



## MORTGAGE RELIEF PLAN COMMUNICATION

### Eligibility

The Government of the Commonwealth of The Bahamas and the member banks of the Clearing Banks Association are pleased to announce that they have jointly agreed to the terms of the Mortgage Relief Plan and that the Banks will begin accepting applications on September 10, 2012. The public should note that all of the following conditions must be met to be eligible for participation in the Mortgage Relief Plan:

1. Existing mortgage is in Bahamian Dollars. Foreign currency mortgages will not be eligible for participation.
2. Existing mortgage originated prior to June 30, 2008.
3. Existing mortgage must not have been more than 89 days past due (principal and/or interest), at any time, prior to June 30, 2008.
4. The total outstanding mortgage debt, including accrued interest, as at August 31, 2012 does not exceed \$500,000. No new debt or consolidation of outside debt will be considered eligible under this program.
5. The mortgage must be 90 days or more past due (principal and/or interest) on or before August 31, 2012.
6. The past due status of the mortgage as at August 31, 2012 is due to documented financial hardship caused by involuntary unemployment, under-employment or chronic illness.
7. Existing mortgage must have been granted for the acquisition of, and must be secured by, an owner occupied primary residence or owner occupied duplex only. Mortgages secured by vacant lots or revenue generating/investment properties will not be considered for inclusion.
8. Mortgagors must have acceptable, sustainable, documented and verifiable income sufficient to support restructured payments, as determined by the lender in accordance with regulatory guidelines.
9. The lender must have a valid first mortgage, and possibly additional further charges with the same lender, over the owner occupied primary residence or owner occupied duplex, and the securing property must be free of other mortgages, liens or encumbrances.
10. Mortgages for which agreements for sale of the securing property have been entered into, or where the lender has taken possession of the securing property, or vacant possession of the securing property has been granted to the lender, will not be eligible for participation in this plan.

Individuals meeting all of the above eligibility requirements and wishing to participate in the mortgage relief plan must apply directly through their bank, at their branch or loans collection centre, as appropriate. When applying initially, the borrower must, at a minimum, provide the following to their lender:

- a. Job letter, pay slip or any other verifiable evidence of sustainable income.
- b. Written evidence confirming chronic illness from a qualified physician, if applicable.
- c. Evidence to confirm loss of employment or reduction of hours worked, if applicable.
- d. Details of all outstanding debts.

The borrower may be asked to provide additional information by the lender.

Applications must be submitted during the six month period commencing September 10, 2012 and ending March 8, 2013. Applications received after that period will not be considered.

Member banks of the Clearing Banks Association are as follows.

- Bank of The Bahamas Limited
- CitiBank, N.A
- CIBC FirstCaribbean International Bank
- Commonwealth Bank Limited
- Fidelity Bank (Bahamas) Limited
- RBC Royal Bank (Bahamas) Limited
- Scotiabank (Bahamas) Limited

## How the Plan Works

1. The lender will review each applying borrower's financial circumstances and determine what amount of mortgage the borrower can afford to service, inclusive of principal, interest, property insurance and real property taxes, given the borrower's reduced income.
2. The difference between the total mortgage debt outstanding, inclusive of accrued interest, at the time of application and the mortgage amount the lender determines the borrower can afford to service with his/her reduced income is defined as the "**Gap**".
3. All eligible borrowers whose Gap does not exceed \$22,500 will qualify for participation in the plan. Eligible borrowers whose Gap exceeds \$22,500 may qualify for consideration and participation in the plan at the sole discretion of the relevant lender. In the event where the amount of the Gap exceeds \$22,500, an otherwise eligible borrower would have the opportunity to pay the amount of the excess (above \$22,500) from other un-borrowed sources before being allowed participation in the plan.
4. Once approved for participation in the plan, the borrowers will be required to sign a Forbearance Agreement and, if necessary, other legal documents which will detail the extent of their obligation and the consequences of any breach. Borrowers must agree to all terms and conditions of the mortgage relief plan.
5. The lender will waive all late fees on the original mortgage debt and restructure the approved applicant's mortgage into two loans as follows:
  - a. A loan to be serviced by the mortgagor based on current income over an appropriate term and at market interest rates referred to as the **Serviceable Loan**.
  - b. A loan in the amount of the Gap at 0% interest for up to three years referred to as the **Deferred Loan**. No principal payments will be required on this loan for **up to** three years. At the end of the three year term, the **Deferred Loan** will mature **or may, at the sole discretion of the lender**, be refinanced for a further period at terms and interest rates acceptable to the lender.
6. The Government would contribute, up front, an amount equal to the lesser of 1/3 of the **Deferred Loan** or \$7,500 to permanently reduce the balance of the **Deferred Loan** and, by extension, the borrower's total mortgage debt.
7. The Government will contribute, up front, an administrative fee of \$100 per borrower to fund the costs associated with the restructure of the loans. The Government also agrees to waive any stamp tax or stamp duties related to documents the lender may deem necessary to allow a borrower to benefit from the plan.
8. The borrower has an obligation to meet with his/her lender:
  - a. Not less frequently than annually.
  - b. If at any time his/her financial situation changes.The purpose of these meetings will be to determine whether the borrower's financial situation has improved and therefore allow increased principal and interest payments on all or a portion of the total mortgage debt. Where the borrower's situation has improved, the lender will restructure the borrower's total mortgage indebtedness (including the **Serviceable Loan** and **Deferred Loan**) based on increased principal and interest payments. New loan documentation will be executed by the borrower and lender in support of the revised structure of the loan(s).
9. Both the **Serviceable Loan** and the **Deferred Loan** will continue to be secured by the real estate securing the borrower's original mortgage obligation.
10. The borrower remains obligated at all times for the full amount of both the **Serviceable Loan** and the **Deferred Loan**, including any applicable accrued interest.
11. Any and all unscheduled lump sum payments made by the borrower will be applied against the **Deferred Loan** amount with any balance applied to the **Serviceable Loan**. No prepayment penalties will apply.

## Right of Appeal

1. Borrowers would have the right to appeal, in writing, any decision by the lender regarding ineligibility to participate in the plan to a panel to be appointed by the Government after consultation with the Clearing Banks' Association.
2. Any recommendation of the panel, resulting from an appeal, will be forwarded to the lender in writing for consideration.
3. Any action to be taken as a result of consideration of the Appeals' Panel's recommendation will be at the sole discretion of the lender.

### **Conditions and Consequences of Default**

1. Any breach of the agreement by the borrower will result in the full amount including all balances outstanding on the **Serviceable Loan** and the **Deferred Loan** becoming payable in full immediately and the lender will proceed with its standard security realization process.
2. The following will represent breaches of the forbearance agreement under the terms of the mortgage relief plan:
  - a. Failure to disclose relevant financial information at the time of application and throughout participation in the plan.
  - b. Provision of false financial information.
  - c. Delinquency of payments on the **Serviceable Loan**.
  - d. Failure to meet with the lender at minimum annually and immediately following any change in the borrower's financial circumstances.
  - e. Failure to meet other standard covenants and clauses as defined in the Forbearance Agreement.