

JULY 2012

*Staying Connected*

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

YOUR FINANCES ...YOUR FUTURE

YOUR FINANCIAL  
NEWS

Financial Information Month  
October 2012



**Challenge Yourself**  
**Innovate-Compete-Succeed!**

Cognisant of the fact that innovation and best practices are central to our economy and recovery, **Financial Information Month 2012** is being celebrated under the theme:

**Challenge Yourself**  
Innovate - Compete - Succeed!

The logo depicted by green shoots sprouting from a grey earth is used metaphorically to suggest economic recovery.

This graphic statement amplifies the message that **innovation, best practices and an**

**unrelenting drive to succeed, must be nurtured** to enable individuals and businesses to realise their goals. This in turn will generate the employment opportunities required to forge ahead in this new economic climate and create a prosperous future.

Visit us at [www.eccb-centralbank.org](http://www.eccb-centralbank.org)

# Make Over

**Your Finances** Your Business **Your Work** Your Life

Take the challenge to reinvigorate your finances, your business, your work and your life.



**H**ow do we stretch ourselves so that we realise our true potential? How do we refuse to give into the mind-set that there is nothing we can do to turn around our fortunes and our economy? How do we expand our possibilities, create new ideas and opportunities?

**How? That's the CHALLENGE!**

**B**y being innovative; By refusing to be comfortable with **What Is** and instead asking **What If?** By adopting best practices in our finances, in our work, in our business, in our life; **By reframing our challenges as opportunities and our problems as possibilities.** This is how we can move from struggling to prospering.

**...Take The CHALLENGE!**





There's a basic pattern, a rhythm, to the creative process, a back-beat driving the emergence of ideas:

Out. In.

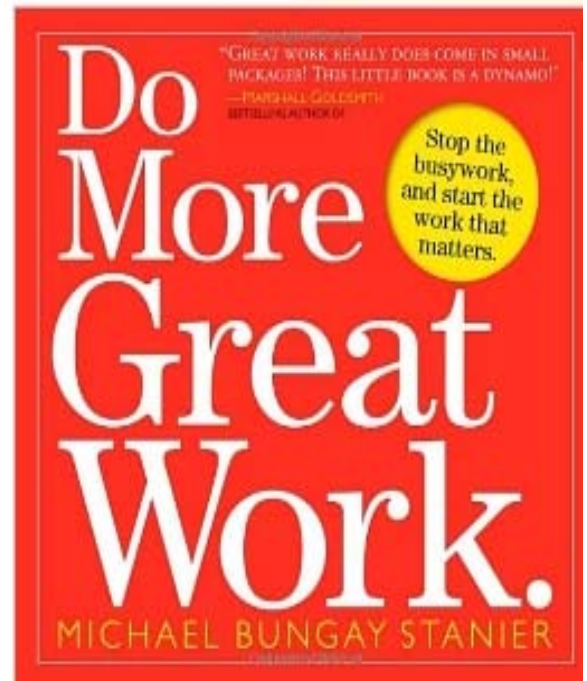
Expand. Contract

Diverge. Converge

Create. Select.

You open up, expand possibilities, and have ideas (out, expand, diverge, create). Then you narrow your focus, close down options, and make a choice (in, contract, converge, select).

And repeat.



Great work drives strategic difference, innovation, and longevity. Often it's the kind of inventive work that pushes business forward, that leads to new products, more efficient systems, and increased profits.

Though no one can go back and make a brand new start, anyone can start from now and make a brand-new ending.

CARL BARD



For all our talk about the “art and science” of management, we have mostly paid attention to the science part. Taking design seriously means acknowledging the difference between what scientists do and what designers and growth leaders do. Whereas scientists investigate today to discover explanations for what already is, designers invent tomorrow—they create something that isn't. To get to growth, we have to create something in the future that is different from the present.



### Grenada: ECCB Savings and Investments Course - Cohort 12

The graduation ceremony of the 12<sup>th</sup> Cohort of the ECCB Savings & Investments Course was held on Wednesday 4 July at the T. A. Marryshow Community College. A total of 29 persons graduated from the course. **Also in photo** (first row, left to right) Mrs Linda Felix-Berkeley, Resident Representative, ECCB Agency Office, Mr Osmond Drakes and Mrs Natasha Marquez-Sylvester, two of the course facilitators.

## What I Know Now by graduate Karlene Williams

**It is not that we don't know we have to save more, often the question is how should we or how much can we save?**

I stand here honoured to speak on behalf of the 12<sup>th</sup> cohort of the ECCB Savings & Investments Course organised by the ECCB Agency Office in Grenada. Over the past few weeks, we were constantly reminded in so many ways never to *"put all our eggs in one basket"* as the saying goes.

We were taken on a financial planning journey by every facilitator which I am sure left an indelible mark on every graduate present here today. From Personal Financial Planning to Creating Our Investment Portfolio, our eyes were opened and a greater sense of financial awareness was gained which would therefore enable us to make more informed financial decisions especially about loans, risk taking and investing outside of the traditional means like banks and credit unions.

**We were given the necessary tools to analyse the various financial tragedies which occurred recently on our island and within the region ...**

The need for one to develop SMART financial goals for one's life was most compelling and terms such as financial markets, T-bills and bonds were no longer words heard on radio or seen on TV and Internet but became part of us.

There were some classes we enjoyed immensely from the get go and some, very few though, we wondered if we were in the right class. We were given the necessary tools to analyse the various financial tragedies which occurred recently on our island and within the region which have impacted our life, one way or another.

It is often said that "Knowledge is Power" and I truly believe this is so and as such challenge each graduate to USE:

1. **U-** Use the knowledge learnt to make better financial decisions which will benefit your life and your family and by extension the nation.
2. **S-** Share the knowledge with family members, friends and colleagues.
3. **E-** Encourage others to do this course by spreading the word.

## Regional Government Securities Market (RGSM) Upcoming Auctions - August 2012

GOVT	ISSUE	AUCTION DATE	CEILING RATE	PREVIOUS RATE
SVG	\$25.00m 91-day T-bill (c)	08 Aug	5.82	3.998
GRE	\$15.00m 91-day T-bill (c)	15 Aug	6.00	6.00
ANU	\$10.00m 91-day T-bill (c)	21 Aug	6.00	-
DOM	\$20.00m 91-day T-bill (c)	30 Aug	6.00	4.50

C - Competitive



### 1. Saving Regularly

As a rule of thumb, every individual should aspire to save at least ten (10%) of their income, irrespective of the income they may be earning.

Most commercial banks, credit unions, building and loans societies offer savings accounts to customers or members. By saving regularly it allows someone to build a history of his or her savings. It also helps to create the necessary down payment that these lending

## Getting Started on Your Credit and Managing Your Mortgage Obligations

**How does one go about securing credit for building or buying a home?**

By Dennis Cornwall, Manager, Research and Marketing, Eastern Caribbean Home Mortgage Bank

institutions would require that customers have in the event they may wish to borrow for the purchase of a car, land, education or a home. Therefore, saving regularly will build discipline, character and the necessary down payment.

Most lending institutions would require that the borrower take a stake in the project that he or she intends to undertake. Some institutions may require the borrower to provide a down payment in cash between five (5%), ten (10) or even 20% or more depending on the circumstances. Other institutions may consider the

value of the land as the borrower's contribution to the house. Most institution will also require that the borrower has sufficient funds to pay for the legal fees, stamp duties, architectural drawings or building plans, and the closing cost associated with the loan.

It is the belief of most lenders that if the customer has acquire the discipline of saving regularly, then he or she over time should be able to accumulate certain level of saving to meet these commitments when the need arises.

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## 2. Ability to Repay

One of the key factors in determining whether a lending institution will grant the customer a loan is to satisfy itself of the following:-

- Can the customer repay the loan?
- Will the customer repay the loan? and
- What remedies/recourse the lender has if the customer does not pay or refuses to pay?

This is one of the main reasons why a lending institution conducts a thorough assessment of the borrower. This is also one of the first steps in analyzing an applicant. It is generally accepted internationally that there are four (4) major steps that lending institutions utilizes in their mortgage underwriting practices. They are:-

1. Assessment of the borrower;
2. Assessment of the property or the security for the mortgage loan;
3. Assessment of the housing market in the context of the overall economy;
4. Risk assessment analysis – taking into account a combination of the three (3)

assessments above and making a decision on whether or not to lend the money to the borrower and what are the safeguards that must be in place to secure the lending.



## 3. Information Requirements

The lender will generally require the customer to provide the following information when considering a mortgage loan applicant:-

- Valid Identification – (this may include one or two of the following - Passport, Social Security Card, Drivers License, National ID);
- Recent Utility Bill(s) – Telephone bill, water bill, electricity bill (this is general used to determine/ascertain the customer most recent address);
- Job letter from employer;
- Recent salary slip from employer;
- Other forms of Income – pensions, dividends, interest

on investments (stocks and bonds, fixed deposits);

- Statement of Affairs for a self-employed customer. – Banks statements, credit statements, budget, sales records, income statements, Notice to Reader or an Audited Financial Statement if it is available. It should be borne in mind that small entrepreneurs may not have Audited Financial Statements and lenders may be willing to ascertain his or her financial position by using a less than ideal Statement;

- Bank Statement on savings with banks, credit unions, and other deposit taking institutions;
- Statement of Expenditure detailing expenses related to shelter, food, clothing, rent, entertainment, health, insurance, luxuries;
- Evidence of real property title – stocks, shares, land, house, vehicle etc. (This is required to determine ownership);
- Evidence of life Insurance, or Fire and Peril Insurance if the customer owns a home or other real property;
- Credit Report from a Credit Bureau – This Report is not yet available in the ECCU. However, the borrower is

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currently required to sign a disclosure form giving the lender the authority to find out about his debt obligations with any other lenders.

- Self – employed individuals can also contract mortgage loans. However, the evaluation of the applicant is slightly different to a salaried customer. The self-employed customer will need to provide all the above information requirement and be subject to further questioning.
- The customer having provided all of the above information to the lender may or may not guarantee that the loan is granted. The lender will have to review the information to determine if the borrower can qualify or not.

Most lending institutions will lend up to ninety-five (95%) per cent of the funds needed. However, there may be exceptions to this practice.

Some institutions may provide up to one hundred (100 %) per cent of the financing for land loans, or to first time borrowers for mortgages up to a certain amount. In some jurisdictions public servants, teachers, police and nurses are given this special preferences. Some lending intuitions may require the borrower to take out Mortgage Indemnity Insurance (MII) for the portion of the loan between seventy-five (75%) percent to ninety-five percent (95%) of the loan.

The Total Debt Service Ratio is also taken into consideration. This ratio includes expenditure related to shelter plus all other expenditure related to food, clothing, health, and luxury such as boats, cars over the Gross Income of the applicant. The lower this ratio is, it will be better for the applicant. The higher this ratio implies that the applicant is severely indebted.

These ratios themselves are not cast in stone but are used as a guide to inform the creditor on the applicant's financial position. If the customer has a high net worth or good asset in the form of cash or real estate, that too

**The customer needs to demonstrate that having provided for shelter, he or she will be able to comfortably service the debt and meet other expenses.**

**4. Debt Service Ratios**

The lender may choose to conduct a personal interview with the prospective borrower to ascertain the validity of the information or to gather additional information that will be required for assessing the borrower.

The lender will also use the information to calculate certain debt service ratios that will inform the financial position and the net worth of the prospective borrower.

There is also the general practice of allowing between 30 - 40 % for the Gross Debt Service Ratio. Lenders are reluctant to have to take more than 40% of the customer's Gross Income for the purpose of providing shelter. It should be borne in mind that the customer needs to demonstrate that having provided for shelter, he or she will be able to comfortably service the debt and meet other expenses such as insurance - life and fire and peril, property taxes, maintenance etc.

may also help the borrower in getting the loan facility.

**To be continued.....**



# St. Kitts and Nevis: 2 Cohort ECCB Entrepreneurship Course



Feedback from Participants

“The course exceeded my expectations. I received much more information than I expected.”

“I still have some blanks.”

“It more than met my expectations. I am actually sharing ideas with other entrepreneurs.”

“This course has added tremendously to my financial and business education - important and necessary skills in entrepreneurship.”

“My head is now full of far more ideas.”

“I was amazed that we did so much— the variety and range of topics covered.”

