

November 2012

YOUR FINANCESYOUR FUTURE

Staying Connected

For the Alumni of the ECCB's
Savings and Investment Course

**YOUR FINANCIAL
NEWS**

2012
31 December
End Year Resolutions

Pay off the balance on the credit card.

Avoid deals that say no money down, pay next year.

Refrain from emptying the Christmas Savings Fund!

De-clutter and organise.

Visit us at www.eccb-centralbank.org

END YEAR RESOLUTIONS



We have all been there... made lists of all the things we plan to do in the New Year, and, at the end of that 'New Year', we are forced to look at the list of all the things we did not get to accomplish.

Maybe it is the long time frame of 12 months that makes us procrastinate in advancing our lists of well-intentioned resolutions. Time is like money; the more we have, the more we consume.

As we approach the end of 2012, it might do us well to consider making 'End Year' resolutions that will force us to act NOW!

'End Year' resolutions articulate how we want to

close out the year and position ourselves for a successful new year.

To help with our 'End Year' financial resolutions, let us consider reversing our thinking. Instead of trying to figure out **"How Not To Go Broke This Christmas"**, let us compose a comprehensive list of **"How To Go Broke This Christmas."**

How To Go Broke This Christmas



With that glaring list in hand and in mind, we would have a better sense of where and how to focus our End Year Resolutions to ensure financial stability at the start of 2013.

Here's to ending 2012 on a strong financial foundation. **SLW**



Things you should be focusing on Right Now!

1. Creating a Spending Plan.

This will provide you with a framework to achieve your life's goals.

2. Financial Security.

Reduce debt; cut costs and spend less; grow your wealth.

3. Updating Your Resume.

Be prepared when career opportunities knock.



4. Reaching Out.

Make an impact on the lives of those around you and you will strengthen your community.

5. Dental Hygiene.

According to Dr. Mehmet Oz, host of the American syndicated Dr Oz Show, oral health care is linked to a healthy heart.

6. Living Healthy.

Focus on improving your health.



7. Nurturing Your Spirit.

Learn to meditate and pray.

8. Being Multifaceted.

Learn new skills to increase your value in the job market.

9. Expanding Your Networks.

10. Pursuing Your Passion.



EXTRACT - REPORT ON RESULTS OF THE COMMERCIAL BANK SENIOR LOAN OFFICERS' OPINION SURVEY ON CREDIT MARKET CONDITIONS IN THE ECCU (JANUARY—JUNE 2012)

In accordance with its function to regulate the availability of money and credit in the Eastern Caribbean Currency Union (ECCU), the Eastern Caribbean Central Bank (ECCB) conducts a bi-annual survey of the commercial banks in the ECCU to capture information on the qualitative (non-price) factors affecting the demand for and supply of credit along with other topical issues relevant to the ECCB.

The information gathered helps to enhance the knowledge of the trends and developments in credit conditions in the Currency Union which serves as an input into monetary policy decisions at the Central Bank. This report presents the findings of the survey for January to June 2012.

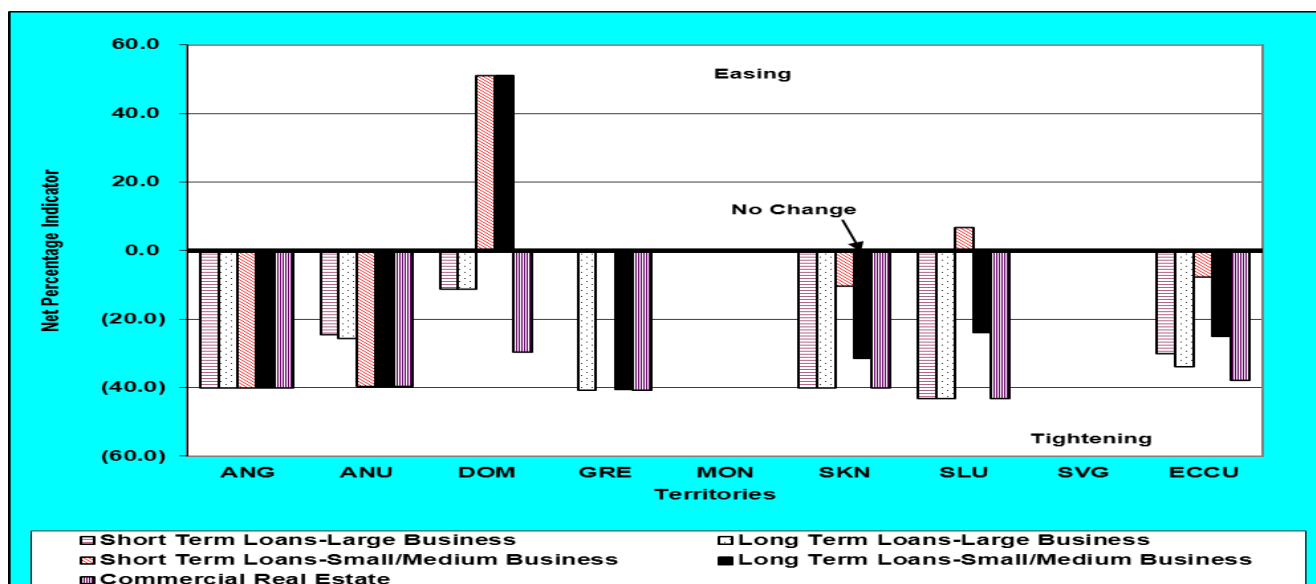
At the ECCU level, overall lending terms and conditions tightened for all types of loans to businesses and households over the period January to June 2012. This result is in contrast to expectations for easing in overall lending conditions for all types of loans to households and businesses except for loans to small and medium sized businesses. For the survey period, the tightening in overall lending terms and conditions for loans to businesses and to households was more pronounced than that reported for the last survey period (July to December 2011). The tightening in lending terms and conditions for business loans was primarily due to risks related to the general economic conditions, changes in the percentage of non-performing loans to total loans

and the financial standing of the largest borrowers. In regard to household loans, the tightening in lending terms and conditions was largely related to creditworthiness of consumers, the general economic conditions and changes in the percentage of non-performing loans to total loans.

For the second half of 2012, overall lending terms and conditions are expected to ease for both types of household loans and tighten for all types of business loans. The expectation for tightening in overall lending terms and conditions for business loans is based on the projection that economic recovery will remain sluggish.

Access the complete survey report at www.eccb-centralbank.org

Outlook for Lending Terms and Conditions for Business Loans July-December 2012



Are OECS Citizens Ready For A “Reverse Mortgage” Product?

By Dennis S. M. Cornwall, Manager, Research and Marketing, ECHMB



In this Article, I will try to explain some of the challenges that may make this product not so readily available to senior citizens in the ECCU.

Some of these challenges include:-

- The existing legislation governing “forward mortgages” is not automatically applicable to “reverse mortgages”;
- There will be need for public education, counselling, and the development of the necessary financial service infrastructure. This financial service infrastructure should include all the stakeholders – lawyers, financiers, government departments and agencies, retired homeowners, counsellors, valuers, engineers, other stakeholders and an active market for the buying and selling of homes.

Generally, in most developed countries such as

the United States, Canada or the United Kingdom, reverse mortgage is available to senior citizens. These persons are “asset rich and cash poor”, and may have need for cash to take care of living expenses associated with old age. These expenses include – medical expenses, home improvements, payment of taxes, purchase of more appropriate housing, old age care by family or established nursing homes and day-to-day living expenses.

In the developed countries, financial institutions, governments, counsellors, lawyers, the required government legislation, as well as, other support service systems are in place to support such transactions.

Mr. Byren Innes, Sr. Vice President and Director with Newlink Group, a Canadian based marketing and financial consultancy company, spoke about the stage of development of reverse mortgage in Barbados-

1.0 Introduction

For most of us in the Eastern Caribbean Currency Union (ECCU), we have heard of the term “Reverse Mortgage” on our television sets through advertisements. It certainly sounds exciting when we hear that retired persons aged sixty-two (62) and over, in developed countries can contract a reverse mortgage by utilising the equity in their home to do so. The questions therefore are:-

- Are OECS senior citizens ready for a “Reverse Mortgage” product? or;
- Why is a “Reverse Mortgage” product not readily available to retired homeowners in the ECCU?

“A reverse mortgage is a special type of home loan that allows elderly homeowners aged sixty-two (62) and over to convert a portion of the equity in their home into cash.

“Yes, let me clarify; right now the legislation is not in place in Barbados. These are proposed recommendations that BARP is being instrumental in proposing to the Government. These are proposed things that we are talking about, right now. Yes, normally the kinds of conditions which exist in reverse mortgages are that persons are required to stay in their own home. They can have periodic absences for travel or for medical or whatever, usually not more than twelve (12) months, sometimes as low as four (4) months depending on what comes out. You must stay in your own home and maintain the house in proper repair,

maintain things like home insurance, pay your taxes on time and so on. That’s about it. If you have equity and you are over a certain age, and typically what has been recommended in Barbados, is age (62) sixty-two. That is not such a magic number, the maths tend to work out better for the individual when they are older. It is better when you can wait until (70) seventy or an advanced age and so on”.

The Barbados Association of Retired Persons is actively championing the cause for reverse mortgage in the Caribbean.

2.0 Let us now examine what is a Reverse Mortgage?

A reverse mortgage is a special type of home loan that allows elderly homeowners aged sixty-two (62) and over to convert a portion of the equity in their home into cash. The equity that the elderly

homeowner has built up over the years of making mortgage payments can be paid to him or her. However, unlike a traditional home equity loan or second mortgage, borrowers do not have to repay the loan until the borrowers no longer use the home as their principal residence or fail to meet the obligations of the mortgage.

One can also use a Home Equity Conversion Mortgage (HECM) to purchase a primary residence if he or she is able to use cash on hand to pay the difference between the HECM proceeds and the sale price plus closing costs for the property he or she is purchasing.

Remember, the main difference between a Reverse Mortgage and a Forward Mortgage is that in the former, the borrower does not have to repay the loan until death or he or she ceases to live in the residence. In a Forward Mortgage, the borrower is required to make payments of interest and principal on the loan until maturity or the total discharge of the mortgage obligations.



3.0 Advantages of a Reverse Mortgage Product

There are several advantages of a Reverse Mortgage product.



However, a reverse mortgage is not suited for every

retired person. Let us now examine some of the advantages. These include:-

- The lender pays the elderly homeowner for living in his or her own home until the last remaining owner dies;
- The better the condition of the home, the larger the sum of funds available in the form of a reverse mortgage;
- The older the borrower, the more likely that the sum available will be larger;
- The homeowner is entitled to hold on to the Title of the property and the lender is not legally allowed to ask the homeowner to sell the home to pay back the loan;
- Homeowners that are locked into a reverse mortgage loan are guaranteed the ability to live on their property as long as they live, no matter the increase or decrease in the value of the property.
- The homeowner can decide how they want to take out cash against their property whether it is in the form of monthly payments or in one lump sum.
- Much older customers are likely to benefit more than much younger customers;
- The homeowners will not be able to pass on the property to their heirs or successors if the loan on the property is not fully paid off.
- Lenders favour older customers for such transactions;
- The homeowner may live beyond the lender's estimated timeframe;
- The property is required to be maintained by the owner;
- The house must generally already be paid off for by its owners.

4.0 Disadvantages of a Reverse Mortgage Product

There are also disadvantages of a Reverse Mortgage product. Let us now examine some of the disadvantages. These include:-

- Not all senior citizens who own a home will qualify for a reverse mortgage;
- If the residential home is not in tip top condition, it may not qualify as security. In other words, the property must have good value and should be able to maintain the value over time;

5.0 Making that Decision "for or against" a Reverse Mortgage

As exciting as a reverse mortgage product may sound, it is not a simple undertaking. In countries where this product is available, the appropriate legislation exists to

“ There are several advantages of a Reverse Mortgage product. However, a reverse mortgage is not suited for every retired person.

protect the lender and more so the borrower.

In the developed countries, the borrower is subjected to extensive counselling as a prerequisite for such transactions. Family members and other close friends are usually consulted to ensure that everyone is on board or not. Even after all is said and done, the borrower can change his or her mind up to at least three (3) days or seventy-two (72) hours before the transaction is due to close.

It is absolutely important that the borrower examines his or her current health and financial situation as well as his future before such a decision is made. Old age brings with it a number of challenges such as:

- Reduced disposable income available to pay for needs;
- Reduced mobility;
- Increased medical expenses;
- Lack of appropriate care facilities;
- Unavailability of family or close friends to live with or to look after the elderly;
- Need for simpler and safer housing/accommodation;

6.0 Thoughts & Conclusions

The question therefore is - Should the governments and the financial institutions in the ECCU consider supporting or pursuing Reverse Mortgage?

In my opinion, there is a lot of wealth imbedded in residential homes owned by senior citizens in the region. Most senior citizens may be considered asset rich and cash poor. In other words, their income stream is poor.



The subject of “Reverse Mortgage” must be thoroughly examined to mitigate the negative fallout associated with the Reverse Mortgage product.

Notwithstanding the afore-mentioned, there are tremendous benefits that can be derived from Reverse Mortgages. There will also be need for an active market to be developed for the sale and purchase of homes in conjunction with all other preconditions necessary for a Reverse Mortgage product transaction.

The dialogue needs to start somewhere and so it is a good time to examine our possibilities with a Reverse Mortgage.

Any feedback on this subject matter is welcome.

NB. The views expressed in this article are those of the author and not those of the Eastern Caribbean Home Mortgage Bank (ECHMB).

- Failing health conditions;

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"INSTEAD OF A REVERSE MORTGAGE, WE HAVE DECIDED ON A REVERSE LIFESTYLE."

**LAUGHTER
Is Still The
Best
Medicine.**



From what we get, we can make a living:
what we give, however makes a life.

- Arthur Ashe

Your time is limited, so don't waste it living someone else's life.

Don't be trapped by dogma -

which is living with the results of other people's thinking.

Don't let the noise of others' opinions

drown out your own inner voice.

And most important, have the courage

to follow your heart and intuition.

They somehow already know what you truly want to become.

Everything else is secondary.