/Service providers, this institution is likely to be the first to become actively involved in the programme. Based on our tentative time-table we expect to purchase at least seven or eight mortgages from this institution within two months.

Additionally, a package is being prepared by the Trust Co. and a developer, for a forward commitment expected to amount somewhere in the region of EC\$750,000 on approximately 30 houses. This development is expected to be done in three phases of 10 unit per phase.

(b) The St. Lucia Co-operative Bank Ltd.

This institution at present is engaged in examining its portfolio to determine whether there are any mortgages presently being held which can be rewritten at the minimum cost to meet CDBs requirements.

A developer in the state has also indicated an interest in participating through an application to the institution for a forward commitment. He is presently preparing the package for submission to the St. Lucia Co-operative Bank and it is expected that this package will be complete within approximately two months.

(c) The Antigua Commercial Bank Ltd.

There seems little likelihood of immediate activity from this institution.

During the period CDB obtained the services of Mr. Frank Panton, Financial Controller, of the Jamaica Mortgage Bank, under a standing arrangement for technical assistance existing between the two institutions. During his three week attachment to the Bank (which ended on July 4, 1975) Mr. Panton undertook analysis of the existing accounting and financial systems and arrangements of three approved Seller/Service institutions and also of four potential Seller/Service institutions. (One of these four institutions, the Roseau Co-operative Credit Union - Dominica, has since been approved in early July).

The findings of Mr. Panton's analysis have not yet been officially handed over to the CDB, however, the feeling is that in all cases, the institutions can effectively undergo the changes required to perform accounting and reporting functions under the scheme.

In keeping with need to foster the development of the participating Seller/Service institutions and the quality of staff performing the complex functions required under the scheme the Bank has arranged a training programme of short attachments for personnel nominated by the Seller/Service institutions at Building Societies actively involved in the Secondary Market Operations in Jamaica. The entire cost of these attachments is being met out of the technical assistance portion of the USAID Loan 538-L-002. Approval for the use of a specified amount US\$50,000 on the Secondary Market Operations having been granted by AID during the quarter.

In conclusion, therefore, it is felt that on all fronts, the quarter under review has produced a significant increase in the activity in the programme on all levels. This in itself must not detract from the fact that a great deal of work still need to be done, to meet (a) the internal requirements of the CDB to administer the scheme and (b) to create the objective conditions fundamental to the smooth and effective operations of a Secondary Market Programme in the LDCs primarily through the development of the identified Seller/Service institutions as viable long-term mortgage lending agencies.

Until these dual objectives have been achieved the rate of disbursement can be expected to be exceedingly slow. In the present quarter and indeed perhaps for the next year or so the major part of the Bank's function vis à vis the scheme must be directed to realising these two fundamental objectives; though not entirely to the exclusion of attempts to disburse the funds rapidly since practical experience in the operational

Seller/Service can only be fully grasped through actual operations.

Attached also is a statement showing the projected activity under the programme for the remainder of the year.

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PROJECTED ACTIVITY ON SECONDARY MORTGAGE MARKET PROGRAMME

PERIOD 1st July - 31st December, 1975

(a) Loan Funds Commitment Through Advance Commitment

<u>Country</u>	<u>No. of Units</u>	<u>Amount of Commitment</u>	<u>Completed Units Sold</u>	
			<u>No. of Units</u>	<u>US\$ Amount</u>
St. Kitts	20	250,000	5	62,500
Antigua	10	100,000	3	36,000
St. Lucia	15	150,000	5	60,000
Dominica	5	50,000	2	28,000
Montserrat	5	65,000	2	26,000
	<u>55</u>	<u>615,000</u>	<u>17</u>	<u>212,500</u>

(b) Disbursement of Loan Funds through Immediate Purchases

(Including Purchase of Completed Units above, where applicable)

<u>Country</u>	<u>No. of Units</u>	<u>US\$ Amount</u>
St. Kitts	15	187,500
Antigua	3	36,000
St. Lucia	5	60,000
Dominica	2	28,000
Montserrat	2	26,000
	<u>27</u>	<u>337,500</u>