

---

# ***National Housing Trust***

## **Strategic Mandate Review Commission Report**

November 2017

The Most Honourable Andrew Holness, ON, MP  
Prime Minister  
Office of the Prime Minister  
Devon Road  
Kingston 10

7 November 2017

Dear Prime Minister

**Report of the Commission on the Strategic Review of the Mandate of the National Housing Trust**

Further to the establishment of a Commission to conduct a Strategic Review of the mandate of the National Housing Trust (NHT), we are pleased to enclose herein the report of the Commission.

The Commission was established in October 2016 to examine the operations of the NHT, considering the structure of the Jamaican housing finance sector, the structural and non-structural measures to reform the public segment of the housing finance sector. The task was to be completed within the Government's broader plan and framework for a national shelter strategy. In the conduct of its work, the Commission considered a range of issues related to housing and the role that the NHT does and ought to have in the delivery of housing solutions for the benefit of the Jamaican society. Our deliberations and recommendations include consideration of the following:

- Rationalising public sector housing finance with particular emphasis on the unique role of the NHT in the public sector segment of the housing financial system
- Examining supply and demand dynamics of the housing market
- Evaluating the performance of the NHT and the other public sector participants in the housing sector to establish the most effective method of optimizing the production/delivery of housing for Jamaicans
- Examining the governance framework and to recommend the most appropriate mechanism by which the rationalized public housing sector is to be governed.

While the original terms of reference for the Commission provided a helpful outline to set appropriate parameters and boundaries for the discussions, the terms themselves gave rise to a number of related issues that the Commission deemed appropriate to the conduct of its work, these are set out more specifically in the body of the report.

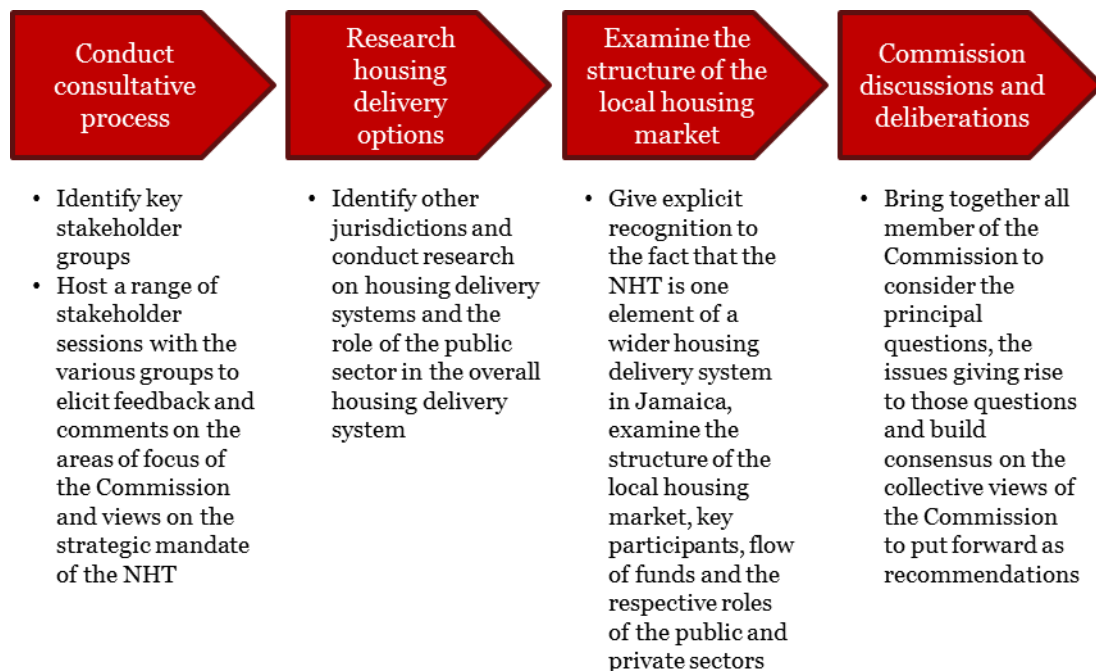
In considering its recommendations, the Commission gave regard to the legal and operational requirements of implementing the options, and the importance of ensuring that the recommendations are workable and practical.

---

In the conduct of its work, the Commission tried as far as possible to allow for a data driven analysis to inform the mix of recommendations. This data driven analysis relied on input from a range of sources including:

- A wide ranging consultative process, to elicit the views of a range of stakeholders on the performance, prospects and options for the NHT and the role that the Trust should play in housing development and financing
- Leveraging the underlying data and internal databases of the NHT to elicit data on contributors, mortgagors, rate of housing development, applications statistics etc
- A multi jurisdiction analysis of housing delivery models to inform the Commission on what has worked and what has not
- An assessment of the multilateral lending agencies research on the housing market in the region to examine possible policy options and experiences.

The broad building blocks underlying the Commission's approach is reflected below:



The Commission also considered a range of collateral matters that, while not fundamentally within the control of the NHT, invariably have an impact on the ability of the Trust to deliver on any strategic mandate that is likely to emerge as a result of this review but appropriately reflect broader systemic issues related to matters such as the procurement and contracting lifecycle etc.

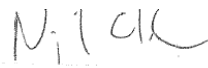
The Commission was assisted throughout the process by the management team of the NHT who responded to numerous requests for extracts of data, special analyses and researching the historical experiences of various housing programmes to determine relevance and applicability in today's context. We were also assisted by technical resources from PricewaterhouseCoopers Tax and Advisory Services Limited.

We are indebted to the management team for their efforts and have relied extensively on the work and data provided to formulate a number of the recommendations included herein.

Notwithstanding various consultations and technical support provided, the conclusions and recommendations contained herein reflect the consensus views solely of the members of the Commission. We consider this report to be the first step in a process of change to the public segment of the housing sector.

Sincerely,

Commissioners for the Strategic Review of the Mandate of the National Housing Trust



---

Ambassador Nigel Clarke  
(Chairman)



---

Doran Dixon



---

Dianne Edwards



---

Senator Kavan Gayle



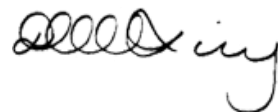
---

O'Neil Grant



---

Jeffrey Hall



---

Dr. Damien King



---

Martin Miller



---

Neil Miller



---

Ryan Parkes



---

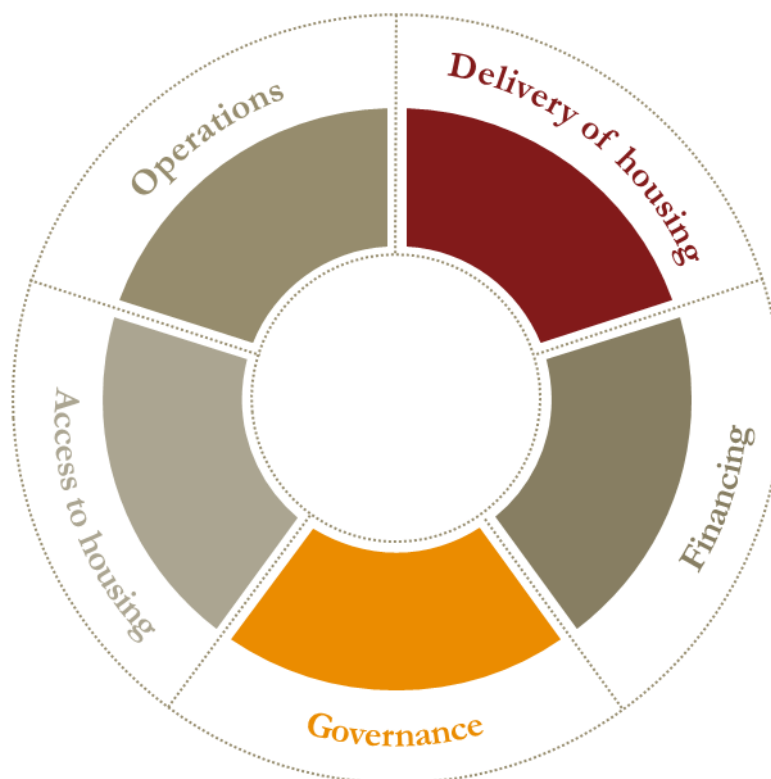
Davin Wan

# Overview of the recommendation package

## Outline of recommendations

In this final report, the Commission sets out its recommended reforms for improving the public sector housing finance system, with particular emphasis on the NHT. Given the range of issues considered by the Commission, the recommendations have been grouped into the following areas for reporting purposes:

- The operations of the Trust
- The delivery of housing solutions
- Financing the local housing market
- Appropriateness of the governance model for the NHT
- Ease of access to housing based on leveraging the role of the Trust in the public financial management segment of the market.



## Recommendations

| Area             | Question               | Recommendations  |
|------------------|------------------------|--|
| <b>Financing</b> | Is the NHT overfunded? | The appropriate level of funding of the NHT and the extent to which the Trust may be over or under-funded, is critically dependent on the nature and scale of the interventions that the NHT is expected to make in the housing market and beyond. |

The Commission evaluated the gap in provision of benefits by income segment across the contributor population, and acknowledged the critical importance of increasing, over time, the level of housing expenditure in the market.

| Income Band (\$) | Demographics of Individuals Contributing as at February 2014 |                             |                             | Demographics of Individuals who Accessed Loans as at February 2014 |                          |                         |
|------------------|--|-----------------------------|-----------------------------|--|--------------------------|-------------------------|
|                  | Number of Contributors                                       | % of Number of Contributors | % of Value of Contributions | Number of Mortgages  | % of Number of Mortgages | % of Value Of Mortgages |
| 4,501-7,500.99   | 203,696  | 46%                         | 11%                         | 22,116   | 22%                      | 12%                     |
| 7,501-10,000.99  | 44,614   | 10%                         | 6%                          | 14,573   | 14%                      | 10%                     |
| 10,001-20,000.99 | 92,996   | 21%                         | 20%                         | 32,752   | 32%                      | 31%                     |
| >= 20,001        | 102,882  | 23%                         | 63%                         | 31,694   | 31%                      | 48%                     |
| <b>Total</b>     | <b>444,188</b>   | <b>100%</b>                 | <b>100%</b>                 | <b>101,135</b>   | <b>100%</b>              | <b>100%</b>             |

The Commission's analysis suggests that the rate of conversion from NHT contributor to NHT mortgagor averages approximately 30% across all income segments with the exception of the lowest income band where the conversion rate is approximately 11%<sup>1</sup>.

High levels of unmet demand (See Section 3.3) and a low conversion rate, as per above, require the NHT to significantly increase its level of housing expenditure. Given this imperative coupled with an NHT contribution refund liability of \$91 billion<sup>2</sup> as at March 2017, the Commission does not consider the NHT to be overfunded.

Given the growth in NHT contributions from \$23 billion in 2014/15 to a forecast of \$30 billion<sup>3</sup> in 2017/18, the NHT can increase its level of housing expenditure, which averaged approximately \$20 billion over the three year period 2014/15 to 2016/17 period, while keeping all other outflows unchanged<sup>4</sup>. In fact, the projected housing expenditure for 2017/18 is \$32 billion, financed by mortgage loan repayments, and contribution income. Given employment growth momentum there is every reason to expect that this is sustainable.

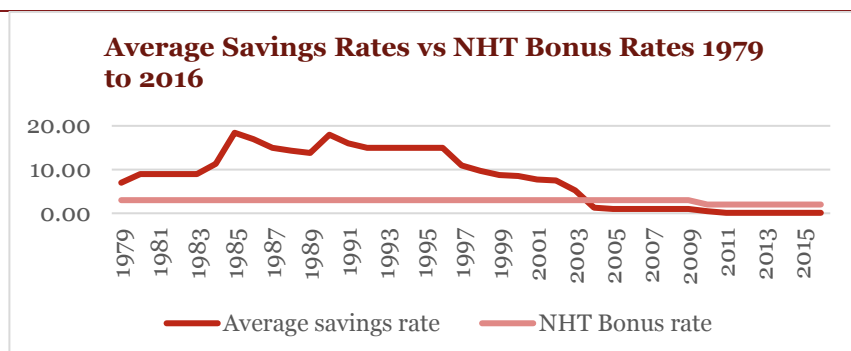
<sup>1</sup> The data in the table represent only active NHT mortgages and also does not include those disbursed under the Joint Financing Mortgage Programme (JFMP)

<sup>2</sup> The vast majority of this, 76%, was not yet due for repayment as at March 2017

<sup>3</sup> NHT has sources of cash inflows other than contributions. These include principal repayment and interest income from its mortgage portfolio and investment income on its investment portfolio.

<sup>4</sup> This assumes that the rate of contribution refunds remains consistent with historical experience.

|   |  |
|---|--|
|   | <p><b><i>The Commission concluded that the Trust is not overfunded given the current and planned rate of housing expenditure and the need to improve the realization of benefits to contributors at lower income levels. Further, the Commission recommends that no explicit change in the nature and level of funding take place at this time, either to the employer/employee funding profile mix or the refund basis for the employee contributions.</i></b></p>  |
| Should the NHT continue the practice of lending to developers (commercial lending)?                   | <p>The Commission is of the view that developers should access the private commercial market for financing, in most cases.</p> <p>However, in the lower income housing market that is characterized by an under-supply of housing solutions, and where the participation of private developers is sparse, the Commission believes that a prima facie case exists to lend to developers. However, this needs to be within the framework of more structured lending practices.</p> <p><b><i>Specifically, the Commission recommends the development of certain parameters around the existing lending programme as follows:</i></b></p> <ul style="list-style-type: none"> <li>• <b><i>Strengthen the internal commercial credit underwriting, evaluation and documentation process.</i></b></li> <li>• <b><i>Package and standardize low income housing developments that the NHT is willing to fund on a commercial basis to help streamline the design, evaluation and delivery.</i></b></li> <li>• <b><i>Loans to commercial developers, even in the low income segment, should be priced at market with any intervention by way of subsidy targeted at promoting housing demand.</i></b></li> </ul> |
| Should the NHT continue with the existing policy of paying interest on employee contribution refunds? | <p>An examination of interest rates (using average savings rates as a point of comparison) over the period from 1979 to present suggests a relatively high level of variability in savings rates over the period with an overall downward trend from 1991.</p> <p>In 1979 (the commencement year for the payment of the bonus (interest on employee contributions), the average savings rate was 7% with the policy based bonus rate being set at 3% or just over 40% of the average savings rate at the time.</p>   |



Source: International Monetary Fund, International Financial Statistics

Over the course of the subsequent years, notwithstanding changes in average savings rates, the bonus rate on contributions remained flat at 3% until the change by Board decision to 2%. There never appears to have been an intent that the bonus rate on employee contributions would act as a significant source of return for contributors in relation to prevailing rates in the wider economy. With the normalization of rates over time, there is now an unintended result that the policy based bonus rate paid by the NHT is above the average savings rate.

Any reductions in the bonus rates paid going forward will reduce the interest cost of the NHT and release funds for mortgage and housing expenditure.

***The Commission recommends:***

- ***An adjustment in the bonus rate paid by the NHT from the current level of 2% to a target of no greater than the prevailing average savings rate.***
- ***An amendment to the National Housing Trust (Bonus) Regulations to:***
  - ***Eliminate the prescription of a fixed defined amount as the set bonus rate payable annually on employee contributions***
  - ***Establish a maximum ceiling and a minimum floor for the bonus rate payable by the NHT***
  - ***Shift the responsibility for the setting of the bonus rate to the NHT Board to be consistent with modern treasury management practices, thereby allowing the NHT to respond quickly to changes in market circumstances. The Act***

***will set the lower and upper limits that will govern same.***

Should the NHT exit the retail lending market and shift focus to wholesaling loans to private lenders?

In formulating its recommendations, the Commission recognizes that:

- The NHT currently lends on a wholesale basis to private mortgage providers through a programme known as the Joint Finance Mortgage Program (JFMP) for further lending through the retail network of these institutions. This has facilitated efficiency gains in the house acquisition process for contributors who require a private mortgage in addition to the mortgage provided by the NHT as, through a single application and adjudication process they can access both.
- The growth and success of the JFMP program<sup>5</sup> has led some to argue that the NHT should exit the retail lending market entirely and lend exclusively through private mortgage providers, saving significant administrative costs associated with the processing and managing of the mortgage loan portfolio.
- The Commission considered this argument and reviewed relevant data. The Commission is of the view that the NHT has an undeniable social role, which includes providing mortgage financing to all categories of contributors, including those who could be considered a high credit risk by the private lending market.
- An implicit social contract exists between the NHT and the borrower, based on this underlying social role. The implicit social contract carves out a portion of the compensation of the employee, provides it to the Trust on a guaranteed basis, with an expectation that the contributor will be able to access a housing benefit, which could include mortgage financing.
- Private lenders would be under no 'social contract obligation' and would have no incentive to enter into any.

***The Commission recommends that the NHT:***

- ***Retain its presence in the retail end of the market, and participate with the private sector lenders through appropriately designed programmes and structures. The presence in the retail market preserves the existing social contract.***

<sup>5</sup> The size of the JFMP portfolio as at July 31, 2017 was \$35 billion which was 17% of NHT's total loan portfolio as at that date.

- ***It is further recommended that NHT continue the wholesale lending programme to private lenders but reinforce existing and implement new quality controls in conducting wholesale lending, such as:***
  - ***Formal agreements***
  - ***Record keeping and fraud detection***
  - ***Fee caps for wholesale borrowers***
  - ***Formal procedures and guidelines for the selection of private lenders***
  - ***Selection of lenders that can produce quality mortgages***
  - ***Safeguards to protect the interest of NHT contributors***
  - ***Conduct quarterly reviews on the performance of mortgage loans originated by private lenders using sampling techniques***

***In discharging its social obligation, the Commission also recommends that the NHT develop mortgage insurance solutions that can be offered to the private mortgage lending market to incentivize lending to lower tiered customers.***

Should the current NHT investment policy be reviewed with a view to diversify its current portfolio mix?

The NHT exists to provide housing and related benefits to its contributors. To do so, the NHT finances such benefits through employee and employer contributions in addition to investment income and capital gains from its investment portfolio.

The Commission is of the view that the investment strategy and policy framework for the Trust must be defined in such a way to maximize returns, while ensuring the existence of sufficient liquidity, within a context of appropriate controls and safeguards.

***The Commission is of the view that NHT's investments, outside of mortgages, should be limited to liquid securities and land for housing development. The Commission recommends that within these limits the investment policy be re-evaluated to set appropriate limits and caps with respect to risk, concentration and diversification within the portfolio.***

Should the NHT look into the

The NHT holds the largest mortgage portfolio in Jamaica, which stands at approximately \$206 billion, an asset on its

option to partially monetize its current mortgage portfolio?

balance sheet. Theoretically, assuming sufficiently deep capital markets, the NHT could monetize fragments of this portfolio, freeing up capital that could be used in a number of productive ways. The mortgages would continue but would be held by entities other than the NHT.

The attractiveness of this proposition lies in the fact that it would constitute an additional source of liquidity, in addition to employer and employee contributions, investment income and capital gains. Theoretically, the Trust could therefore greatly accelerate its activities beyond its existing capacity. Furthermore, this process would develop a secondary market for mortgages, strengthening capital markets and lubricating growth.

Several issues arise, however. First is the fact that the NHT has a social mandate and owing to this, tolerates a higher level of delinquency than is tolerable in the private market, in the interest of the public good. The society benefits from higher levels of ownership and that benefit, which accrues to all residents, outweighs the cost of the incremental delinquency<sup>6</sup>.

Any transfer of NHT mortgages to the private market would therefore have to be by way of a mechanism that allows for the type of compassionate relief that the NHT often provides, on transparent grounds. In addition, delinquency management would need to retain an NHT character that could be explicitly quantified. This is not insurmountable.

However, given the low yield of the NHT mortgage portfolio<sup>7</sup> relative to the private market<sup>8</sup> and the need to incorporate the implicit social costs discussed above, the discount rate that the market would demand in a transfer of NHT mortgages would lead to the NHT realising a substantial capital loss.

Given the long average duration of the mortgage portfolio the capital loss could be significant which the Commission thought would not be justifiable to the public outside of obvious manifest need which does not exist at present.

It is surely possible to cherry-pick higher yielding NHT mortgages to mitigate against heavy capital losses. This, however, brings us to the final point. At the moment, the NHT is not short of resources to conduct its housing

<sup>6</sup> Clearly, delinquency beyond a certain limit would not be in the interest of the NHT

<sup>7</sup> The average yield on the NHT mortgage portfolio in the 2016 was 4.9%

<sup>8</sup> The average yield on mortgages in the private market in 2016 was 9.5%

financing and expenditure operations<sup>9</sup>. There is therefore little impetus to sell assets, let alone mortgage assets.

There may come a time when contribution and investment income are insufficient to finance housing expenditures. Then, and only then, should the NHT re-look at this option.

***The Commission does not support the notion of mortgage portfolio monetization, at this time, given the inherent capital losses likely to arise with the initial discounting of the portfolio for pricing purposes. The Commission is also of the view that the need to consider this has not arisen as the NHT is not short on resources.***

What can the NHT do to improve its current loan delinquency rate?

In considering the financial models and forecasts developed for the Trust, the Commission noted that due to the permanent contractual nature of the NHT's recurring revenue, profit and loss results are not very sensitive to small changes in delinquency rates. While the Commission accepts the need to properly manage and monitor delinquency rates, unless there is some large scale systemic issue that impairs a significant segment of the portfolio, the Commission does not view a material risk in this regard with respect to the NHT's viability

***However, the fundamental nature of the Trust is that one borrows another's contribution. Therefore more can borrow if everyone repays and does so on time. The Commission is of the view, therefore, that the Trust has an interest in minimizing delinquency rates even while accepting that these rates may be higher than what prevails in the private loan/mortgage market.***

***An improved delinquency management programme will invariably benefit the Trust and the Commission recommends that:***

- ***The policy for the recognition of carrying values for non-performing loans be reduced to a shorter period<sup>10</sup>.***
- ***A more scientific approach to delinquency management be taken, with clear segmentation of the portfolio into quality tiers. It is expected***

<sup>9</sup> This may, at first glance, appear contradictory given the obvious unmet demand. There are however factors that constrain housing supply, other than shortage of NHT resources.

<sup>10</sup> The NHT accrues interest on non-performing loans for periods far in excess of that in the private market, sometimes up to the point of foreclosure, though, in line with International Accounting Standards it still makes a specific provision for these loans.

***that the delinquency levels for the highest quality tiers in the portfolio should be at or close to zero.***

- ***For the other tiers in the portfolio, specific targets be set for delinquency within each tier to ensure that the overall rate is managed down from 15%<sup>11</sup> currently to 10% over a 3-year period<sup>12</sup>.***

|               |  |   |
|---------------|--|---|
| <b>Access</b> | <ul style="list-style-type: none"> <li>• How should non-contributors benefit from the NHT?</li> <li>• What role should the NHT play in social housing?</li> <li>• How should the pervasive challenge of squatter communities be addressed and what is the appropriate role of the NHT in addressing this challenge?</li> </ul> | <p>This issue dominated deliberations of the Commission from the outset. The NHT was explicitly set up to benefit individual contributors. However, employers also contribute to the NHT and, in aggregate, contribute 50% more than the total contributed by individuals, with the addition that employer contributions are non-refundable.</p> <p>This latter fact has always lent itself to the argument that the NHT would not violate the obligation to its individual contributors if, from time to time, non-contributors benefit from the Trust. Indeed, successive governments have caused the NHT to lend, or grant large sums for purposes other than providing direct benefits to contributors. This has sometimes been seen as illegitimate by sections of the Jamaican public.</p> <p>The NHT holds the largest pool of financial assets among public sector entities and receives annual contributions, in perpetuity, that approximate 2% of GDP. The Commission therefore recognizes that the NHT's financial interests are aligned with the economic well-being of Jamaica. NHT's interests are also aligned with social order, which promotes formality, and greater formality increases NHT inflows, allowing for increases in housing expenditure. In other words, the better that Jamaica does socially and economically, the larger the contribution flow to the NHT, and the more the NHT can do.</p> <p>At the same time, Jamaica suffers from acute social problems, some of which are rooted in the persistent problem of irregular settlements and the limits they impose on the maintenance of order. These settlements are home to one-quarter of all Jamaicans<sup>13</sup>.</p> <p>A related problem is the large number of untitled parcels of land in Jamaica. Recent studies by the National Land Agency suggest that up to 40% of properties in Jamaica are without</p> |
|---------------|--|---|

<sup>11</sup> This ratio of non-performing loans to total loans *excludes* loans under the Joint Finance Mortgage Programme (JFMP), which is a partnership with the private sector. Including the JFMP portfolio reduces the delinquency rate from 15% to 12.4%

<sup>12</sup> NHT mortgages are classified as delinquent when loans become 90 days past due.

<sup>13</sup> Source: Ministry of Housing Survey (2008)

title. Aside from the social problems this often causes, large proportions of untitled land greatly inhibit Jamaica's economic potential.

***These problems pose an existential threat and, in this context, the Commission is of the view that the mandate of the NHT should be broadened by legislation to allow it to legitimately and quantifiably respond to the problems Jamaica faces with irregular settlements and land titling, even if the beneficiaries of this intervention are not, at the time of benefiting, contributors to the NHT<sup>14</sup>.***

***The Commission accepts that the NHT does have a role to play in addressing these needs and therefore recommends an annual allocation of the NHT's resources to support these kinds of housing and land related interventions. The Commission recognized that the resources could be quantified, and limited, through a range of individual or combined options including:***

- ***A fixed percentage of employers' contribution***
- ***A fixed dollar amount allocated from the NHT's annual surplus***
- ***A fixed percentage of the NHT's annual surplus***

***While the Commission recognizes that a key component of the mandate of the Trust is a social one, and that the challenge of squatter communities has the potential to affect the very fabric of society, the Commission is however mindful of the fact that a relatively significant cohort of the current contributor base has not been able to benefit from the Trust by way of a mortgage loan.***

***This seems to strike at the heart of the establishment of the Trust. Therefore, any allocation of amounts for social housing, as conceived above, must be conditioned on also implementing other recommendations herein that are designed to propel the NHT to better deliver on the original mandate.***

Does the NHT have a role to play in assisting contributors who are unable

While the NHT is a premier part of the Jamaican housing finance system, the data indicates that the benefit is most heavily used by persons with weekly incomes of \$10,000 and above:

<sup>14</sup> Notwithstanding this, the Commission thought it important to note that many NHT contributor do in fact live in irregular settlements. Also, deficiencies in land titling affect some who are contributors to the NHT

to qualify for a NHT benefit that suits their individual needs and affordability level?

| Income Band (\$) | Demographics of Individuals Contributing as at February 2014 |                             |                             | Demographics of Individuals who Accessed Loans as at February 2014 |                          |                         |
|------------------|--|-----------------------------|-----------------------------|--|--------------------------|-------------------------|
|                  | Number of Contributors                                       | % of Number of Contributors | % of Value of Contributions | Number of Mortgages  | % of Number of Mortgages | % of Value Of Mortgages |
| 4,501-7,500.99   | 203,696  | 46%                         | 11%                         | 22,116   | 22%                      | 12%                     |
| 7,501-10,000.99  | 44,614   | 10%                         | 6%                          | 14,573   | 14%                      | 10%                     |
| 10,001-20,000.99 | 92,996   | 21%                         | 20%                         | 32,752   | 32%                      | 31%                     |
| >= 20,001        | 102,882  | 23%                         | 63%                         | 31,694   | 31%                      | 48%                     |
| <b>Total</b>     | <b>444,188</b>   | <b>100%</b>                 | <b>100%</b>                 | <b>101,135</b>   | <b>100%</b>              | <b>100%</b>             |

In the course of the Commission's deliberations, we recognized that while the decision to defer or avoid acquiring mortgage financing may be a perfectly rational one for lower income and vulnerable segments of the society compared to other exigencies in their daily lives, it suggests a challenge on the part of the Trust to deliver solutions to its own contributor base.

The NHT has the following products that are geared towards lower income contributors:

- Home grants, where eligible contributors are given a grant of \$2.5 million towards home ownership.
- 0% interest on loans.
- Direct subsidies for home acquisition.

However, notwithstanding these benefits, the data suggest that the persons in the lower income brackets continue to be under-represented as housing beneficiaries of the NHT.

***The Commission recognizes that a clear imbalance exists between the nature, level and sustainability of income at the lower levels which impairs the ability to qualify for and service a loan over the medium to long term at the current level of house prices and recommends that the Trust:***

- ***Explore modification to units to lower the final price to contributors.***
- ***Increase the supply of housing at this level of the market (See the section that follows).***

Is there a market failure in the local housing market? If so, how should the NHT respond?

Both the anecdotal feedback from the developer community and the analysis of the data for the contributor and mortgage markets, suggest that there is a market failure at the lower segment of the market: the volume of housing demanded at the lower income level is not matched by the volume of housing supplied at this level.

This market failure is all the more glaring given the existence of an entity like the NHT, which stands ready to provide mortgage financing for all segments, including the lower income segment. The reasons for this market failure could include but are not limited to (i) the practical difficulty of

building at the price where the demand exists (ii) developers lacking information on the robustness of this demand and/or (iii) perception of the profitability of supplying this segment of the market.

***Accepting that there is a market failure and that the Trust has an inherent social role in the execution of its mandate catalyses a range of key recommendations for the Trust to pursue including:***

- ***Underwriting the cost of development of a national spatial plan to clearly identify tracts of land that are amenable for housing and community development purposes.***
- ***Identification of a specific and committed target delivery cost of the resulting units, and that this forms the basis of any contractual arrangement with private developers.***
- ***Underwriting where necessary, all or a portion of the cost of the infrastructure to the extent that it explicitly facilitates delivery of the target price point solution.***
- ***Design and delivery of community based developments predicated in part on large numbers of housing solutions for each development to drive economies of scale in the delivery.***
- ***Effectively underwrite a significant component of the design and engineering cost of the development by preparing and packaging the project for private developers to pursue as appropriate.***
- ***Significantly eliminate or reduce the market risk to the developer by undertaking to purchase either on an omnibus basis or a majority of the solutions developed. This should provide the developer community with some comfort that the houses will be taken up on completion and they avoid risks associated with promotion, marketing, accreditation of applicants and sales.***

|          |  |   |
|----------|--|---|
| Delivery | What is the appropriate placement of any subsidy from the NHT (at the level of the developer supply- | <p>Based on the research of the Commission, the consensus view, which the Commission supports, is that:</p> <ul style="list-style-type: none"> <li>• Subsidies are best delivered on the demand side of the housing system. Delivery on the supply-side in the form of subsidies to developers and contractors, while easier to administer, have the disadvantage of being blunt with respect to targeting and subsidies may not reach the intended beneficiaries.</li> </ul> |
|----------|--|---|

side or at the level of the mortgagor – demand-side)?

- Delivery on the demand-side should provide for better targeting of the subsidy (and avoid potential mal-effects associated with a beneficiary not being a part of the target segment)

***The Commission is therefore recommending that:***

- ***The Trust continues to offer subsidies to the demand-side of the housing market and focus on mechanisms to target these subsidies to the most vulnerable contributors.***
- ***More structure and formality be placed around the extension of subsidies through:***
  - ***Measuring and clearly articulating to the market the extent of subsidy being provided.***
  - ***Re-examining policies to avoid unintended outcomes of increasing home ownership among existing owners rather than first time home owners.***
- ***Explicit improvement in efficiency of access, as anecdotal evidence suggest that in relative terms it is more difficult for a low income earner and certain categories of workers to attain and meet the administrative requirements to apply, qualify for and obtain a loan.***

***While the relevant literature and the consensus view of the Commission supports the efficacy of demand-side subsidies, the Commission also recognized that the developer market is insufficiently robust and deep to eradicate supply-side subsidies immediately.***

***With this in mind, and in order to continue to develop the housing market, the Commission recommends that the Trust should continue to provide financing<sup>15</sup> and by extension subsidies on the supply-side with a longer term objective of phasing out traditional supply-side programmes as the private developer market matures and develops.***

***The Commission anticipates that this will be re-evaluated periodically by the Trust to inform supply side policy, the nature and timing of de-emphasis in the medium term.***

<sup>15</sup> To low income housing developments on commercial terms consistent with previous recommendation herein.

Should there be an amalgamation of the public sector entities operating in the housing segment of the market?

By considering a range of prior options for each of the respective entities, the Commission identified potential options as follows:

| Strategy  | Description  |
|---|--|
| <b>Abolish/ wind up</b>                                     | Entity's function is not needed or has reached the end of its useful life.   |
| <b>Merge/ consolidate</b>                                   | Entity's functions are duplicated. Economies of scale can be achieved through merging with another similar entity. We contemplate both horizontal and vertical integration where applicable.   |
| <b>Private sector commercial delivery</b>                   | <p>Private sector actors are better placed to deliver the entity's functions in a more efficient or cost-effective manner. The type of vehicle is generally determined by the level of involvement Government needs to maintain to ensure the following outcomes:</p> <ul style="list-style-type: none"> <li>• Essential social services are easily available to the most vulnerable citizens</li> <li>• Opportunities for short-term gain do not outweigh need for long-term investment in activities of strategic economic or social importance</li> </ul> |
| <b>Restructure for cost and service delivery efficiency</b> | Entity's function is best delivered via Government, but cost-savings can be made through restructuring debt or creating a shared model for back office services across entities.   |

***In applying this framework the Commission believes there is a prima facie case for and recommends:***

- ***The consolidation of the Housing Agency of Jamaica (HAJ) into the NHT given the complementarity of functions (horizontal integration) and the extent of overlap of mandate and objective. The Commission recognizes that the HAJ has itself been a beneficiary of funding from the NHT, and further that a segment of the loan portfolio of the HAJ may be impaired. It is anticipated that this consolidation would drive cost synergies and efficiency with the elimination of duplicate back-office functions, systems and costs between the two agencies. Further, the consolidation would be consistent with an explicit goal of government, which is to drive long term efficiency in the wider public sector.***
- ***Notwithstanding that there is a logical potential vertical integration of the Jamaica Mortgage Bank (JMB), given that a significant component***

***of their business is developer financing, the Commission considers that the role and nature of the JMB are better placed in the private sector, and suggest privatization of the JMB to achieve this outcome.***

As a part of a national shelter strategy, should the NHT offer properties for rental?

Using the available data from the NHT on housing demand vs housing supply, while a number of challenges underlie the housing system in Jamaica, the significant shortfall between demand and supply is a fundamental problem of availability of appropriate solutions at the right price, based on the various segments of the market.

***The Commission recommends that the NHT avoid pursuing any element of the rental market modalities presented herein for the following reasons:***

- ***To the extent that a fundamental challenge in the market is the supply of housing solutions, it is not clear that the introduction of a public rental market would significantly increase supply.***
- ***To the extent that the owner of a property would expect that on a long-term basis under a rental arrangement they would recover both the capital invested, and generate a return on that capital, it is not clear that through the rental market, without extensive support from NHT, there would be any incentive to price the solution below market and pass on any subsidy to the renter.***
- ***If the NHT opts to hold and rent the units either on a rent to own or other rental model, the literature, and the experiences of other countries reviewed by the Commission, suggest that there are a number of undesirable outcomes including:***
  - ***In the public rental modality, there is limited or no incentive for the renter to focus any great effort on maintenance of the underlying asset, if they have no long term stake in it.***
  - ***The administrative burden of managing a significant noncommercial rental portfolio presents high risk.***
- ***Under a rent-to-own model, to the extent that the cost of rectification of any modification to the house prior to transfer would rest with the NHT, this would represent a significant contingent liability.***

Is the current length of the execution life cycle for public sector housing construction a factor in the delivery of housing?

The Commission recognizes that a range of systemic issues affect the efficient delivery of housing units including:

- Public sector procurement processes.
- Ineffective inter agency interactions and hand offs.
- Financial strength of other entities in the public domain necessitating the Trust to assume financial responsibility for key components of infrastructure etc. in order to act as an accelerant to project execution and delivery.

Housing demand surveys conducted by the NHT estimate the need for 105,172 housing solutions over the short-term. Demand for housing units is calculated at 31,229 units out of that total. Invariably, the delivery of this target should be a national housing goal, accepted by all public sector stakeholders. Challenges encountered when dealing with public sector approval agencies continue to affect NHT's timely delivery of housing projects.

The Commission determined that a significant challenge is the sheer number of distinct planning authorities and agencies involved in granting design approvals. The NHT may interact with between 19 to 21 agencies within the development control framework phase.

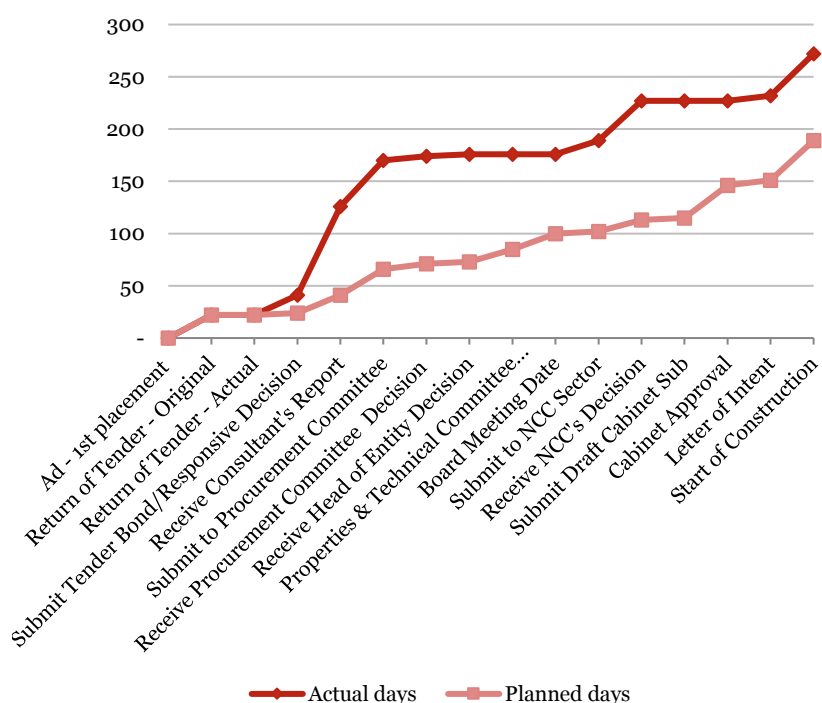
Some of the NHT's experiences in this regard are summarized below:

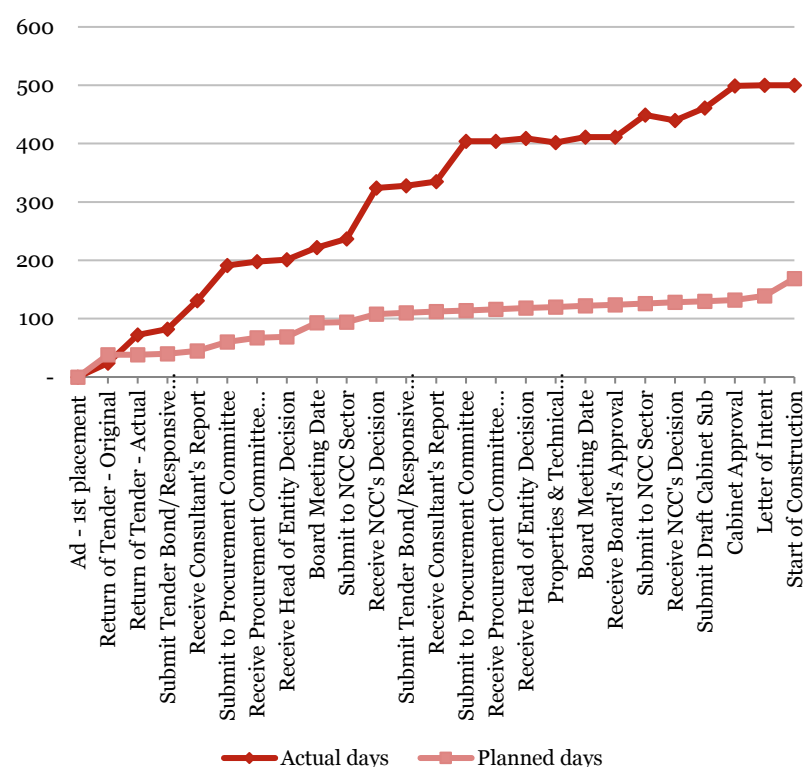
- Costly and time-consuming Conditions of Approval (COA) required by approval agencies, or changes to the existing COA. The Commission is of the view that each agency should maintain a standard one (1) month turnaround time; In NHT's experience, approvals for a single development can take up to 18 months for many agencies. The Commission's calculation is that the average time for receiving COA is 6 months.
- Parish Councils taking an average of 12 to 36 months to grant approvals against 90 days as stated in their guidelines.
- High incidents of refusal to take over infrastructure (e.g. drains) unless exorbitant fees are paid and onerous conditions are met.

These lengthy timeframes for development approval retard the pace at which the NHT can bring housing solutions to market. In addition to lengthy delays in the approval process, housing delivery is further hampered by the long time it takes to procure a contractor once all planning approvals are obtained.

Using data from the NHT's Construction and Development Division, the Commission compared the actual cumulative time to procure a contractor for ready-to-go-projects, after design has been completed and all planning and regulatory approvals have been obtained. The charts compare the plan vs actual across the various stages of the procurement life cycle. The results are presented in the charts below:

### Cumulative timeline (days) for Darliston, Westmoreland



**Cumulative timeline (days) for Longville Phase 2A**

The analysis indicates significant gaps between the planned and actual time to commence construction. It also highlights the number of discrete approval steps required, and the inordinate amount of time involved, to simply procure a contractor after all regulatory approvals have been received.

While possessing the financial and technical resources, the NHT encounters constraints as it depends on the operations of other agencies of government to deliver housing efficiently. Lessening of these constraints requires greater ownership and the participation among public sector agencies. Each agency owning the end result is one way of achieving this.

***The Commission recommends that participating public sector agencies be encouraged to own the housing creation process by way of a short-to-medium term, Memorandum of Understanding (MoU). Under the MoU, service standards should be established, observed and executed efficiently. While service standards are nothing new to the process, very few sanctions are applicable to participating public sector agencies that constantly underperform. Underperformance adversely impacts projects, and increases delivery timelines and cost. It is not uncommon for private developers***

***to charge escalation fees of between 5% and 15% when the resultant delays are encountered.***

***Collective buy-in is one way of reducing the bottlenecks and lessening the adversarial relationship between the approval agency and developers. By relaxing stipulations/arrangements, the government can improve housing delivery to the market, making the process more speedy and efficient.***

|                   |   |   |
|-------------------|---|---|
| <b>Governance</b> | Is the existing governance model for the NHT appropriate? | <p>The matter of the Board appointments to public bodies has been under consideration by the Government for some time, along with the strengthening of overall public sector management and administration through the amendments to a number of primary acts.</p> <p>While these measures have all had a positive impact, the Commission recognizes that, given the nature of the NHT, the quantum of assets under its control, the nature of the decisions it is required to make, there should be minimum criteria that a NHT Board satisfies in aggregate. Public confidence in the governance of the NHT enhances its legitimacy and credibility which are important in sustaining support for its mandate.</p> <p>Furthermore, the NHT is a public interest entity whose stumble or fall would potentially have severe financial and social consequences, there is a still need to strengthen the governance framework of the Trust.</p> <p><b><i>Accepting this premise, the Commission recommends modification to the NHT Act to specify a minimum set of skills and capabilities are represented on the Board of the Trust by way of specific competencies. These may include but not be limited to:</i></b></p> <ul style="list-style-type: none"> <li>- <b><i>Engineering</i></b></li> <li>- <b><i>Finance/Banking/Accounting</i></b></li> <li>- <b><i>Law</i></b></li> <li>- <b><i>Business/strategy/economics</i></b></li> <li>- <b><i>Public administration and public financial management etc.</i></b></li> <li>- <b><i>Worker representation</i></b></li> </ul> <p><b><i>The NHT commands significant resources and its governance needs to be commensurate with the level of financial responsibility and ought to provide the public with the assurance of sound</i></b></p> |
|-------------------|---|---|

***stewardship. The Commission further recommends that individual nominees to the Board, within the categories above, meet minimum criteria established for the NHT.***

In addition to earlier recommendations herein that require a change to the legislative framework of the NHT, are there any other proposed amendments?

The NHT is a creature of statute and its activities are bound by regulations. Often times in the past, Boards or Ministerial/Cabinet decisions have revised certain regulated parameters without the commensurate change to the relevant legislation.

The Commission is of the view that this practice be eliminated as the NHT should never be made to act outside of the regulations as amended by Parliament from time to time.

***As such, the Commission recommends the following changes in the regulations to bring the NHT's current, and in some cases longstanding practices, in line with the regulations that govern its operations.***

| <b><i>Proposed amendment</i></b>                              | <b><i>Recommendation</i></b>   | <b><i>Rationale</i></b>   |
|---|--|---|
| <b>Cap ceiling on interest on contributors' refunds</b>       | It is proposed that an amendment be promulgated to amend the NHT (Rate of Interest) Regulation 1986 to no longer require the purchase of savings instruments (home bonds after the 7 <sup>th</sup> year) and to have the NHT accounts for all funds held in a designated account at the rate of 3% per annum until collected, effective 1 June 2008. | The NHT has operated on this basis since June 2008. Previously, employees' contributions attracted an interest rate of 3% per annum for the seven years. Thereafter, amounts which remained uncollected attracted an interest rate of 8% per annum. The NHT Act speaks to sums remaining being held in savings instruments (home bonds) of a particular denomination. This system was no longer applicable after June 2008. |
| <b>Further reduction in interest on contributors' refunds</b> | That the interest rate payable on all contributors' refunds be reduced from 3% per annum to 2% per annum effective 1 May 2010. This will require an  | The NHT has operated on this basis since May 2010. The reduction in interest rate on contributions reduced costs  |

|                                   |   |  |
|-----------------------------------|---|--|
|                                   | amendment of the NHT (Bonus Regulations, 1980) and the NHT Rate of Interest Regulation 1986.  | enabling an increase in loan benefits to contributors in terms of lower mortgage interest rates and access to subsidies.   |
| <b>Qualification for benefits</b> | That there be a reduction in the qualification period for loan entitlement from 156 weekly contributions or the equivalent thereof and a minimum point standing of 200 to 52 weekly contributions only. | <p>The NHT has operated on this basis for a number of years. The change was aimed at allowing new contributors to qualify earlier for NHT housing benefits as well as removing any ambiguity as to the meaning an application of the section.</p> <p>In cases where persons seek to purchase bonds in order to enhance their eligibility status for acquisition of NHT scheme units, purchases do not give a clear advantage since all persons purchase bonds. The effect is therefore nugatory.</p> <p>The amendment of this regulation to discontinue the use of the home bonds system as one of the basic qualification criteria removed the unfair advantage obtained by persons who sought to purchase their way in the system without having contributed consistently to the fund thereby contradicting the principle of thrift.</p> |

|                                 |   |   |
|---------------------------------|---|---|
| <b>Parent Assist I</b>          | <p>That parents over 65 years old be able to assign their points to one child) biological or legally adopted) for use in the Priority Index Entitlement (PIE) system used for Schemes, once the parents satisfy the following criteria:<br/> Never received an NHT homeowner's or non-homeowner's benefit;<br/> Contributed over ten (10) years;<br/> Not received their total contributors' refunds</p> <p>The parents would not be allowed to access their total contributors' refunds. They would, instead, continue to receive their normal annual refunds.</p> | <p>The NHT has operated on this basis for several years. The purpose of the change was to ensure that young persons whose parents are contributors would be given an equal opportunity in scheme selections.</p>  |
| <b>Parent Assist II</b>         | <p>Parents under 65 years old can co-apply with their child (biological or legally adopted) and obtain a non-homeowner's benefit, although their name may be on a Certificate of Title for residential property. The Parents would have:<br/> Never received a benefit from NHT;<br/> Never received an NHT homeowner's or non-homeowner's benefit;<br/> Contributed to NHT for over ten (10) years.</p>  | <p>The NHT has operated on this basis for several years. The purpose of the change was to ensure that parents are not deprived of their non-homeowners' benefits. The opportunity for homeownership will be enhanced for children whose parents are contributors but have never received a benefit.</p> |
| <b>Solar Water Heater Loans</b> | <p>It is recommended that the NHT (Housing Benefits) Order be amended to include this benefit.<br/> * Increased to \$250,000.00 [Board - November 24, 2008]</p>   | <p><u>Section 20 – National Housing Trust Act</u><br/> The Board of Directors at its meeting of 2006 January 27, approved the recommendation that the National Housing Trust provide loans, not exceeding</p>   |

\$100,000.00\* per applicant, for the acquisition of Solar Water Heaters. Loans would be available to:- Contributors, including those over the age of 65 years; Public Institutions, such as hospitals and educational institutions, on such terms and conditions as shall be stipulated by the Trust.

**Adjustments to Subsidies and Grants Programmes**

The NHT will implement policies to ensure that any individual contributing for seven years or more, and meets the NHT eligibility requirements, is able to access funding from the NHT to allow him/ her to purchase, at minimum, a studio unit, based on NHT's standard pricing. This means that the limit for the Home Grant will move in line with the difference between the price of a studio unit and the individual's affordability

To further strengthen the purchasing power of the lowest earning contributors, the NHT has adjusted the Home Grant policy by increasing the incomes of persons eligible for such Grants from \$10,000 weekly to \$12,000 weekly. Additionally, the contribution requirement period for persons applying for Home Grants has been reduced from ten (10) years to seven (7) years. Low income earners can access Home Grant of up to \$1.2M.

**Adjustments to Contributors' Income Bands**

Currently, the interest rates charged on mortgage loans were premised on weekly incomes. For this purpose four income bands were developed. The income bands were adjusted nine (9) times between 1992 and 2007. No adjustments were made since 2007. The Trust was of the view that adjustments were needed at this time, as key

The NHT periodically updates income bands in response to economic variables such as inflation.

The purpose of these changes was to ensure that, based on the adjustments, persons earning \$12,000.99 weekly, or \$52,000 per month would be

|   |  |   |
|---|--|---|
|   | <p>economic developments had negatively impacted affordability levels. For example, cumulative inflation since 2007 would have undermined disposable income and, as a result, contributors found it increasingly challenging to access the loan facilities offered. Additionally, there had been movements in the minimum wage rate leading to a narrowing of the lowest band. For the lowest income band, the proposal was to extend the upper limit, while maintaining a mortgage interest rate of 0% for that band. Consequently, the band would now be from the minimum wage to \$12,000 weekly. The prevailing 2% interest rate discount for the disabled and senior citizens, as well as the 1% reduction for public sector workers would continue to apply.</p> | <p>able to afford a loan of as much as \$4.89M (up from \$2.97M), Two contributors of similar income levels could now jointly afford a mortgage of \$9.8M.</p> <p>Contributors earning between \$12,001 and \$20,000 per week would be eligible for a 2% mortgage interest rate, down from 4%; and persons now earning between \$20,001 and \$30,000 weekly would be eligible for loans at 4%, down from 6%. Those contributors who earn above \$30,001 weekly would continue to pay at the highest interest rate of 6%. The adjustments were for mortgages written after July 1, 2016.</p> |
| <b>NHT (Housing Benefits) Order – Allocation of Groups of Beneficiaries</b> | <p>It was recommended and approved for a permanent allocation to be made to specific groups of contributors, which would obviate the need to prepare a Special Benefit Order for each development.</p>   | <p>This is designed to increase efficiency in the NHT operations. Rather than require parliamentary approval each time that the NHT desires to make housing units available to specific categories of employees, the Regulations would be updated to provide upper limits for such allocations, leaving the precise allocation to the Board of Directors.</p>   |
| <b>Contributors' Refund Benefits under Section 22 of the NHT Act</b>        | <p>In light of the increased cost of funeral expenses over the years, the Board approved the increase of the limit from</p>  | <p>The general principles under which a portion of contributors' refunds were approved for</p>  |

\$50,000.00 to  
\$150,000.00.

refund to applicants under the Intestates Estates and Property Charges Act, without taking out Letters of Administration, was to assist in off-setting funeral expenses. The National Housing Trust Act currently provided for the approval of contributors' refunds under these circumstances up to a limit of \$50,000.00, which was in keeping with the average spend for funeral expenses at the time.

***The Commission is of the view that codifying operating parameters of the NHT within the law is a drag on the efficiency and efficacy of the NHT and further, it incentivises regulatory non-compliance on the part of the NHT.***

***Changing the NHT Act or its accompanying regulations each time an operating parameter needs to be updated is a laborious process that involves a chain of decision making bodies including NHT management, NHT Board, Ministry, the Attorney General's Chambers, Cabinet, the Office of the Chief Parliamentary Counsel, and both Houses of Parliament, prior to becoming effective<sup>16</sup>. This process, has in the past, taken several years to change simple operational parameters.***

***The Commission recommends that the NHT Act and regulations be reviewed with the objective of removing operational policy matters from the legislative arena, and vesting responsibility for same in the NHT's Board of Directors.***

**Operations** Are there key operational changes that will augment the delivery of the

In the course of its deliberations, the Commission identified a range of operational matters that impact the effectiveness of delivery of the mandate of the Trust.

<sup>16</sup> With respect to changes to the principal legislation, the further requirement of the Governor General's assent is required.

mandate of the Trust?

The STATIN Labour Market Survey suggests that approximately 70,000 persons are employed in private households yet NHT data suggest that the Trust has 1,033 mortgages outstanding to *Domestic Helpers, Butlers and Gardeners (Household Services working group*<sup>17</sup>). Females (92%) were the main recipients of these loans.

A large part of the challenge is that most workers in these categories are informally employed and the monthly paperwork required for making contributions to the NHT is cumbersome and inconvenient to domestic employers and employees alike. This should be of concern.

The Commission's findings suggest that the *Household Services* working group encounters challenges as members of this group attempt to enroll as NHT contributors and in remaining compliant thereafter. Challenges arise as they seek to gain a full appreciation of the enrollment process and the documentation needed, as well as a full understanding of the timeframe after which benefits become accessible.. The stipulated timeframe of fifty two (52) weeks (of contributions) poses a challenge since their housing needs commonly arise out of unplanned developments (for example; natural disaster, violence, relocation exercises related to squatting, etc.). As a result, their situations may require a more time-sensitive, direct and speedy approach from the NHT. Such an approach may include a "system" that reduces the wait-time needed to attain eligibility. In the past, the NHT allowed contributors to improve their chances of securing a Scheme solution with the use of *Home Bond Certificates*. A similar approach could suffice to shorten the current time taken for a targeted working group (or groups) to access benefits.

***With this in mind, the Commission recommends:***

- ***Amendment to the NHT Act that simplifies the process of contribution compliance and registration for certain categories of workers which may include but not be limited to:***
  - ***Domestic Workers***
  - ***Seasonal Workers (overseas farm workers etc.)***
  - ***Labourers***
  - ***Farm workers (local)***
  - ***Gardeners***

<sup>17</sup> The name given to this working group is for the purposes of this Report only.

- **Contract workers**
- ***Amend the NHT Act to allow for flexible contribution payment arrangements for these groups (see above). For example: quarterly or half yearly payments, flat (set) payment amounts.***
- ***Amend the NHT Act to bring greater equity in the treatment of contract workers with respect to NHT contributions.***
- ***With the low incidence of impact among household services, contract workers and similar categories of workers, shorten the time needed to access benefits, with the introduction of a Home Bond-type certification system. The mechanics of this system would include:***
  - ***Allowing both employees and their employers to purchase bonds, on an annual basis, on behalf of individuals in the designated working groups in lieu of monthly contributions which would greatly simplify compliance. This would also enhance access by domestic workers, seasonal workers, labourers, farm workers, gardeners and contract workers to NHT housing benefits.***
  - ***Purchasing up to three (3) years' worth of the bonds for their employee. Note, that contributions total for three (3) years will be slightly less than three (3) weeks' income and this may not pose a burden for some beneficiaries or his/her employer compared to other benefits.***
  - ***The employee then becoming a contributor and being immediately eligible for an NHT housing benefit.***
  - ***Using the bonds to reduce mortgage loan balances in the seventh (7th) year following purchase.***
  - ***Refunding amounts used to purchase the bonds for those contributors who did not receive a benefit.***
  - ***After receiving a benefit, contributions payments are included in each month's mortgage payments.***

- ***Revisit the time over which new contributors have to provide payments, prior to becoming eligible for a NHT benefit.***
- ***Review the loan policies with the aim of simplifying the number and type of benefits offered to contributors.***
- ***Streamline the range of benefits to ensure alignment with the goal of home ownership***

Other operational changes recommended by the Commission:

- ***Establish a project Appraisal and Investment department to assess and monitor all private housing development offers, joint venture partnership proposals etc.***
- ***Expand the range of skills in the Construction and Development division to include skills currently procured thus reducing the housing development life cycle.***
- ***A detailed examination of options by experts who are independent of local industry players. Annually, the NHT pays to insurers (mainly overseas insurers due to the size of the portfolio) over J\$1 billion in premiums, additionally the company maintains US\$30M in liquid securities for its Self-Insurance Reserve (SIR). These amounts are then recovered monthly from each mortgagor as a portion of his/her mortgage repayment. Significant economies of scale are achieved as the homeowner/mortgagor pays a rate of 0.3% through this arrangement as compared with rates of 0.8% - 1.0% that currently obtain in the private market. However, annual claims over the last 20 years aggregate claims have averaged less than \$75M. These dynamics suggest that the Trust could potentially enjoy additional savings, which could be passed unto mortgagors through employment of alternative arrangements, the details of which are beyond the scope of this Review.***

# Table of Contents

|  |           |
|--|-----------|
| <b>1. Introduction .....</b>   | <b>35</b> |
| 1.1. Background to the establishment of the Commission.....                                | 35        |
| 1.2. Terms of reference of the Commission .....  | 35        |
| 1.3. Approach to the Commission’s work.....  | 38        |
| 1.3.1. Stakeholders’ views .....   | 39        |
| 1.3.2. Benchmarks and Other jurisdictions .....  | 40        |
| 1.3.3. Data driven analysis .....  | 42        |
| 1.3.4. Local housing sector .....  | 42        |
| 1.3.5. Analytics .....   | 43        |
| 1.4. Outline of this report .....  | 44        |
| <b>2. Economic context and environment .....</b>   | <b>46</b> |
| 2.1. Overview of the current prevailing economic conditions in Jamaica .....               | 46        |
| 2.1.1. Jamaica Economic Overview.....  | 46        |
| 2.1.2. Economic Reforms .....  | 50        |
| <b>3. The Housing Challenge in Jamaica – Dimensioning the problem.....</b>                 | <b>51</b> |
| 3.1. Understanding the gravity of the problem.....   | 51        |
| 3.2. Level and nature of growth of the Trust and policy implications .....                 | 51        |
| 3.3. Demand vs supply analysis .....   | 53        |
| 3.3.1. Demand side assessment .....  | 53        |
| 3.3.2. Supply side analysis .....  | 56        |
| 3.4. Cross sectional analysis between contributor data and mortgagor data .....            | 57        |
| 3.5. Informal housing production – the rise and proliferation of squatter communities..... | 57        |
| 3.5.1. Incidence of squatting locally .....  | 57        |
| 3.6. Social housing and the impact on squatter communities .....                           | 59        |
| 3.6.1. Overview and background .....   | 59        |
| 3.6.2. Direct forms of social intervention by the NHT.....                                 | 60        |
| 3.6.3. The need for an approved National Housing Policy .....                              | 69        |
| 3.6.4. Addressing the incidents of squatting.....  | 69        |
| 3.6.5. The NHT Act and the provision of social housing .....                               | 71        |
| <b>4. Overview of the housing finance system in Jamaica.....</b>                           | <b>72</b> |
| 4.1. Introduction.....   | 72        |
| 4.2. Flow of Funds in the Housing Finance System in Jamaica.....                           | 72        |
| 4.3. Public Sector Financing .....   | 73        |

|   |            |
|---|------------|
| 4.3.1. Housing Agency of Jamaica .....  | 73         |
| 4.3.2. Jamaica Mortgage Bank .....  | 74         |
| 4.4. Private Sector Financing .....   | 74         |
| 4.5. Summary of Jamaica's Housing Finance.....  | 75         |
| <b>5. NHT – A descriptive assessment .....</b>  | <b>76</b>  |
| 5.1. Establishment of the NHT.....  | 76         |
| 5.1.1. NHT Adapting to a Changing Environment .....   | 78         |
| <b>6. Understanding the financial performance and results of the NHT .....</b>                                    | <b>86</b>  |
| 6.1. An overview of the performance of the NHT .....  | 86         |
| 6.1.1. 10-year statistical summary of the NHT .....   | 86         |
| 6.2. Interpretation of the NHT financials.....  | 89         |
| 6.2.1. The funding profile of the NHT .....   | 89         |
| 6.2.2. Analysis of the NHT's Financials .....   | 90         |
| 6.3. What does the “surplus” represent? .....   | 92         |
| 6.3.1. Interest rates on investments .....  | 92         |
| 6.3.2. Margin impact on refundable contributions.....   | 93         |
| 6.3.3. The level of subsidy/concession extended to beneficiaries embedded in the<br>interest rates on loans ..... | 94         |
| 6.4. Observations.....  | 95         |
| <b>7. Housing finance models – a Global perspective .....</b>   | <b>96</b>  |
| 7.1. Benchmarking analyses .....  | 96         |
| 7.1.1. Canada .....   | 96         |
| 7.1.2. United Kingdom .....   | 99         |
| 7.1.3. India.....   | 100        |
| 7.1.4. United States of America .....   | 104        |
| 7.1.5. Germany .....  | 106        |
| <b>8. Housing finance models – a summary of multilateral research .....</b>                                       | <b>110</b> |
| 8.1. Inter-American Development Bank (IDB) studies and recommendations .....                                      | 110        |
| 8.2. World Bank study and recommendations .....   | 111        |
| 8.2.1. Key Findings .....   | 111        |
| 8.2.2. Recommendations.....   | 111        |
| <b>9. Stakeholder views and analyses.....</b>   | <b>112</b> |
| 9.1. Overview .....   | 112        |
| 9.1.1. Overview of themes derived from stakeholder focus group sessions.....                                      | 113        |
| <b>10. Recommendations .....</b>  | <b>125</b> |
| 10.1. Financing .....   | 126        |

---

|                                |            |
|--------------------------------|------------|
| 10.2. Access to housing .....  | 136        |
| 10.3. Delivery of housing..... | 142        |
| 10.4. Governance.....          | 152        |
| 10.5. Operations .....         | 157        |
| <b>11. References.....</b>     | <b>162</b> |

# 1. Introduction

## ***1.1. Background to the establishment of the Commission***

Recent questions have been raised in the political and public domains on the effectiveness with which the National Housing Trust (NHT) has been able to execute on its mandate over the years since its inception.

The NHT, set up in 1976, has a mandate to:

- Add to and improve the country's existing supply of housing
- Enhance the usefulness of the funds of the Trust by promoting greater efficiency in the housing sector.

The Trust is funded by mandatory but refundable employee (2% of wages) and non-refundable employer's (3% of wage bill) contributions.

The NHT is a premier part of the Jamaican housing finance system in which mortgage financing is accessed by all income groups. Self-finance is more common in the rural areas and in lowest and the highest income groups. Mortgage lenders typically include vertically integrated private and public sector firms; with the public sector players dominating lower income, third party financing. Building societies dominate the private sector third party financing, providing loans largely to the middle and high-income groups.

While the NHT is well regarded by the Jamaican public, and is currently financially sound, there are lingering perceptions of the extent to which it has met its mandate, and whether or not in its existing form, it is best able to deliver on the mandate effectively.

## ***1.2. Terms of reference of the Commission***

The Commission was established to formulate policy recommendations with a view to:

- Rationalising public sector housing finance with particular emphasis on the unique role of the NHT in the public sector segment of the housing financial system
- Examining supply and demand dynamics in the housing market
- Evaluating the performance of the NHT and the other public sector participants in the housing sector to establish the most effective method of optimizing the production/delivery of housing for Jamaicans
- Examining the governance framework and to recommend the most appropriate mechanism by which the rationalized public housing sector is to be governed

The specific responsibilities of the Commission are set out below:

| Policy recommendations   | Specific responsibilities   |
|--|---|
| Consider the structure of the Jamaican housing finance sector, and look at structural and non-structural measures to reform the public sector segment of the housing finance sector giving regard to Government's broader plan and framework for a national shelter strategy | <ul style="list-style-type: none"> <li>• Evaluation of the most appropriate means of increasing home ownership and the models that may be applied in delivering this specific mandate</li> <li>• Determination of modifications necessary to the Act to give effect to the wider suite of policy recommendations agreed by the Commission</li> <li>• Examination of options to consolidate the entities operating in the public sector housing finance segment of the market, and prospectively what that consolidation might look like</li> <li>• Evaluation of options for equity participation or alternative forms of ownership of the Trust, including alternative funding methods and the implications of same</li> </ul> |
| Rationalising public sector housing finance with particular emphasis on the unique role of the NHT in the public sector segment of the housing financial system  | <ul style="list-style-type: none"> <li>• Compile and examine the body of studies and analyses on the housing sector, public finance in the housing sector and the NHT in the sector</li> <li>• Evaluation of the role of the NHT in the context of the broader public sector segment of the housing financial system</li> <li>• Evaluation of the level of success of the Trust and the public sector housing financial system in delivering an effective housing/shelter strategy for Jamaica</li> <li>• Conduct a comparative analysis of alternative public sector housing finance models and the lessons learned from same</li> <li>• Determination of the notion of social housing and the implications of same</li> </ul> |
| Examining supply and demand dynamics in the housing market   | <ul style="list-style-type: none"> <li>• Examination of the supply and demand dynamics of housing in Jamaica and the extent to which demand has been or is likely to be met from private and public funding sources</li> <li>• Evaluation of the flow of funds in the housing financial system and whether the Trust has played an effective role of improving efficiency in the housing sector</li> </ul>  |
| Evaluating the performance of the NHT and the other public sector participants in the housing sector to establish the most effective method of optimizing the production/delivery of housing for Jamaicans   | <ul style="list-style-type: none"> <li>• Comparative analysis of the operational performance of the Trust with other public financial housing entities locally, regionally and internationally</li> <li>• Analysis of the performance of other public sector participants in the housing sector based on the mandate driving their establishment</li> <li>• Determine the extent to which the current 'design' of public sector housing delivery is effective and achieving the original objectives</li> </ul>  |
| Examining the governance framework and to recommend the most appropriate mechanism by which the rationalized public housing sector is to be governed   | <ul style="list-style-type: none"> <li>• Explore the risks posed by the Trust to the housing financial system as a whole</li> <li>• Determination of mechanisms for the NHT to measure, monitor and manage risk on an ongoing basis</li> <li>• Evaluation of the governance model and framework currently applied in the public housing sector of the market and the extent to which it is effective</li> </ul>   |

---

**Policy recommendations****Specific responsibilities**

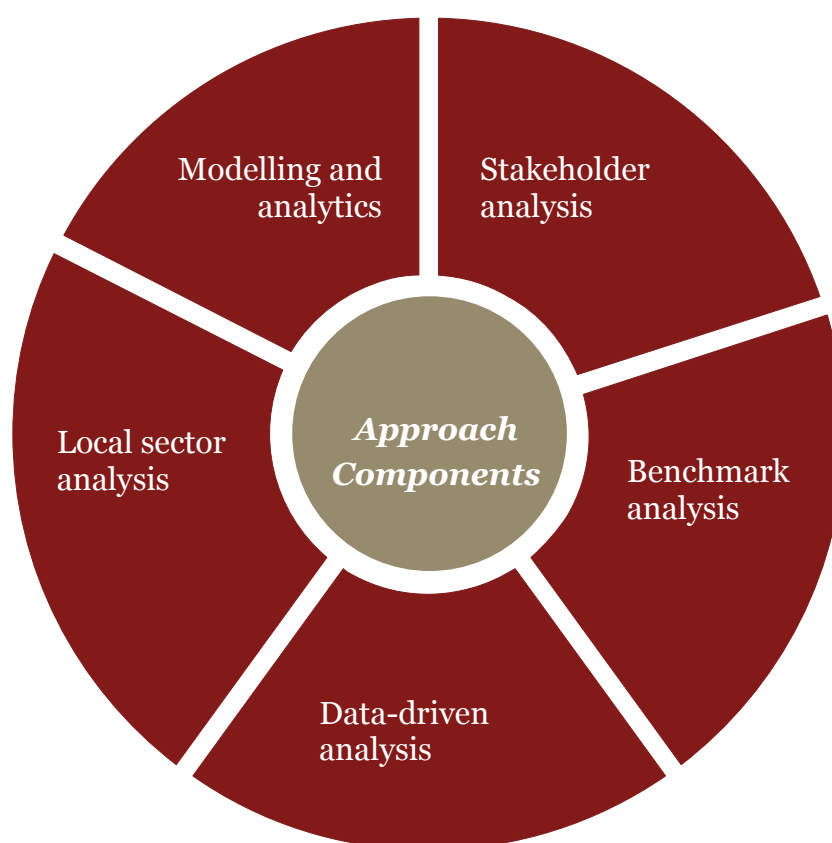
---

- Determine options for the governance of the rationalized public housing sector

### ***1.3. Approach to the Commission's work***

The approach to the Commission's work was framed around a number of analyses as reflected in the adjacent diagram.

Further details of the various components are provided in the subsections below.



### 1.3.1. Stakeholders' views

The Commission agreed that a deeper understanding of the current state of play and the needs of the Jamaican people would be gained through a consultative process with a range of interest groups, stakeholders and partners within the housing sector.

The Commission held an extensive suite of stakeholder sessions between December 5, 2016 and February 13, 2017. The primary objective of the stakeholders' sessions was to ascertain the views of participants of the public and private housing market sector on the NHT mandate, structure of the Jamaican housing finance sector, as well as the structural and non-structural measures to reform the public sector segment of the housing finance sector.

Specifically, stakeholders were asked to express their views around the following:

1. In your view, what ought to be role of the Trust in the public sector segment of the housing financial system?
2. In your opinion, is the Trust playing its role in meeting the demands for housing and the related financing in Jamaica? If gaps exist, what are the causes and how can they be narrowed or closed?
3. In your view, what can the Trust do in order to increase the level of home ownership in Jamaica?
4. How can the broader public housing sector be restructured to deliver more affordable housing to the people of Jamaica?

The following stakeholders were invited representing the broad groups outlined below:

| Sector                          | Entity  |
|---------------------------------|---|
| Financial sector/Private sector | <ul style="list-style-type: none"> <li>• Jamaica National Building Society</li> <li>• Victoria Mutual Building Society</li> <li>• National Commercial Bank Jamaica Limited</li> <li>• Sagcor Bank Jamaica</li> <li>• Private Sector Organisation of Jamaica</li> <li>• Scotia Jamaica Building Society</li> <li>• Scotiabank Jamaica Limited</li> <li>• Jamaica Co-operative Credit Union League</li> </ul> |
| Government/Regulatory           | <ul style="list-style-type: none"> <li>• Bank of Jamaica (Technical Secretariat for the Financial Inclusion)</li> <li>• Ministry of Economic Growth &amp; Job Creation</li> <li>• Ministry of Finance and Public Service (Procurement Division)</li> </ul>  |
| Development partner             | <ul style="list-style-type: none"> <li>• The Urban Development Corporation</li> <li>• Jamaica Public Service</li> <li>• National Works Agency</li> <li>• National Water Commission</li> </ul>   |
| Developers/housing developments | <ul style="list-style-type: none"> <li>• Belle Aire development, St. Ann</li> <li>• Hellshire/Sandhill Vista, St. Catherine</li> <li>• Longville Housing Scheme, Clarendon</li> <li>• Twickenham Park/Unions Estate Housing Scheme, St. Catherine</li> <li>• Developers Association of Jamaica</li> <li>• GORE</li> <li>• West Indies Home Contractors (WIHCON)</li> </ul>                                  |

| Sector                | Entity   |
|-----------------------|--|
|                       | <ul style="list-style-type: none"> <li>Incorporated Masterbuilders Association of Jamaica</li> </ul>   |
| Multilateral agencies | <ul style="list-style-type: none"> <li>Inter-American Development Bank</li> <li>World Bank</li> </ul>  |
| Research institutes   | <ul style="list-style-type: none"> <li>Caribbean Policy Research Institute (CaPRI)</li> </ul>  |
| Housing sector        | <ul style="list-style-type: none"> <li>Jamaica Mortgage Bank</li> <li>Real Estate Board</li> <li>Rent Board</li> </ul>   |
| Other                 | <ul style="list-style-type: none"> <li>Former NHT Chairmen</li> <li>The Jamaica Association for the Re-Settlement of Returning Residents</li> <li>Jamaica Confederation of Trade Unions (including members of the Confederation)</li> <li>Mayor of Kingston &amp; St. Andrew Parish Council (KSAC)</li> <li>National Environment and Planning Agency</li> <li>Mayor of St. Catherine Parish Council</li> <li>National Housing Trust employees</li> </ul> |

### ***1.3.2. Benchmarks and Other jurisdictions***

In an effort to gain an understanding of common practices in the world, the Commission thought it important to conduct research on jurisdictions that have recognized and sought to address the needs of its citizens through home ownership. The following countries were selected for research on this basis.

- United Kingdom
- Canada
- India
- United States of America
- Germany

The research was conducted with a view to identify the major participants in the housing markets with respect to:

- Providers of capital
- Users of capital
- Regulation
- Social housing component
- Financing flows and the interrelationship with the wider capital and financial market
- Charter or mandate underlying the entity operations and the reasons behind the establishment of entities

- Examination of explicit or implicit Government support and public subsidies (financial and otherwise)
- Examination of the complementary (or competing) role of other agencies (Government, quasi-Government, near Government organisations, private sector for-profit and not-for-profit organisations etc) in housing development and finance
- Evaluation of the lease and rent options and the extent to which the public sector should support same and lessons learned.

### 1.3.3. Data driven analysis

In the conduct of its work, the Commission was mindful that a range of views exists in the public domain that may be based on:

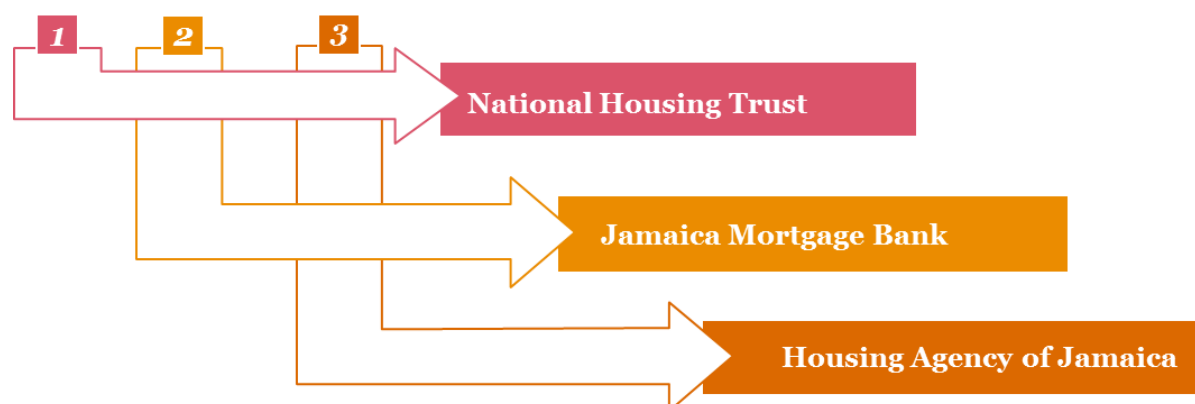
- Individual experiences which, while important, may not be consistent with broader experiences for large population segments
- Anecdotal experiences that have found their way into mainstream media or public discourse

With this in mind, the Commission sought to leverage as far as possible, data available to support its considerations and discussions. These data included but were not limited to:

- Leveraging the work on housing sector research by key multilateral agencies and local research institutions to aid in policy recommendation formulation
- Macro-economic data on the performance of the economy and the performance of the Trust relative to key macro-economic variables
- Data reflecting movements in key line items at the aggregate level of the Trust's portfolio (specifically contributions, mortgages etc)
- Data underlying the contributor and mortgagor portfolios of the Trust itself, including:
  - Value of contributions/mortgages
  - Income bands on both sides of the portfolio
  - Employment profile data on both sides of the portfolio
  - Housing schemes application data (including *inter alia*, number of applications, number of qualifications, number of actual disbursements etc)
  - Contribution liability aging etc

### 1.3.4. Local housing sector

The NHT is one of three primary entities in the local public sector housing system:



The Commission sought to explore options around a rationalization of the housing sector in line with the Government's broader mandate for public sector rationalization. The Commission considered a range of possible strategies for rationalization, including:

| Strategy   | Reasoning  |
|--|--|
| Abolish/ wind up   | Entity's function is not needed or has reached the end of its useful life.   |
| Merge/ consolidate   | Entity's functions are duplicated. Economies of scale can be achieved through merging with another similar entity. We contemplate both horizontal and vertical integration where applicable.   |
| Private sector commercial delivery   |  |
| <ul style="list-style-type: none"> <li>• Outright sales</li> <li>• Leases and management contracts</li> <li>• Joint ventures</li> <li>• Public share offerings</li> <li>• Private tenders</li> <li>• Management buyouts</li> <li>• Employee Share Ownership Plans (ESOPs)</li> </ul> | <p>Private sector actors are better placed to deliver the entity's functions in a more efficient or cost-effective manner. The type of vehicle is generally determined by the level of involvement Government needs to maintain to ensure the following outcomes:</p> <ul style="list-style-type: none"> <li>• Essential social services are easily available to the most vulnerable citizens</li> <li>• Opportunities for short-term gain do not outweigh need for long-term investment in activities of strategic economic or social importance</li> </ul>   |
| Self-financing semi-autonomous vehicle   | Lean, semi-autonomous Executive Agencies which deliver bottleneck services (government identification, registration and certification, licenses and permits, immigration and customs), could take advantage of demand-driven or cost-recovery models in order to deliver the level of service citizens demand, while reducing costs and generating acceptable levels of revenue. Privatization may not be in the public interest. However, suitable governance and regulatory arrangements can be put in place to ensure they remain nimble enough in their decision-making while fees remain fair and reasonable. |
| Restructure for cost and service delivery efficiency   | Entity's function is best delivered via Government, but cost-savings can be made through restructuring debt or creating a shared model for back office services across entities.   |

### 1.3.5. Analytics

While many of the concerns related to the questions on the Trust in the public domain are important and critical, in the early stages of our discussions, we recognized that many questions in part related to a misunderstanding of the role and nature of the Trust, a lack of clarity on the resources available to the Trust and the creation of understandable expectation gaps when the achievements did not appear to match the resources available.

The Commission recognized that a key element of its work would entail providing the public with a clear understanding of how the business of the Trust works, the manner in which cash is generated, the way the cash is used and the notion of the 'surplus' available for the operational needs of the Trust.

With this in mind, one component of the work of the Commission, was to develop and present:

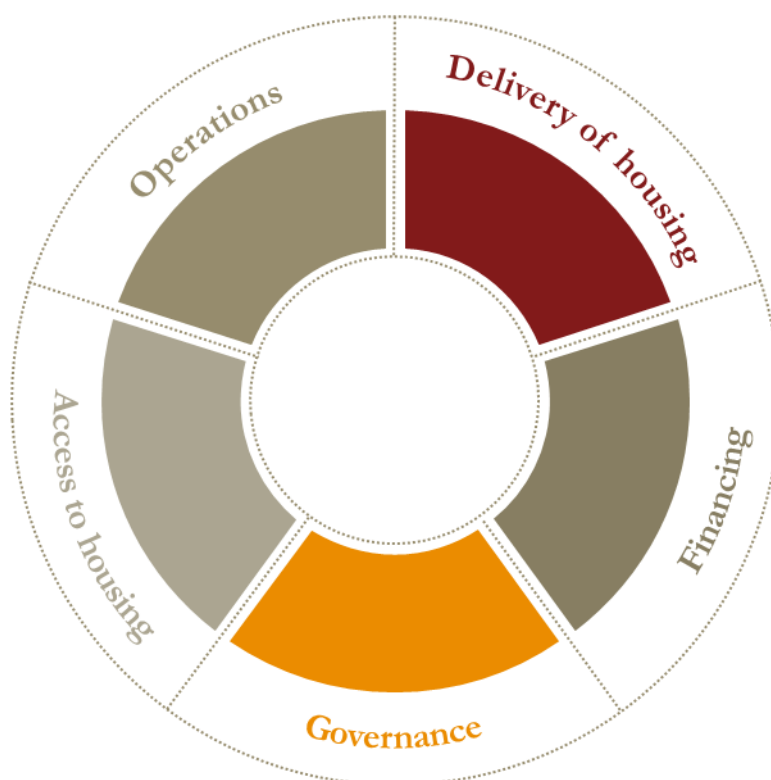
- A clear explanation of the cash based financing operations of the Trust recognizing:

- Available cash inflows (arising from contributions from employees and employers, mortgage repayments etc)
- Cash calls on the available funds, including:
  - Contribution refunds and refund obligations
  - Funding of mortgages
  - Construction operations
  - Meeting other obligations in the course of providing fiscal support to central Government or supporting various social initiatives

## 1.4. Outline of this report

In this final report, the Commission sets out its recommended reforms for improving the public sector finance system, with particular emphasis on the NHT. Given the range of issues considered by the Commission, the recommendations have been grouped into the following areas for reporting purposes:

- The operations of the Trust
- The delivery of housing solutions
- Financing the local housing market
- Appropriateness of the governance model for the NHT
- Ease of access to housing based on leveraging the role of the Trust in the public financial management segment of the market.



The rest of the report is organized as set out below:

| Section   | Description  |
|---|--|
| Economic Context and Environment                                      | <ul style="list-style-type: none"> <li>• Overview of the current prevailing economic conditions in Jamaica</li> <li>• The IMF requirement for public sector balance and the implications for the NHT now and in the future</li> </ul>  |
| The Housing Challenge in Jamaica – dimensioning the problem           | <ul style="list-style-type: none"> <li>• Mismatch/ gap between housing demand and supply</li> <li>• Social Housing and the rise of squatter communities</li> </ul>   |
| Overview of the housing finance system in Jamaica                     | <ul style="list-style-type: none"> <li>• Local housing sector               <ul style="list-style-type: none"> <li>– Overall housing finance system in Jamaica                   <ul style="list-style-type: none"> <li>&gt; Overview</li> <li>&gt; Participants</li> <li>&gt; Roles</li> <li>&gt; Flow of funds</li> <li>&gt; Market anomalies and mechanisms to address them</li> <li>&gt; Effectiveness of delivery of housing solutions</li> </ul> </li> </ul> </li> </ul> |
| The NHT- a descriptive assessment                                     | <ul style="list-style-type: none"> <li>• Legislative basis</li> <li>• Operational performance and key milestone policy changes</li> </ul>  |
| Understanding the financial performance and results of the NHT        | <ul style="list-style-type: none"> <li>• Overview of the performance of the NHT</li> <li>• Financial performance – understanding resource flows and funds availability</li> </ul>  |
| Housing finance models – a global perspective                         | <p>Benchmarking analysis</p> <ul style="list-style-type: none"> <li>• Jurisdictions selected to support the analysis</li> <li>• Summary of:               <ul style="list-style-type: none"> <li>- Profile of housing finance market and segmentation of the market</li> <li>- Key players in the market, private and government sponsored entities</li> <li>- Common themes</li> </ul> </li> </ul>  |
| Housing finance models – a summary of multilateral and local research | <p>Summary of research in key areas of public sector housing finance</p> <ul style="list-style-type: none"> <li>• World Bank</li> <li>• Caribbean Policy and Research Institute</li> </ul>   |
| Stakeholders views and analysis                                       | <ul style="list-style-type: none"> <li>• Overview of the consultative process</li> <li>• Stakeholders consulted as a part of the process</li> <li>• Views and themes from the various stakeholder groups</li> </ul>  |
| Recommendations   | <p>Outlines the consolidated recommendations of the Commission in line with the principal questions</p>  |

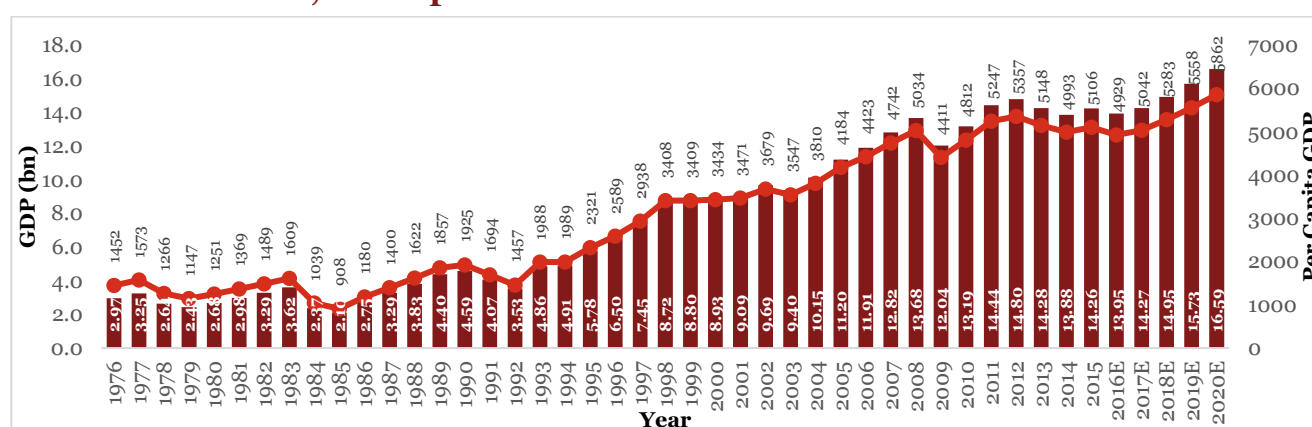
## 2. Economic context and environment

### 2.1. Overview of the current prevailing economic conditions in Jamaica

#### 2.1.1. Jamaica Economic Overview

Jamaica is an upper middle income country with the largest population in the English speaking Caribbean. The Jamaican economy is heavily dependent on services, which accounts for more than 70% of GDP. The country continues to derive most of its foreign exchange from tourism, remittances, and bauxite/alumina.

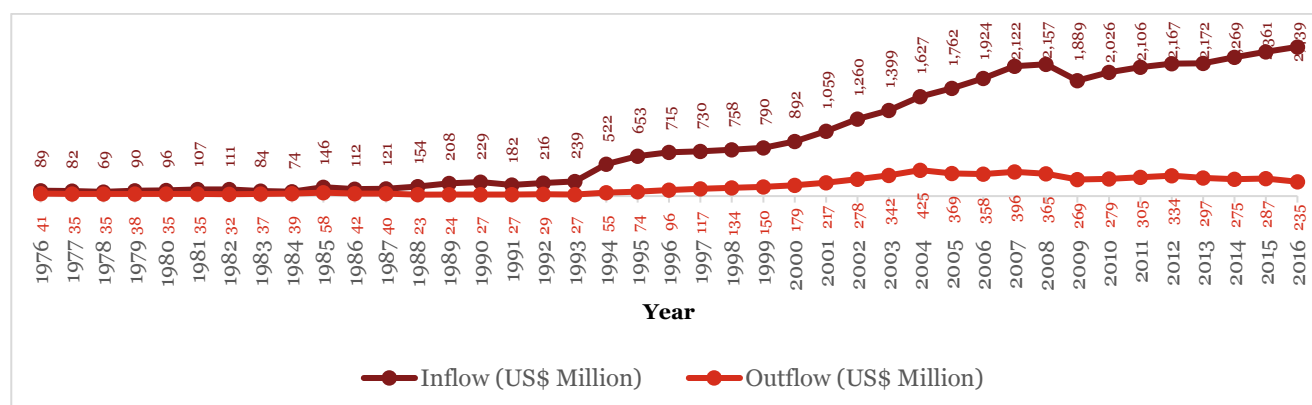
#### Overall GDP chart, Per capita GDP



Source: World Bank, Statista

Remittances and tourism together account for nearly 30% of GDP, while bauxite/alumina exports make up roughly 5% of GDP. The bauxite/alumina sector was most affected by the global downturn while the tourism industry and remittance flow remained resilient. The inflow and outflow of remittance to Jamaica totaled \$2.44 billion and \$235.4 million respectively at the end of 2016.

#### Remittances



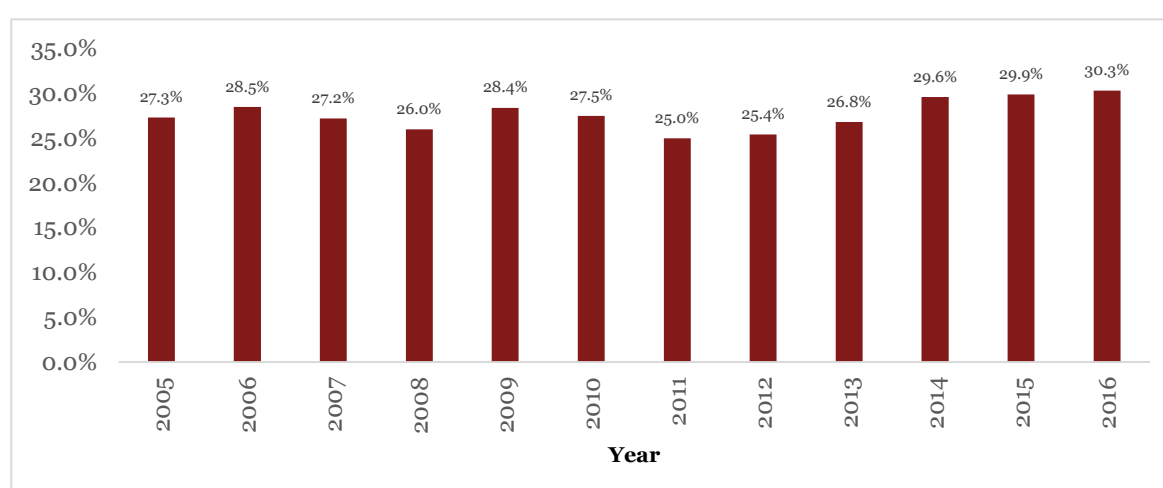
Source: World Bank calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks. Outflow data based on numbers reported by country authorities to IMF Balance of Payments

The tourism sector has expanded by 36% over the last ten years when compared with total economic growth of 6%.

Tourism remains one of Jamaica's few labour - intensive sectors and directly employs over 106,000 Jamaicans, while generating indirect jobs for another 250,000 Jamaicans (or one in every four Jamaicans) in linked sectors such as agriculture, the creative and cultural industries, manufacturing, transportation, finance and insurance, electricity, water, construction and other services. As per sectoral debate presentation in April 2017, the direct contribution of tourism to GDP is estimated at 8.4% while total contribution is estimated at a 27.2% of GDP.

Apart from tourism, remittances is the major source of foreign exchange- US being the main source country for remittance (71% of total).

### Tourism as a % of Total GDP



Source: knoema.com

Growing tourism, hotel construction boom and improving economic outlook help the property market in Jamaica to expand, with house prices rising by 41% from 2010 to 2015. Property transfers rose by 9.3% in 2015 to US\$665.5 million. Foreign investors dominate high-end market.

The discovery of bauxite in the 1940s and the subsequent establishment of the bauxite-alumina industry shifted Jamaica's economy from sugar and bananas. By the 1970s, Jamaica had emerged as a world leader in export of these minerals as foreign investment increased.

Jamaica was the sixth and eighth largest producer of bauxite and alumina in 2016 producing 8.5 million tons accounting for 3.2% of world production and 1.85 million tons accounting for 1.6% of world production, respectively. Other minerals present in Jamaica include marble, limestone, and silica, as well as ores of copper, lead, zinc, manganese and iron. Some of these are worked in small quantities.

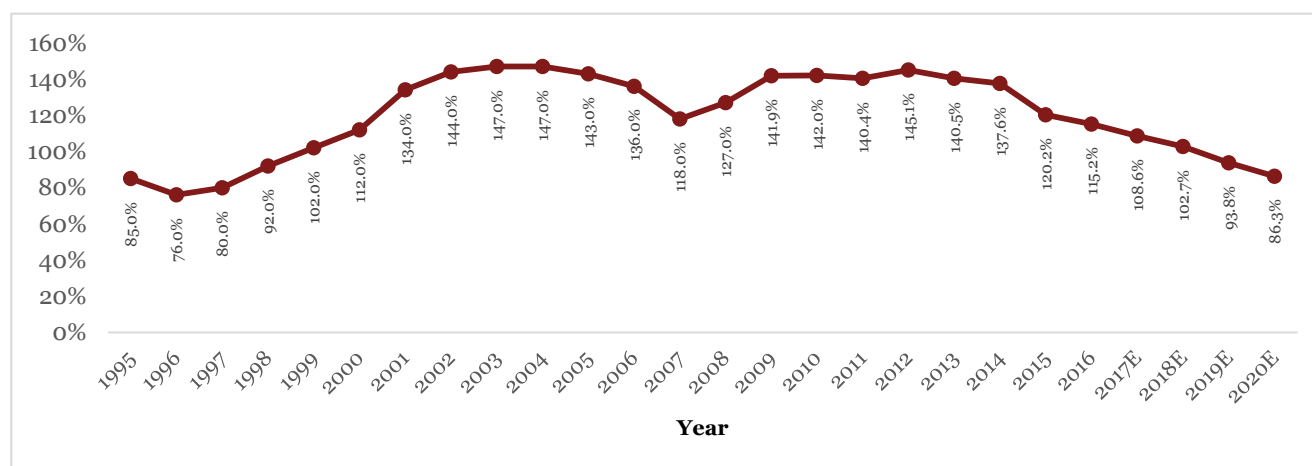
For decades, Jamaica has struggled with low growth, high public debt and many external shocks that further weakened the economy. Over the last 30 years, real per capita GDP increased at an average of just one percent per year, making Jamaica one of the slowest growing developing countries in the world.

As the hurricane Sandy crisis loomed in FY2012-13 in Jamaica, the economy contracted, external viability deteriorated, and public debt rose to 145% of GDP. Jamaica entered a four year Extended Fund Facility (EFF) with the International Monetary Fund (IMF) where the IMF committed US\$932 million in support. This was accompanied by facilities from the World Bank and the Inter-American Development Bank (IDB) which each agreed to provide US\$510 million for 4 years from April 2013 to March 2017.

Under the EFF, which eventually spanned two administrations, the GOJ implemented consequential fiscal, monetary and structural reforms. The main achievement of the EFF was previously elusive macro-economic stability accompanied by low inflation and improved balance of payments. However, growth and job creation did not witness significant improvement as growth averaged only about 0.6% percent during the EFF and unemployment remained high at 13.7%, with approximately one-fifth of the population living in poverty.

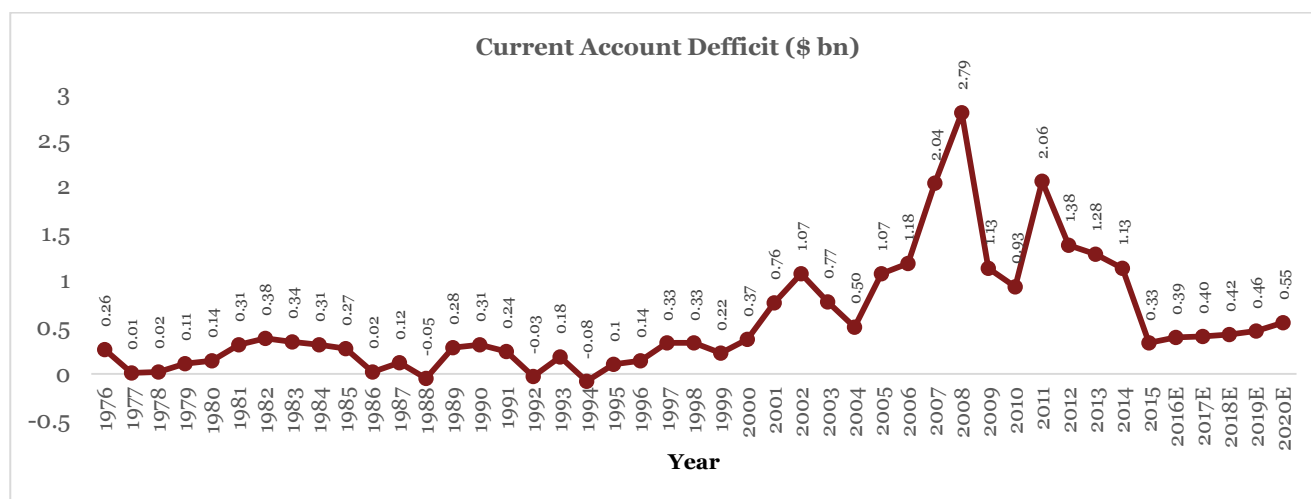
Deep-rooted structural bottlenecks continued to stifle private investment and structural rigidities in GOJ finances translates into a crowding out of public investment in growth inducing activities. To reduce speculation and investor anxiety about what would follow the EFF, in October 2016, the authorities renewed Jamaica's relationship with the IMF by canceling the EFF and entering into a new Stand-By Arrangement (SBA) with the IMF for 3 years with US\$1.64 billion to support the GOJ's continued reform program and deliver better growth, poverty and employment outcomes.

### Public Debt % of GDP



Source: Country Economy, Global Economy, Jamaica (STATIN), Statista

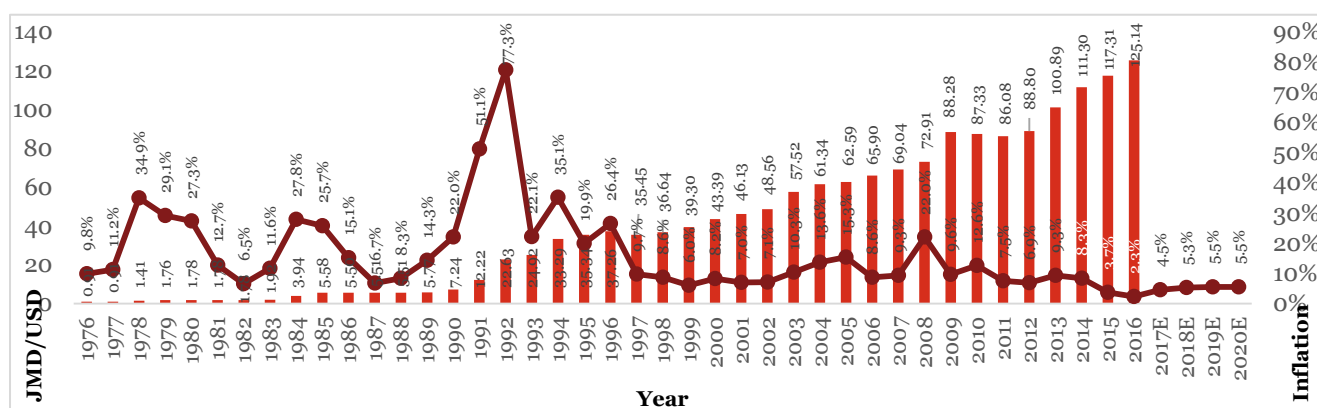
Given the full access to domestic and international capital markets, and benign economic environment, the authorities intend to treat the SBA as precautionary and as an insurance against potential balance of payments pressures that may arise due to external economic shocks, which the country has experienced during 2008 due to recession and during 2012 based on hurricane crisis.



Source: Global Economy, Public Service of Jamaica, IMF

Post-funding, the country's credit rating improved, and Jamaican bonds traded at a premium in international markets. Jamaica has indeed made tremendous progress in stabilizing the economy since May 2013 as inflation is at historical lows of 2.3% as at December 2016, net international reserves have nearly tripled to \$2.8 billion in April 2017, and, most importantly, public debt has been placed on a solid downward path at 115% of GDP by the end of December 2016.

## Inflation and Currency

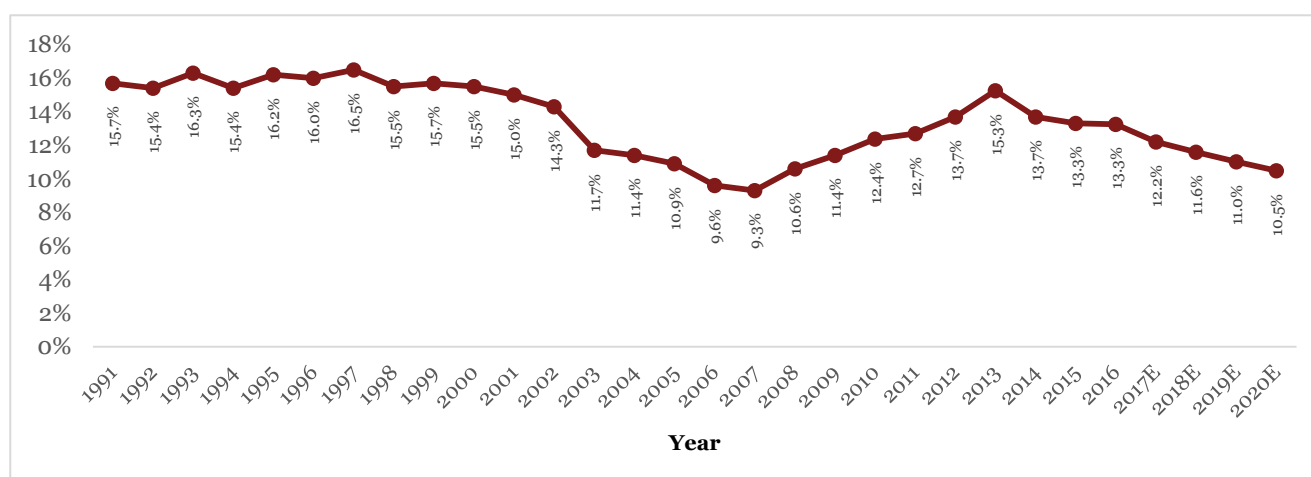


Note: Exchange rate forecast not available

Source: Country Economy, Global Economy, Jamaica (STATIN), Statista

During the past three years, economic growth rates have been steadily rising, although remaining lower than what is needed for eradicating poverty and boosting shared prosperity.

## Unemployment rate (%)



Source: Global Economy, Statista

Unemployment rose from a historic low of 9.3% a decade ago to 15.3% in 2013. Since then, it has been on a downward trajectory and according to the Statistical Institute of Jamaica, the unemployment rate is now down to 11.3% (July 2017).

### 2.1.2. Economic Reforms

The Government of Jamaica continues to work with the IMF and other international partners to tackle key roadblocks to development, and to help expand the private sector.

Key reforms include:

- Modernising the monetary policy framework while building a foundation for an eventual move to inflation targeting while maintaining exchange rate flexibility.
- Bolstering resilience of the financial system
- Improving public sector efficiency while reallocating public resources to growth enhancing capital spending
- Supporting the expansion of jobs and growth through increased incentives to work while strengthening the social safety net.
- Improving the business climate by increasing access to finance, promoting better asset utilization and reducing bureaucracy
- Reducing crime and tackling both its economic and broader social ramifications.

## ***3. The Housing Challenge in Jamaica – Dimensioning the problem***

### ***3.1. Understanding the gravity of the problem***

A key element of the Commission's deliberations was to get a clear understanding of the dimension of the housing problem in Jamaica. While there is quite a bit of anecdotal evidence and discussion that the problem is significant, we sought to determine the extent of the problem through a number of different lenses, in the context of the NHT as follows:

- Firstly, given the funding structure of the Trust, to determine whether over the last 40 years, the entity has grown in real terms in contributions and housing expenditure
- Secondly, to what extent does the housing supply that the NHT directly influences impacts on aggregate housing demand
- Thirdly, the Commission spent some time considering the question of social housing, the rise and proliferation of squatter communities and their associated mal-effects. In this regard, the Commission sought to understand both the incidence of squatting locally, and the extent to which the Trust or other agencies of Government have individually or collectively had a material impact on reducing the incidence of squatting.

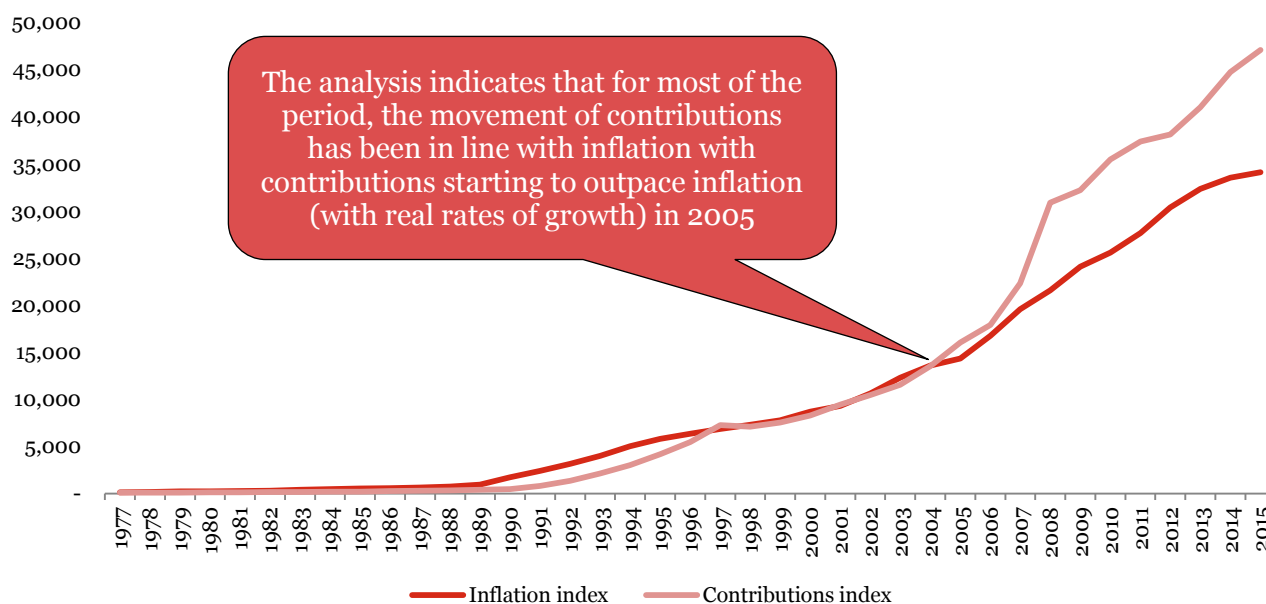
### ***3.2. Level and nature of growth of the Trust and policy implications***

With its establishment in 1976, over the last 40 years the Trust has experienced significant growth in nominal terms, with key components of its funding structure growing as follows:

- Aggregate contributions (both employees and employers) have grown significantly over the period to approximately \$24.6 billion in 2016, split between employee contributions at \$10.7 billion and employers contributions at \$13.9 billion
- Year on year movements in employer and employee contributions, while increasing overall, do reflect some anomalous movements in specific periods, with reductions in employee contributions occurring in the same period as growth in employer contributions and vice versa
- Similar movements are evident in the level of housing expenditure and the balance of mortgage receivable over the period, with both ending the 40 year period at \$17.9 billion and \$193.0 billion, respectively.

To test the extent to which the Trust has experienced real contribution growth over the period, the Commission obtained data on the movement in inflation over the same 40 year period and sought to determine whether the Trust has consistently grown at or beyond the level of inflation with the results reflected in the graphs below:

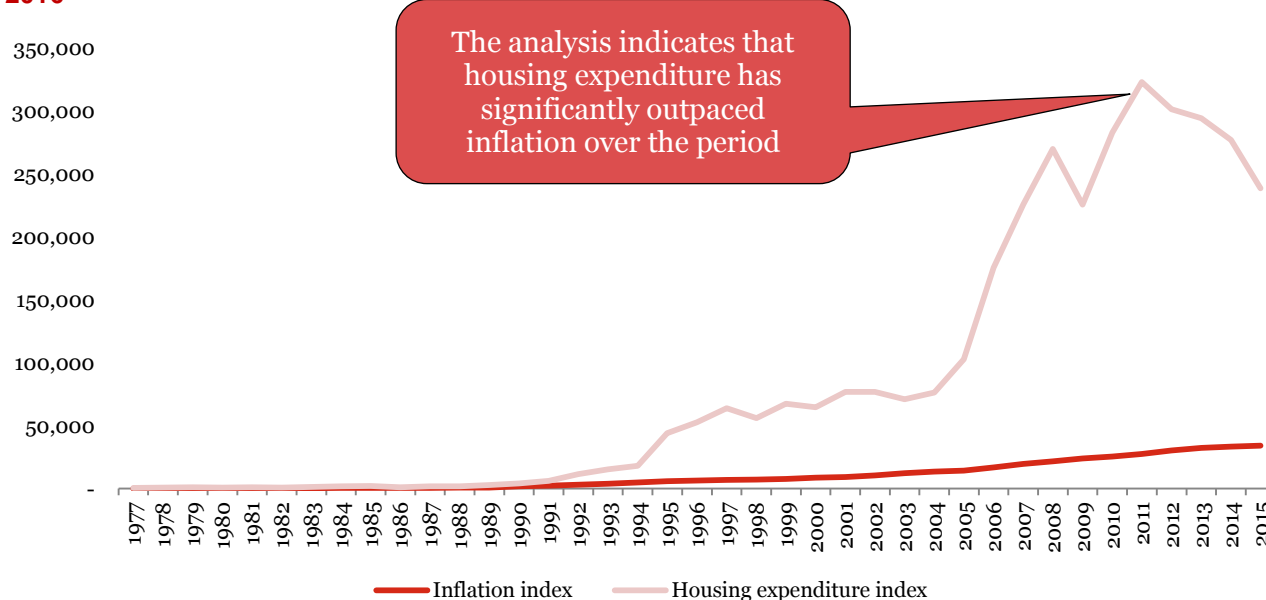
### Multi decade indexation analysis of contributions vs inflation - 1976 to 2016



The data suggests that for most of the period, aggregate contributions roughly tracked inflation with an acceleration in contributions after c. 2004.

A similar analysis was conducted using the housing expenditure data over the last 40 years to determine the extent to which it either tracked in line with inflation or otherwise. The results suggest that on the expenditure side, while there has been some variability in expenditure in the last decade, the level of spending has significantly outstripped inflation.

### Multi decade indexation analysis of housing expenditure vs inflation - 1976 to 2016



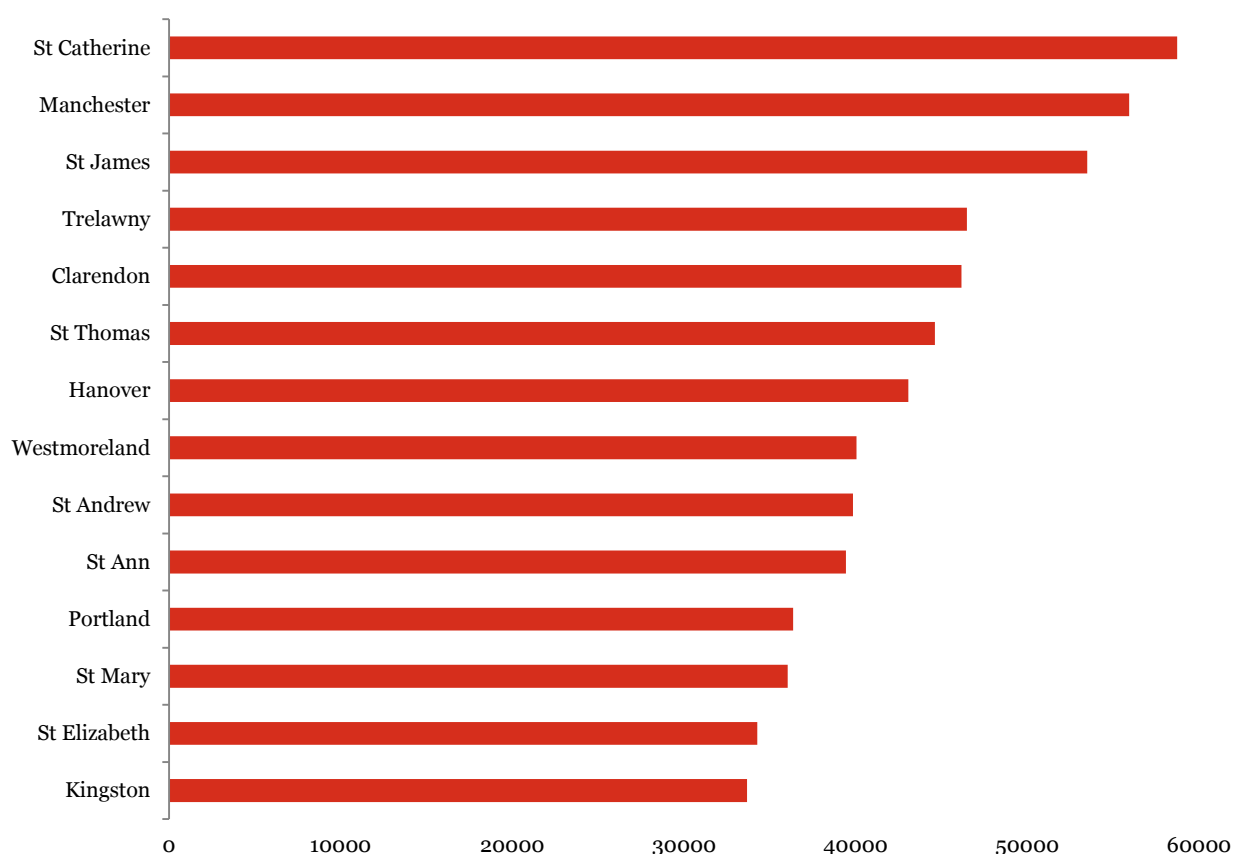
### 3.3. Demand vs supply analysis

#### 3.3.1. Demand side assessment

Limited data exists on the housing market in aggregate. The Commission relied on surveys and data developed by the NHT to derive its own estimates of aggregate and effective demand by parish. The Commission has compiled the parish data to develop a profile of demand across the country on an aggregate level. The Trust conducts the surveys on a parish by parish basis on a rolling cycle, with the effect that all parishes are not done at the same time, with the surveys forming the basis for our analysis being conducted between 2010 and 2014.

The demographic profile of the survey participants indicates mean monthly incomes by parish as set out below:

**Monthly income by parish (various years 2010 to 2014)**



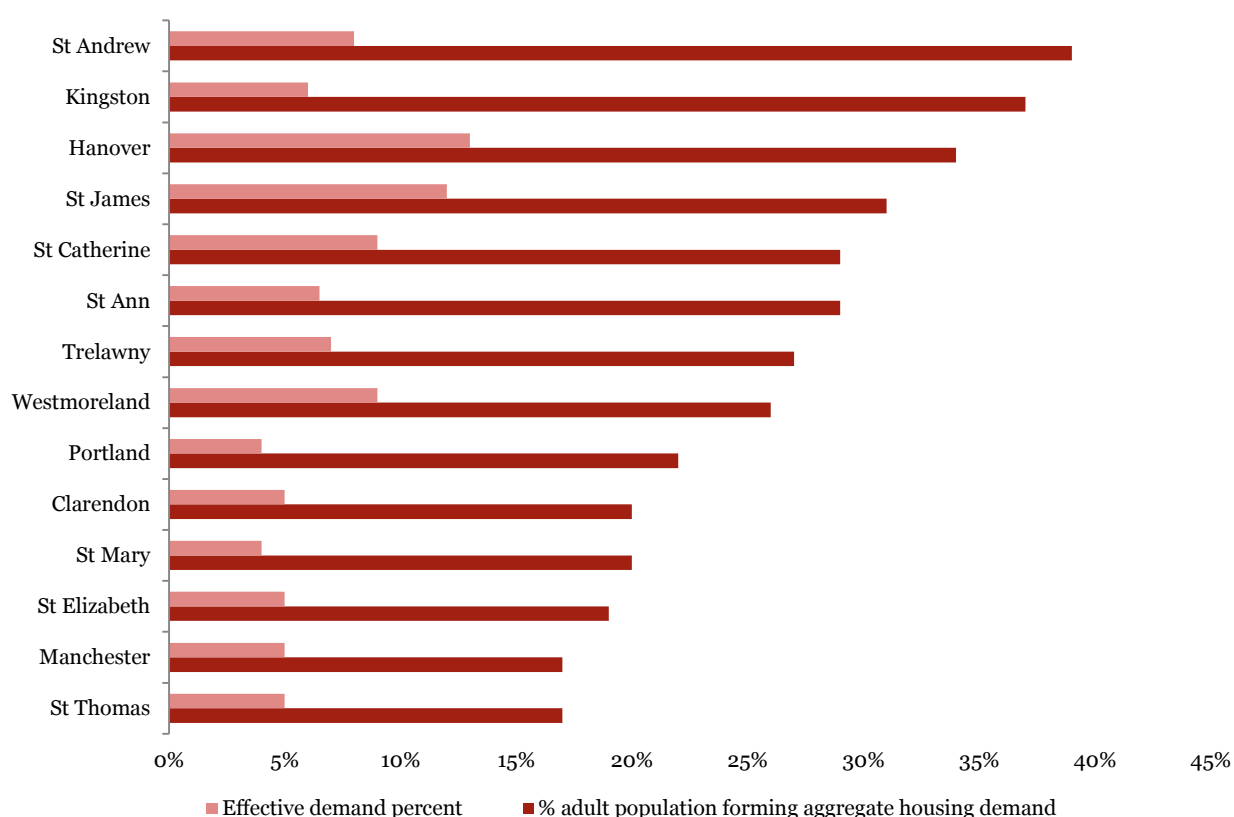
The Commission consolidated and compared the aggregate demand for each of the parish surveys to the effective demand based on the following broad parameters for each:

- Aggregate demand includes persons who:
  - Are aged 18-65 years
  - Are currently employed or self-employed
  - Wish to acquire residential property or make changes to residential property they own within the next 5 years
  - Are current contributors to the Trust or are willing to become contributors

- Have never received an NHT benefit
- Intend to get financing from the NHT
- Effective demand includes persons who are:
  - Actively pursuing their housing plans, i.e., buying unit or land, building or making improvements/additions to unit or making plans to do so but have not yet started
  - Planning to borrow or have saved a down payment , if purchasing unit or land single applicants who:
    - Are able to afford the full loan amount in line with the maximum available from the Trust if their housing plans involve purchasing or building a unit or land acquisition or making improvements to an existing unit OR
    - Are using a co-applicant who is an NHT contributor and is able to afford the maximum available from the Trust if their housing plans involve purchasing or building a unit or purchasing a unit or making improvements/additions to unit.

The graph below shows the combined aggregate and effective demand by parish:

**Comparison of Aggregate and Effective demand by parish (various years 2010 to 2014)**



The average aggregate demand across all parishes is c. 26%, while the average effective demand across all parishes is c. 7%.

The Commission considers the results of the analysis to be sobering, as the data indicate that:

- There is an approximately 75% scale down between aggregate and effective demand

- If we accept as a prima facie assumption that the Trust has beneficial rates, the gap between the effective demand and the aggregate demand suggests that the Trust has not been able to translate overall demand using its own beneficial parameters. This is likely due to a confluence of factors including affordability, the priority placed on home ownership etc.

### 3.3.2. Supply side analysis

Using the data derived from the various parish surveys, the Commission aggregated the effective demand to get a crude estimate of total effective demand across all parishes as c. 105,000 based on the schedule below:

| Effective Demand by Parish, Solution |               |               |                              |                   |             |                |               |
|--------------------------------------|---------------|---------------|------------------------------|-------------------|-------------|----------------|---------------|
| Parish                               | Buying a unit | Buying a land | Make improvement to own home | Build on own land | Other       | Total          | % of Total    |
| St. Catherine                        | 14,096        | 5,245         | 10,491                       | 2,950             | -           | 32,782         | 31.2%         |
| St. James                            | 4,245         | 1,459         | 6,103                        | 1,459             | -           | 13,266         | 12.6%         |
| Manchester                           | 286           | 953           | 2,907                        | 620               | -           | 4,766          | 4.5%          |
| Clarendon                            | 1,098         | 2,196         | 3,294                        | 941               | 314         | 7,843          | 7.5%          |
| Trelawny                             | 164           | 222           | 263                          | 117               | -           | 766            | 0.7%          |
| Kingston                             | 788           | 108           | 185                          | 463               | -           | 1,544          | 1.5%          |
| Portland                             | 189           | 946           | 799                          | 168               | -           | 2,102          | 2.0%          |
| Hanover                              | 1,668         | 1,112         | 927                          | 927               | -           | 4,634          | 4.4%          |
| St. Thomas                           | 562           | 749           | 1,280                        | 531               | -           | 3,122          | 3.0%          |
| St. Andrew                           | 5,160         | 737           | 3,072                        | 3,317             | -           | 12,286         | 11.7%         |
| St. Ann                              | 1,581         | 3,080         | 3,080                        | 583               | -           | 8,324          | 7.9%          |
| St. Elizabeth                        | 286           | 953           | 2,860                        | 667               | -           | 4,766          | 4.5%          |
| St. Mary                             | 383           | 839           | 1,079                        | 96                | -           | 2,397          | 2.3%          |
| Westmoreland                         | 723           | 2,301         | 2,893                        | 657               | -           | 6,574          | 6.3%          |
| <b>Total</b>                         | <b>31,229</b> | <b>20,900</b> | <b>39,233</b>                | <b>13,496</b>     | <b>314</b>  | <b>105,172</b> | <b>100.0%</b> |
| <b>% of Total</b>                    | <b>29.7%</b>  | <b>19.9%</b>  | <b>37.3%</b>                 | <b>12.8%</b>      | <b>0.3%</b> | <b>100.0%</b>  |               |

### 3.4. Cross sectional analysis between contributor data and mortgagor data

Based on data and analyses developed by the Trust, the Commission examined the results of an assessment of the contributor database and the mortgagor database disaggregated by income bands. The results of the analysis are set out in the schedule below:

| Income Band (\$) | Demographics of Individuals Contributing as at February 2014 |                             |                             | Demographics of Individuals who Accessed Loans as at February 2014 |                          |                         |
|------------------|--|-----------------------------|-----------------------------|--|--------------------------|-------------------------|
|                  | Number of Contributors                                       | % of Number of Contributors | % of Value of Contributions | Number of Mortgages  | % of Number of Mortgages | % of Value Of Mortgages |
| 4,501-7,500.99   | 203,696  | 46%                         | 11%                         | 22,116   | 22%                      | 12%                     |
| 7,501-10,000.99  | 44,614   | 10%                         | 6%                          | 14,573   | 14%                      | 10%                     |
| 10,001-20,000.99 | 92,996   | 21%                         | 20%                         | 32,752   | 32%                      | 31%                     |
| >= 20,001        | 102,882  | 23%                         | 63%                         | 31,694   | 31%                      | 48%                     |
| <b>Total</b>     | <b>444,188</b>   | <b>100%</b>                 | <b>100%</b>                 | <b>101,135</b>   | <b>100%</b>              | <b>100%</b>             |

The analysis seems broadly consistent with the results from the aggregated demand and supply analysis and suggests that:

- The level of conversion of contributors to mortgagors is relatively low at just under a quarter of the contributor portfolio.
- The lowest income levels in the contributor portfolio have the lowest conversion rate at approximately 10.9%. To the extent that these are likely to be the most vulnerable with the greatest need for support for housing, notwithstanding the aggressive real movements in housing expenditures described earlier, the interventions do not appear to be reaching the most vulnerable in society.

### 3.5. Informal housing production – the rise and proliferation of squatter communities

A recent study by the Inter-American Development Bank indicated that:

*“According to the 2011 Population Census, the total number of dwellings increased from 568,569 to 723,343, or 27.2 percent, during the intercensal period 2001 to 2011. This substantial increase has resulted in a significant lowering of the average number of people per dwelling from 4.2 in 1991 to 3.6 in 2001. Thus, despite the poor performance by the formal sector, there has been an increase in the housing stock according to the 2001 Population Census. One can only deduce that there is a very active informal sector providing a large percentage of housing in the country.”*

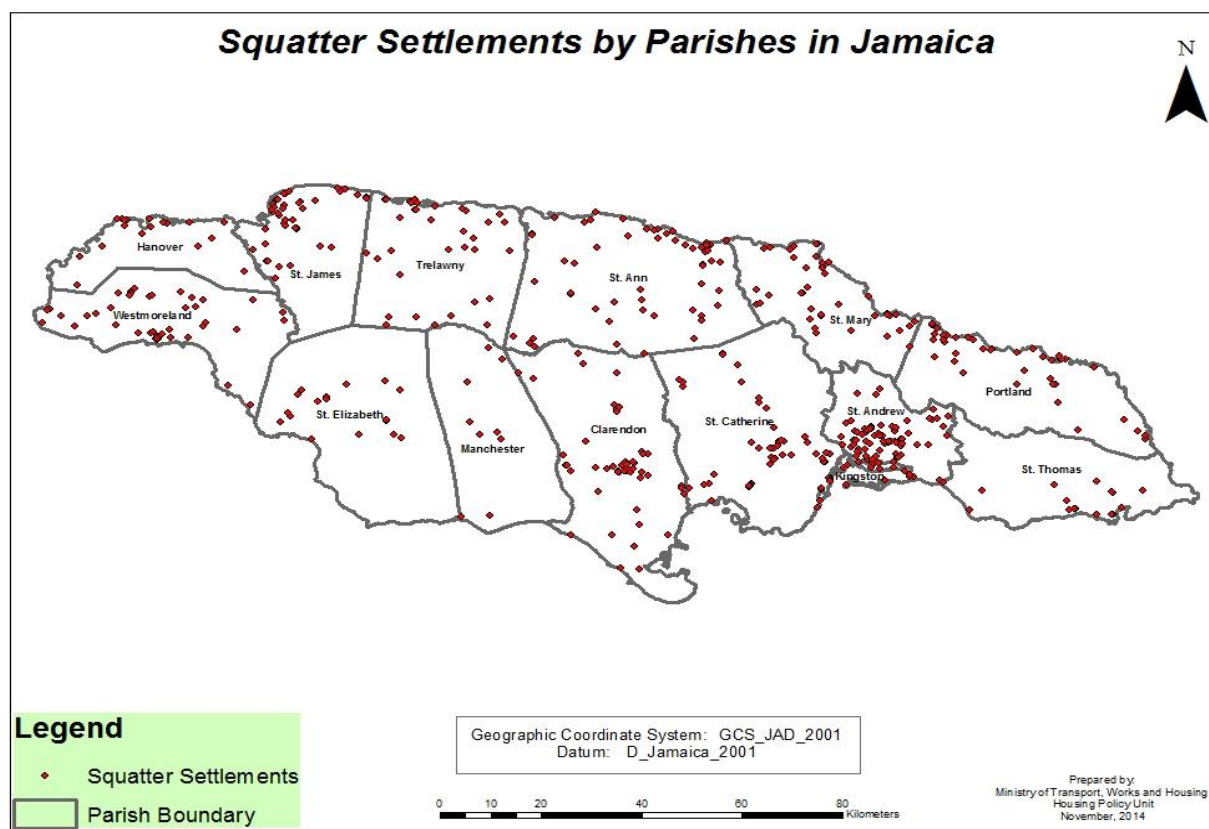
The Commission spent some time discussing the issue of squatter communities, the role that NHT has to play in supporting the alleviation of squatter communities and what the realistic expectations of the Trust should be going forward. A key component of our assessment of the squatter issue is to understand both the incidence of squatting locally, and the extent to which the Trust or other agencies of Government have individually or collectively had a material impact on reducing the incidence of squatting.

#### 3.5.1. Incidence of squatting locally

A recent study shows that there over 750 squatter settlements in Jamaica, with 600,000 people, or 20 percent of the population, living in them. Squatter settlements are of three main types: agricultural, commercial, and residential, with the majority being residential; 82

percent are in urban areas. The settlements vary in size from ten units to 1,000 units per site, accommodating more than 100,000 households.

Based on data obtained from the Ministry of Economic Growth and Job Creation, the distribution of squatter communities is presented in the diagram below:



The Commission recognizes that:

- The rise of squatter settlements reflects unresolved fundamental inequities that need to be addressed
- The rise of squatter communities also probably reflects 'rational' economic decisions as the squatter treats a range of costs associated with formal home ownership as 'avoidable'
- Further, given historically low levels of growth in the economy and persistent poverty across large segments of the population, in the context of a rational hierarchy of needs, while desire for some form of shelter may be high, desire for explicit home ownership is likely to be low
- While detailed empirical demographic data on individuals living in squatter communities is limited and reliance must be placed on anecdotal evidence the incidence of squatting is multi-dimensional and is likely to be related to numerous factors including:
  - Opportunistic land capture
  - Limited housing opportunities available in close proximity to labour market concentrations

- Fractional employment patterns across lower segments of the society, thereby limiting their ability to qualify for mortgage loans in the formal financial system
- Weak land titling practices.

## ***3.6. Social housing and the impact on squatter communities***

### ***3.6.1. Overview and background***

The Caribbean (the Bahamas, Barbados, Jamaica, Guyana, Suriname, and Trinidad & Tobago, in particular) faces the daunting challenges of improving the lives of the approximately 1 million people who are living in informal/squatter settlements (IDB, 2016). In the case of Jamaica, social problems linked to housing are continuously amplified, in part, by sluggish increases in wages, particularly among persons earning low incomes. Evidence suggests that Jamaica has done more in terms of providing housing solutions/assistance to low income earners when compared to many of its Caribbean counterparts.

Not all inhabitants of informal settlements are low income earners and therefore, may not be in need of full intervention. Additionally, arriving at an appropriate benchmark to categorize low income earners (in need of social housing) remains subjective in Jamaica. The foregoing underscores the point that identifying persons in need of social intervention can be problematic; as living in an informal settlement by itself does not suffice as a reliable indicator and determining who to classify as a low income earner is oftentimes dependent on economic context.

Notwithstanding the nuisances faced by policymakers on how best to classify Jamaicans who are in need of social intervention, it is estimated that some 600,000 residents of informal settlements are in need of social housing solutions/assistance from the Government of Jamaica (Ministry of Housing, 2008). For some persons, the National Housing Trust (NHT) should be the arm of government to address the issue of social housing. For others, the NHT has not yet done enough to address this issue within its mandate for some of its estimated 444,188 contributors and at times has stepped outside of its mandate to address the social housing needs of both contributors and non-contributors.

Though several definitions of social housing exist, there is but one consistent criterion, that is, social housing is subsidized housing. Since inception, the NHT has contributed to the provision of social housing in several ways, namely; the provision of cash grants to qualified mortgagors, offering mortgage financing at subsidized rates and providing housing solutions at below market prices. It is therefore necessary to highlight the over 200,000 subsidized benefits provided by the NHT since inception that is estimated to have assisted close to 600,000 persons (inclusive of family members)<sup>18</sup>. Also, there are instances where the NHT lent financial support to agencies of government, for example, between 2004 and 2007, over \$600m was transferred to assist the Office of National Reconstruction (ONR), which was constituted to lead recovery efforts, following the passing of Hurricane Ivan (September 10-12, 2004). Additionally, the funding provided by the NHT assisted recovery efforts associated with three other hurricanes<sup>19</sup>.

<sup>18</sup> a) The fact that each benefit granted directly and indirectly by the NHT has been subsidized.

b) An average of 3 persons to a household

<sup>19</sup> The NHT provided funding for assistance provided following:

But perhaps the most accepted expression of the NHT's contribution to social housing have been the Sugar Workers' Housing project, Relocation 2000 and the Inner City Housing Project (ICHP). The Sugar Workers Housing project targeted a group that had not benefited in significant numbers from the NHT and were facing grave housing challenges. Relocation 2000 removed residents from environmentally sensitive areas and/or locations that were required for other uses. ICHP was part of a broader redevelopment programme in downtown Kingston.

### ***3.6.2. Direct forms of social intervention by the NHT***

#### ***3.6.2.1. Sugar Workers' Housing***

The Sugar Industry Housing Limited (SIHL) was set up in 1974 to provide housing for sugar industry workers. The establishment of the Trust in 1976 created a natural partnership between two organizations which had as their priority the provision of low-cost housing for Jamaica's workers. From the inception, the SIHL was one of the public sector agencies that worked most closely with the Trust and between 1977 and 1989 this partnership provided some 1,600 houses at a cost of \$38.7 million for sugar workers. The partnership was boosted in March 1991 when the Trust embarked on a joint venture project with the SIHL. This saw the investment of \$10 million to provide houses for 2,000 sugar workers across the island.

- The project launch at the Bernard Lodge Estate in St Catherine initiated the first phase, where 50 studio units were to be built.
- Two other projects, located at Long Pond, Trelawny and Ricketts River in Westmoreland, would complete the investment. The Long Pond development would provide 23 solutions: 14 two-bedroom shell units and 9 Serviced Lots. The Ricketts River project would involve the upgrading of some existing houses and the building of 46 new housing units. In addition, water supply and roads in the areas were to be upgraded.
- Bernard Lodge and Long Pond Projects were completed. The two-bedroom units and Serviced Lots on the Long Pond Estate were sold to workers at a cost of \$189,000 and \$53,000, respectively, and the studios at Bernard Lodge for \$45,000.

In 2000, SIHL was closed due to severe cash-flow problems (Economic and Social Survey of Jamaica (ESSJ), 2001). Despite SIHL's efforts over the years, the majority of sugar workers did not own a house or a piece of land. At that time, an estimated 5,700 solutions were required to satisfy the workers' housing needs. The situation was considered intolerable given the sociological and economic importance of the sugar industry (MOU on Housing, 2000). Devising appropriate solutions would require the cooperation of the major players in the industry and in housing – the Sugar Producers Federation, the trade unions and the NHT – as the workers in the industry generally had difficulty in meeting the security requirements of the NHT.

In early 2000, a Memorandum of Understanding (MOU) was signed by the 3 unions, to provide some 3,000 housing solutions for Jamaica's sugar workers over 5 years, 2000–2005. The unions involved were the Bustamante Industrial Trade Union (BITU), the National Workers Union (NWU) and the University and Allied Workers Union (UAWU). Under the MOU, the island's 9 sugar estates were expected to participate, namely: Frome, Westmoreland; St Thomas Sugar Company and Stokes Hall, St Thomas; Bernard Lodge, St

- 
- a) 2005 - Hurricanes Dennis & Emily
  - b) 2005 October 17-18 - Hurricane Wilma
  - c) 2007 August 19 - Hurricane Dean

Catherine; Monymusk and New Yarmouth, Clarendon; Appleton, St Elizabeth; Hampden, Worthy Park, St. Catherine and Long Pond, Trelawny. The MOU highlighted problems that had contributed to the housing crisis affecting sugar workers, these included:

- minimal benefits, despite the fact that several sugar workers had been making contributions to the NHT since its inception, and
- low wages, in macro-economic conditions that constrained the ability of the members of the Sugar Federation to offer substantial wage increases.

The selling price of the solutions would be fixed and any cost escalation would not be passed on to beneficiaries. Serviced Lots were to cost \$350,000 - \$425,000 depending on the location; shell units, \$700,000; and studios, \$920,000.

The initiative carried a label similar to other before the Sugar Workers Housing project. Like its predecessors, the project was impacted by the problem of identifying suitable land. The sugar estates offered sites with difficult terrain, posing major difficulties for the construction of infrastructure and units, thus, increasing the cost of the programme; even as the unions asked for reduced selling prices. The release of unsuitable land, by the sugar estates, was explained by their desire to balance housing needs against the need to keep good land in production so that jobs would be secured. Further obstacles were introduced by the land tenure status of some sites, which were either under long-term leases or did not have the requisite documentation. Nonetheless, the NHT decided to move ahead with the programme. The initial proposal was that 90% of the housing solutions would be units and 10 per cent would be Serviced Lots. However, increases in construction costs due to difficult terrain led to a reduction in the number of units provided.

During 2001/2002, the first set of beneficiaries, 18 workers at the St. Thomas Sugar Company in Duckensfield, received their Serviced Lots and a model unit in the Bellrock Housing scheme. In 2003/2004, the completion of additional housing solutions was announced. They included: 581 Serviced Lots and 1 shell unit at Monymusk; 78 Serviced Lots and 1 shell unit at New Yarmouth. By the 2004/2005 financial year, another 133 housing solutions were announced for Appleton in St Elizabeth. While the provision of Serviced Lots, rather than units, was the result of higher than anticipated infrastructural costs; these Serviced Lots did not translate into a practical solution for the majority of workers as they were not in a position to bear building costs. This experience led to the unions asking for an additional subsidy from the government to facilitate the construction of units on the lots in 2006. The sum of \$2.3 billion was approved - \$1 billion for infrastructural work and the balance for completing units – and the NHT was given the responsibility to construct the units.

The subsidy to be applied to each worker was based on a sliding scale in keeping with individual wages, with the highest subsidies going to those earning the smallest wages. Qualification was determined by the ability to service a mortgage of \$600,000. With the approval of individual beneficiaries, the Trust could build the units or beneficiaries could assume full responsibility, using the NHT's Build-on-Own-Land (BOL) facility. In an effort to provide the most appropriate solution, the NHT offered modified versions of its standard one-bedroom and studio units. The one-bedroom units were 37 square metres (398 square feet). Each comprised a living/dining/kitchen area, a bedroom, a bathroom and a porch and included finishes such as ceramic tile floors; basin, toilet and bathtub in the bathroom; and stainless steel sinks and pine cabinets in the kitchen. The studio units were 21 square metres (231 square feet). The finishes were identical to those described in the one-bedroom units.

Both types of units were installed with hot and cold water piping and electrical wiring. The NHT's approach was to facilitate the building of the maximum number of units.

Once all the Serviced Lots were handed over, meetings were held with the beneficiaries to discuss building options, in keeping with what the beneficiaries could afford. Self-completion was still explored as an option and was taken up by several beneficiaries. At the end of 2006, a total of 1,891 Serviced Lots had been handed over to beneficiaries under the programme. In addition, the approved subsidy of \$2.3 billion by the government made the cost of units more affordable to workers and would thus facilitated the ensuing construction activities.

### ***3.6.2.2. Relocation 2000***

In September 1999, Government of Jamaica announced the start of Relocation 2000 – a project targeting approximately 1,000 families, living in squatter communities in St Ann, St Andrew and St James, for transfer to NHT-developed units on serviced sites. The communities were Seville in St Ann; Railway Lane and Barracks Road in Montego Bay, St James; and Mona Commons, St Andrew. They were selected because:

- The land at Railway Lane and Barracks Road was needed for expansion of the Montego Bay commercial district;
- Old Goal fishing village in Seville, where the wrecks of Columbus's ships are located, was a heritage site and was being threatened; and
- Mona Commons, was located across the road from the entrance to the University Hospital of the West Indies. Conditions in this squatter community had always threatened the university to the point that there were real fears that its status as a teaching hospital could be in jeopardy.

The idea was that, once the sites were cleared, they would be sterilized and no more squatting would be allowed. From the outset, the project required collaboration among several organizations. The NHT would be responsible for managing and coordinating the project and would seek commitments from the Ministry of Environment and Housing for land; the National Water Commission (NWC) for water supply; the Jamaica Public Service Company for electricity; Petrojam for asphalt; the Jamaica Defence Force (JDF) for site security and equipment; and assistance in other areas from private sector interests. The initial estimated cost was \$170 million to be borne solely by the NHT.

In addition to addressing the site-specific issues, the NHT embraced Relocation 2000 as part of its mandate, as it strived to be more responsive to the housing needs of persons in the lower income groups. It saw this project as an appropriate response to the plight of persons living under conditions of unsecured land tenure, as well as, those challenged by situations of overcrowding, lack of privacy, exposure to environmental hazards, poor hygiene and lack of social amenities (Daily Gleaner, 1999).

### **The Targeted Areas**

Out of all the sites identified, only two sites, Belair in St Ann and Providence Heights in St James were finally developed, facilitating the removal of squatters from nearby communities. Both new developments were provided with electricity, street lighting, central sewage treatment and water supply – supplemented by reservoirs. Belair had a reservoir with a capacity of 413,000 litres (109,103 gallons) and Providence had 1,136,500 litres (300, 231.5 gallons). The construction arm of the JDF was commissioned to lay down the infrastructure for both schemes. Not only did the JDF have considerable expertise in this area, it also ensured security on the sites. Contractors were Ashtrom Developers (Providence) and Royale

Homes (Belair). Lease arrangements were worked out with persons who could not afford loans. They, therefore, had use and occupancy rights but could not own the units unless their economic situation improved sufficiently. However, most householders could afford the loans which, for the most part, attracted interest rates of 2 and 4 per cent.

### **Belair:**

- The first 20 houses were handed over by March 2002.
- The second phase was scheduled for completion in June 2003 but it was not until September 2003 that another 120 householders received the keys to 100 semi-detached studio units and 20 one-bedroom units in this development.
- The scheme was finally completed in 2004 and comprised 120 duplex studio units, 20 one-bedroom units and 116 Serviced Lots.
- Land was also earmarked for commercial activities and play areas and included a dual-purpose court which residents used for both netball and basketball.

### **Providence Heights:**

Families from Railway Gardens – which comprised areas such as River Bay Road, Railway Compound, Lightbody Avenue, Railway Lane, Fish Lane, Coombs Lane, Barrett Lane, Catherine Lane and Dean's Lane – had a longer wait before they would benefit from the relocation programme. Their project suffered from a number of delays.

When the relocation was first announced, the plan was to move them to lands adjacent to NHT's Cornwall Court housing scheme, but residents of Cornwall Court objected strongly to persons from Railway Gardens being accommodated adjacent to their community. One reason was fear that their security would be compromised; another was an expected negative impact on property values. Another site had to be found. Lengthy negotiations between the government and the owner of the Providence site led to further delays, which were compounded by the technical difficulties posed in developing the stony terrain as a housing site. Heavy rains during 2001/2002 were cited as yet another contributing factor.

Providence Heights is located next to Flankers and is close to Sangster's International Airport, approximately 3 kilometres from the Montego Bay city centre. Construction started on January 6, 2003. The project should have been completed by November 30, 2003 but it would take another year, until October 2004, before distribution of all the housing solutions was completed.

The 260 studio units, 60 one-bedroom units and 54 Serviced Lots, which comprise the Providence scheme, are located on approximately 9 hectares (22.2 acres) of land. The average lot size is 178 square metres (1,920 square feet) with studio units at 30 square metres (320 square feet) and one-bedroom units at 42 square metres (452 square feet). In keeping with development standards, land was allocated for community facilities and play areas. Like Belair, Providence had a playfield with a dual-purpose (netball/basketball) court. Social amenities included a community centre and primary school. An important component of the relocation programmes for both the Belair and Providence Heights communities was the social development element. This was carried out by the NHT's Social Development Department in collaboration with the Social Development Commission (SDC).

The social development programmes focused on community building; they also assisted individuals in acquiring skills that could allow them to earn a living. In this regard, there was some self-interest on the part of the NHT. Beneficiaries needed regular employment to be

able to meet their new responsibilities. Individuals from the old fishing community in Seville would find it more difficult to pursue their livelihood in Belair, two miles from the sea, hence they needed new skills. The Human Employment and Resource Training (HEART) Trust and other training institutions assisted with this aspect of the programme.

Regional officers from the Trust's Social Development Department worked with the communities to implement programmes which included leadership training; youth clubs and senior citizens groups; money management; community education to promote better lifestyles; environmental programmes to encourage a culture of maintaining the physical environment; backyard gardens for self-sufficiency; sports development and cultural programmes that included participation in the biennial Best Scheme Competition.

### **Mona Commons:**

The third project site, Mona Commons, was located in Papine, St. Andrew, opposite the University Hospital of the West Indies. Up to 2006, an alternative housing site had not been identified even though several possibilities had been considered – Dallas Mountain, Tower Hill (Part of the Papine Estate), a part of the lands on which the Vocational Development Training Institute is located on Gordon Town Road, August Town, University of the West Indies (UWI) lands, and Langston Road, all in St Andrew as well as Quarry Hill in St Catherine.

**Main Challenges of Relocation 2000:** Each site had to be rejected for one or more of the following reasons. The terrain was unsuitable and would have required overly expensive infrastructure or there were environmental risk factors such as flooding and landslides along the Hope River watershed zone; sites were too small; or there was resistance from owners of available land (August Town and University of the West Indies lands). In addition, the squatter community residents who provided services to hospital visitors and whose economic activity would be severely curtailed by relocation, also resisted the planned move.

**Main Criticisms of Relocation 2000:** Critics of the programme included residents of the Cornwall Court Housing Scheme in St James who objected to the relocation of Railway Lane residents to lands beside their scheme. They contended that their new neighbours, the relocated community, would bring down the value of their property by introducing crime and violence into the area. Consequently, the NHT's project team had to work closely with institutions such as; the Social Development Commission, the Ministry of Environment and Housing, the National Water Commission (NWC) and the Jamaica Defence Force (JDF); to ensure some level of normalcy was maintained after residents were relocated.

### ***3.6.2.3. Inner City Housing Project***

ICHP continues to promote sustainable development in the inner city communities of the Kingston Metropolitan Area (KMA) through the improvement of physical and social infrastructure, the creation of economic employment opportunities, and a general improvement in the quality of life for citizens in these communities. When the ICHP was conceptualized in 2003, it was estimated that Jamaica needed some 15,000 new housing units annually to address its housing shortage. A total of \$3 billion in expenditure was projected over three years to construct 3,000 housing units in inner-city communities of Kingston, St. Andrew, St. Catherine and Westmoreland. The programme would combine new construction and refurbishing.

Under a Technical Cooperation Agreement with Malaysia, the government would be adopting a low-cost housing solution model which had been modified to satisfy Jamaica's

building regulations. The core unit would be a four-storey, walk-up structure containing two-bedroom units with a minimum living area of 650 square metres (6,997 square feet) and one-bedroom units for smaller families. Each of the new housing blocks would contain 48 residences and social amenities, including green spaces and playgrounds. Swimming pools were mentioned but were never taken seriously.

Four-storey apartment blocks for inner city communities were not new to Jamaica and, prior to the ICHP, a number of four-storey apartment blocks had been built in Denham Town. The majority of units under the ICHP were to be reserved for residents at selected locations in identified inner-city communities. Two approaches were adopted to identify and select persons for the new units. Under a 'brownfield' approach, people living in derelict structures would be re-housed in new structures built on the site of the demolished buildings. A much smaller number of 'greenfield' projects were also proposed, where units would be developed on unoccupied land and people resident within defined boundaries in the areas surrounding the new housing developments would be invited to apply for units.

Notable was the fact that the NHT's housing provision strategies had to be varied among residents of greenfield and brownfield communities. This was due to employment status and educational levels of the residents of the greenfield communities were higher than was the case with the brownfield groups.

### Specific Elements of the Brownfield Project:

- a. **Identification of the beneficiary communities.** The pre-condition was that households had to be living in substandard housing as evidenced by impermanent building materials, absence of potable water, lack of garbage disposal, and overcrowding at the household level. The brownfield downtown communities identified for upgrading were Tel Aviv and South Side (Parade Gardens), sections of Denham Town, Mid Town, Mathews Lane and Hannah Town. Outside the Kingston Metropolitan Area, brownfield sites were Frontier in Port Maria; Russia in Savannah-la-Mar; and Tawes Pen in Spanish Town.
- b. **Social surveys** in the communities to identify eligible households by name and to fix numbers. Persons who were not resident in a selected community at the time of the survey could not become eligible afterwards.
- c. **Identification of suitable lands for construction:** The footprint of the ICHP cluster – the area required by each apartment block in addition to space for parking and social infrastructure – was large, meaning that few of the existing sites were adequate.
- d. **Acquisition of the land.** The expectation was that lands to be used in the ICHP would have been publicly-owned lands but this was not always the case. Privately-owned lands had to be acquired, by compulsion in some cases.
- e. **Preparation of plans** and their submission to the authorities for approval.
- f. **Strata management training,** community meetings to facilitate dialogue with residents and identification of training needs had to be done. This was especially necessary because of the high rates of unemployment and casual employment among beneficiaries who were expected to begin regular loan or lease payments in a short time.
- g. **Training in areas such as conflict management:** The NHT was of the view that attitude and behaviour modifications were necessary for the success of this project.

Residents were coming from single-storey detached dwellings and from a culture that was highly individualistic and which, despite community ties, was not characterized by concern and care for public spaces and amenities. They were going into multi-storey apartments in which former norms such as the loud playing of music and casual disposal of waste were unacceptable (The NHT's On Housing Journal, 2007).

The project was to have involved key public and private sector agencies including the Kingston City Centre Improvement Committee (KCCIC), the HEART Trust/NTA, the Central Kingston Task Team, the Jamaica Chamber of Commerce, the Anti-Crime Initiative, and the Management Institute for National Development (MIND), the Social Development Commission and the Jamaican Social Programme Evaluation project (JASPEV). All of these agencies were involved in various aspects of poverty alleviation and had direct, or indirect interest in inner-city development. In fact, the ICHP was conceived as the housing component of a much broader, private sector led redevelopment of downtown Kingston. In its existing state, the ring of depressed, inner-city communities was seen as a threat to proposed investments in downtown Kingston. The extension of the project to communities outside downtown and in three parishes outside the Kingston Metropolitan Region was for equity.

The economic investments in downtown Kingston took inordinately long to get underway, even as late as 2006. But, before that, the NHT decided to make the pre-emptive strike, to be strategic. It would intervene well before the economic plan got underway and improve the physical conditions of residents in the expectation that the physical improvements would have an ameliorating effect in and of themselves (The NHT's On Housing Journal, 2007).

The ICHP Unit was set up in the NHT and work got underway. By July 2003, the Trust was advertising for professionals in the areas of architecture, civil and electrical engineering to submit proposals for the technical development and construction aspects of the ICHP. Ashtrom Developers, one of nine companies that put in bids, was contracted. The company came with a track record of working on similar structures as well as experience of working in "difficult" areas.

### **Challenges:**

- The project faced several challenges, the main one being the unavailability of suitable land.
- Even the demolishing of existing buildings to facilitate new construction was problematic. The people living in those buildings would have to move temporarily until the new units were completed, so alternative accommodation had to be found.
- Also, based on past experience, many feared that they would not be returned to their communities. This, however, did not happen: all persons who were displaced by the ICHP were offered new accommodation.
- Acquiring the land from the owners, some of whom were deceased and others who had migrated overseas or to other parts of the island, was another major challenge.

### **Strategies used to combat challenges:**

- The NHT used two strategies;
  - It advertised that it wished to buy identified parcels of land and invited owners to come forward.

- The second course of action, when property owners could not be located, was compulsory acquisition through the Land Acquisition Act.

### Special Considerations

A number of considerations went into the design of the buildings. The Trust, guided by complaints made by occupants of previous NHT schemes across the island and by research among the ICHP beneficiary communities, avoided some of these.

- Bedrooms were bigger; the number of electricity sockets was increased, to the envy of some beneficiaries from earlier schemes; baths were included in bathrooms; washing areas were placed in each unit as communal wash areas were reported to be sites of conflict; and corridors along the sides of buildings were eliminated, replaced with strategically placed staircases which served only eight units, two on each floor.
- Also, the staircases were enclosed and required keys. Lighting and the location of playgrounds and other common areas were designed using findings from the Crime Prevention Through Environmental Design (CPTED) approach (The NHT's On Housing Journal, 2007).

In terms of brownfield sites, 94 units constructed in three-storey blocks on Little King Street in Denham Town were the first to be completed in July 2005. This was facilitated by the availability of land in that area. The Government assisted in the temporary relocation of those households that had to be moved to facilitate the construction. Also scheduled for completion in 2005 were 252 units on a greenfield site in Trench Town. These were completed by August 2006. The third site was at Monaltrie, off Half-Way-Tree Road where 48 apartment units were built for residents who had lost their houses in a fire. The site had previously been targeted for development by Operation Pride, another state housing-related initiative.

*NB: Operation PRIDE is a scheme aimed at providing homes for working class people, whereby the government puts up the land and potential beneficiaries participate by becoming members of provident societies through which they save to finance the development. Beneficiaries can also contribute through sweat equity. But to ensure that projects moved ahead while the contributors built up their capital, the government advanced the cash for land development; according to the rules, this is to be reimbursed.*

Of the greenfield sites, 186 units at 88–100 Spanish Town Road were the first to be completed. This site had not been indicated in the original plan, but as no land was available in the communities targeted, it was decided to construct some of the units on land already acquired by the NHT and intended for housing developments. The community was called Caribbean Palms.

**Main Criticisms of the ICHP:** The ICHP programme was criticised from the outset. Points raised included the following:

- The NHT had gone outside of its mandate under the NHT Act to offer loans to non-contributors who would very probably be unable to repay them. Some persons were of the view that the ICHP was giving away contributors' money;
- Beneficiaries of NHT's regular products complained that the ICHP units were superior to the ones they had received, a situation made worse given the complaint above;
- Some sociologists felt that the multi-storey buildings were inappropriate for inner-city residents as they would aggravate undesirable behaviour;

- Others felt that the inner-city residents would not be able to handle the level of adjustment required by their new living arrangements and that a slower, more organic pace of change would have been advisable;
- It was claimed that units were awarded along lines of political patronage – however this criticism was incorrect and never substantiated; and
- Many felt that the level of subsidy was excessive.

**The NHT's Response to Criticisms:** A number of these criticisms were addressed in the (special) 2007 issue of the NHT's On Housing Journal. In that issue, the reasons for some of the decisions taken were outlined, for example: to provide a finished, quality product in the form of a two-bedroom apartment was based on the premise that there is something inherently unethical in a government agency offering a studio apartment to a family of 7 persons. Highlighted were instances of overcrowding, which created negative psycho-sexual consequences for both girls and boys and contribute to the creation of slums.

The criticism that the NHT offered units along political lines was dismissed, as those who received benefits on brownfield sites had simply been re-housed and the application and selection process for benefits on greenfield sites was the same process used for beneficiaries in the regular NHT schemes. Many residents of inner-city communities were NHT contributors and the fact that non-contributors who wished to benefit had to regularize their status with the NHT.

Many of the residents of the ICHP units demonstrated their ability to handle the shift in their living arrangements despite the increased costs they were called on to bear. The NHT highlighted instances where persons began paying utility bills willingly after becoming homeowners.

**Relocation 2000 & ICHP – Similarities:** As was the case for the beneficiaries of the Relocation 2000 programme, the ICHP designed and implemented a social development programme comprising a number of skills training courses to help residents of the targeted communities to improve their employability and/or entrepreneurship capacity. The NHT collaborated with the Jamaica Employers Federation (JEF), the Jamaica Chamber of Commerce (JCC) and HEART Trust/NTA to determine the most appropriate training to be offered to the ICHP beneficiaries. However, the high levels of illiteracy meant that several individuals had to have remedial training to bring them to a level where they could access the available training.

The Trust wanted to train the people so that, at the point of handing over of units, they would be able to pay the mortgage and improve their social condition. On the advice of the JEF, JCC and HEART, training programmes including customer service, data entry operations, upholstery, landscaping, pest control and janitorial techniques were implemented.

**Unique Challenges:** The high rate of non-participation by young men in the social development programme was a major obstacle and led to the introduction of the "Man & Man" initiative in May 2005, where male role models were used to encourage others to become involved. The training programme also faced high drop-out rates. However, the introduction of a token fee, representing less than 20 per cent of the cost of the programme, to be paid at the start of the course, resulted in better attendance rates. An important element of the training was career planning. Fewer than 50 per cent of the men targeted were eventually channeled into employment opportunities (The NHT's On Housing Journal, 2007).

At the end of 2006, fewer than 20 per cent of the overall target group had been placed in jobs. Of these, many were dissatisfied with the near minimum wages received. Nevertheless, the fact that training was taking place and many inner-city residents were now embracing the possibility of a different way of life, could be viewed as a positive beginning.

The satisfaction that residents expressed with their ICHP units and new surroundings might be seen as a positive indicator for the sustainability of the programme. However, judgement on the failure or success of the ICHP must wait for another few years. At the thirtieth anniversary of the Trust, several developments were yet to be completed and it was too early to assess the sustainability of those that had been completed. Additionally, the private sector economic investments had still not been implemented.

### ***3.6.3. The need for an approved National Housing Policy***

Data received from the Statistical Institute of Jamaica indicated that between 2001 and 2011, an average of 13,062 dwelling units were created nationally. This result pointed to a reduction in the annual average of 15,447 achieved between the 1991 and 2001 Censuses. The decrease in national production has further fueled discussions of increasing the number of housing units delivered to the market, particularly those created for low income earners.

A National Housing Policy is needed to promote sustainable development of housing in Jamaica with a view to ensure an equitable distribution of land, shelter and services at affordable prices for all social categories, with special focus on the needs of the poor, marginalized and disadvantaged. Jamaica's Vision 2030, National Development Plan, National Outcome # 15, advocates for the creation of a framework for urban and rural development that supports the economic and social development of all parishes to achieve their full potential, thereby creating sustainable communities (Housing Policy Unit, MEGJC – 2016). Therefore, addressing the shortage of suitable housing for Jamaicans requires a national approach inclusive of the inputs from policymakers, planners and financiers. Of importance is the completion of the aforementioned National Housing Policy, and the adoption of its contents by both private and public stakeholders. Without such a Policy being in place, stakeholders' activities will not be in unison and duplications of efforts is almost guaranteed.

### **The Platform Necessary to Implement the Recommendations in the National Housing Policy**

The necessary benchmark(s) that will emanate from the National Housing Policy will enable a national assessment of the impact of the 10,000 low-income housing solutions that will be produced by the NHT over the short term. Already the NHT boasts an enviable record of providing more than 50% of the housing solutions created in Jamaica (ESSJ –PIOJ).

However, there is an area of social housing where more needs to be done, and done effectively. The area is in keeping with the regularization of "squatter communities" where many residents are excluded from the formal housing finance market, and perhaps the formal economy.

### ***3.6.4. Addressing the incidents of squatting***

Squatter settlements are primarily the result of the high cost of housing on the open market; the limited access granted by the private sector for low income persons seeking cost effective housing finance; and the desire of the low incomers to reside closer to where job opportunities exist (i.e. urban areas). The prevalence of squatter communities impacts the

quality of life for individuals, increases social costs to society and adversely impacts economic expansion.

### **Estimating the True Number of Residents in Squatter Settlements**

The 2011 Census of Population and Housing (Jamaica) Report highlighted that 8,823 households were squatters. This result was an increase over the 4,162 and 5,454 recorded in the Reports for 1991 and 2001, respectively. The Census results do not appear consistent with the over 750 squatter settlements (with some 600,000 persons) reported by the Ministry of Housing in 2008. The Ministry also indicated that there were more than 100,000 households living in these settlements. The data disparity is as a result of the low response rate exhibited during the Censuses, which is not surprising as residents of these settlements generally feel a sense of ownership resulting from residing there for most of their lives. Another contributing factor is the withholding of true tenancy out of fear of being ridiculed.

### **Laying the Foundation to Address the Challenges Associated with Squatter Settlements**

Of national importance will be the results of the proposed Comprehensive Survey of Squatter Settlements which has been funded by the NHT and is being undertaken by the Ministry of Housing. The survey will allow for the creation of a Typology of Squatter Settlement Classification System. Classification of settlements, will result in each being placed in one of 3 Tiers, or be regarded as a Split Settlement (which is a mixture) (See list below)<sup>20</sup>:

- Tier 1: The protection of life and the natural environment
- Tier 2: The orderly development and efficient utilization of land and land resources
- Tier 3: Improving the quality of life of residents
- Hybrid: Split Settlements (containing areas that belong to more than one Tier)

Better strategies to target individual communities will be forthcoming after the establishment of the aforementioned Classification System. Nevertheless, the NHT can now earmark the resources necessary to render meaningful assistance to address this challenging situation, which impacts the nation as a whole and many of its contributors, specifically.

<sup>20</sup> Strategies will be created to improve each community based on the needs/threat levels associated with the Tier of placement.

### ***3.6.5. The NHT Act and the provision of social housing***

The NHT Act does not speak specifically to the provision of social housing. However, the Act makes provisions concerning education and development projects. In the case of education, the provision was specific to the “one-off” drawdown of \$5B in 2005 “for projects for the development of education.” The Act also provides, in more general terms, for “social services and physical infrastructure for communities developed under [such] projects.” Without any adjustments to the Act to accommodate the inclusion of services aligned to social housing, the benefits to be provided has to be done under the aforementioned areas of the Act.

The Commission recommends modifying the NHT Act to empower the NHT to allocate a fixed proportion or dollar amount from its surplus on an annual basis to address social housing in general and in particular the twin issues of regularization of squatter settlements and land titling.

## 4. Overview of the housing finance system in Jamaica

### 4.1. Introduction

Both the private and the public sectors play active roles in financing the construction and purchase of houses in Jamaica. Public sector finance plays a critical role in providing housing solutions to the lower income groups; the private sources of finance play an increasing role as income rises and the housing unit become more expensive. It is not unusual for units to be purchased using a mixture of public and private funds, particularly for middle income housing.

MORTGAGES BY MAJOR AGENCIES, 2010–2015  
\$ million

| Entities                        | Jan-Dec 2010 |          | Jan-Dec 2011 |          | Jan-Dec 2012 |          | Jan-Dec 2013 |          | Jan-Dec 2014 <sup>r</sup> |          | Jan-Dec 2015 <sup>p</sup> |          |
|---------------------------------|--------------|----------|--------------|----------|--------------|----------|--------------|----------|---------------------------|----------|---------------------------|----------|
|                                 | Volume       | Value    | Volume       | Value    | Volume       | Value    | Volume       | Value    | Volume                    | Value    | Volume                    | Value    |
| NHT                             | 6 806        | 15 714.6 | 7 425        | 20 671.8 | 7 205        | 19 387.3 | 7 916        | 21 697.3 | 6 324                     | 17 711.0 | 5 964                     | 17 080.2 |
| Building Societies <sup>a</sup> | 1 479        | 8 909.9  | 918          | 5 171.4  | 1 281        | 7 399.4  | 1 649        | 12 264.9 | 1 526                     | 12 099.4 | 1 639                     | 14 349.0 |
| Life Insurance                  | 7            | 49.3     | 22           | 144.6    | 43           | 254.5    | 51           | 450.8    | 53                        | 403.8    | 42                        | 639.2    |
| Credit Unions                   | -            | 0.0      | 5 725        | 1 967.9  | 3 155        | 1 656.6  | 7 692        | 3 275.3  | 5 525                     | 3 952.9  | 7 409.0                   | 2 655.1  |
| Total                           | 8 292        | 24 673.8 | 14 090       | 27 955.7 | 11 684       | 28 698.9 | 17 308       | 37 688.3 | 13 428                    | 34 167.1 | 15 054.0                  | 34 723.5 |

r - revised

p - preliminary

a - values for 2011 include amount provided by only two of the mortgage institutions

Source: Compiled by the Planning Institute of Jamaica

### 4.2. Flow of Funds in the Housing Finance System in Jamaica

The housing finance system in Jamaica is comprised of both public and private sector players that finance the construction and purchase of houses. These players are funded by different sources and all compete to provide mortgages to willing and able consumers in the market.

The public sector players are:

- The National Housing Trust (NHT)
- Jamaica Mortgage Bank (JMB)
- Housing Agency of Jamaica (HAJ)

Public sector players play a vital and critical role providing financing and housing solutions.

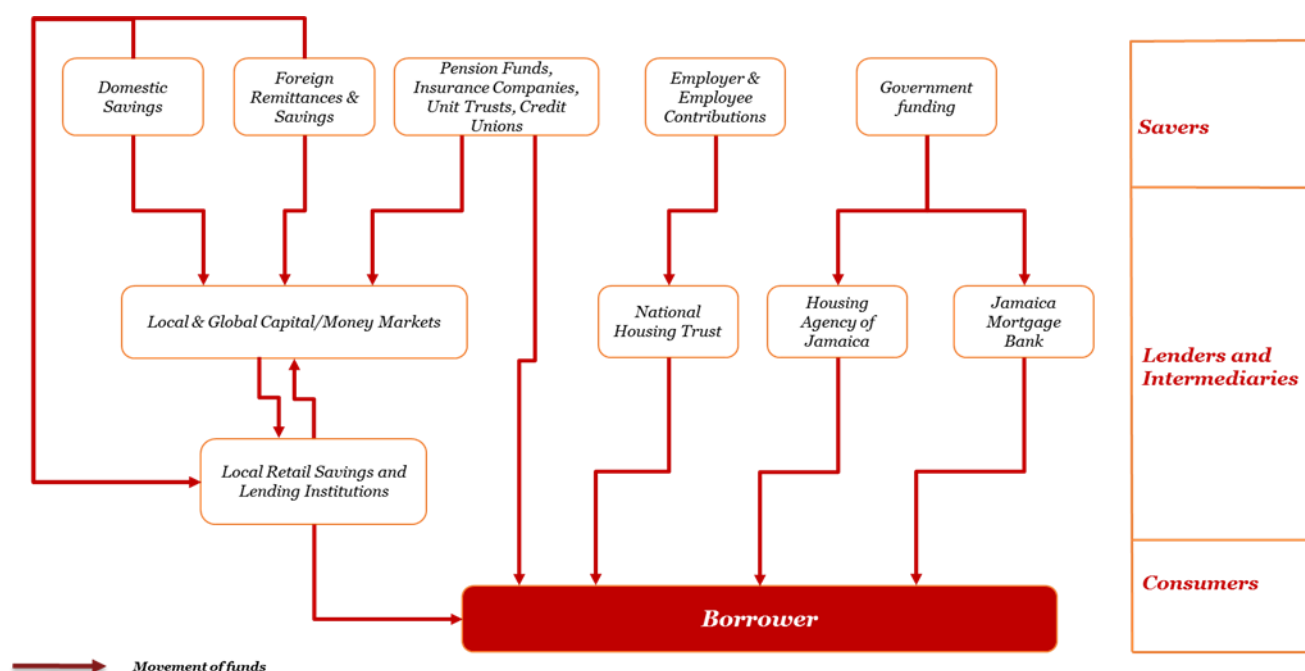
The private sector players are primarily comprised of:

- Building Societies
- Commercial Banks
- Credit Unions
- Insurance Companies

These institutions supply the wider market, lower, middle and upper segments and provide a means of closing the gap left by the public sector players.

The chart below depicts the flow of funds in the housing finance system in Jamaica. The players and participants in the market can be categorized as follows:

- Savers
- Lender/Intermediaries
- Consumers



**Savers** provide the initial and primary source of funds injected into the housing system. They originate from domestic savings, foreign remittances and savings. Other sources of savings are Pension Funds, Insurance Companies, Unit Trusts, Credit Unions and Employer and Employee contributions into the National Housing Trust. The funds from these sources are for the most part injected into the “safekeeping” of the **Lenders/Intermediaries** while earning interest at the prevailing savings market rates. They are Lenders/Intermediaries are local and global capital and money markets, local retail savings and lending institutions that provide mortgage financing to **Consumers**. Consumers are the eventual borrowers/beneficiaries that obtain mortgage financing at the prevailing mortgage interest rates.

### 4.3. Public Sector Financing

The Jamaican state plays a major role in housing finance through three main institutions:

#### 4.3.1. Housing Agency of Jamaica

The HAJ is a wholly owned government entity registered as a limited corporation under the Jamaica’s Companies Act. The firm’s major business is mortgage financing and housing development. Its portfolio is dominated by construction of residential housing with HAJ acting as developer in open market activities.

The HAJ is a land and housing development company that seeks to provide affordable housing solutions for Jamaicans. It is the result of a merger in 1998 of the Caribbean

Housing Finance Corporation (CHFC), the National Housing Corporation (NHC), and Operation PRIDE and was renamed HAJ in 2008. The CHFC was responsible for the servicing of mortgages to purchasers of units built by the then Ministry of Construction (Housing), while the NHC was responsible for the design and development of middle-income projects.

Operation PRIDE was designed to make land more easily accessible and affordable to a broad category of people who did not own land. HAJ's main activities include property development, the construction and sale of housing units for low and middle-income earners, and the regularization of tenure on land through titling services.

### ***4.3.2. Jamaica Mortgage Bank***

JMB was established in 1971 by the United States Agency for International Development (USAID) and the Commonwealth Development Corporation (CDC) as the original shareholders.

In 1973, JMB became a statutory corporation through an Act of Parliament. Currently, the Bank has three core functions:

- Primary market financing - largely short-term financing for residential construction
- Secondary market financing – buying and selling mortgages
- Mortgage insurance services – insuring residential mortgages

When the JMB was established it was intended that the JMB would have become the "Fannie Mae of Jamaica". The entity would be a Government Sponsored Enterprise (GSE) that led in modernising the Jamaican housing finance market. Its core function would be the purchase and sale mortgages to approved financial institutions, thereby providing an adequate and stable source of funds for housing on the best possible terms for the Jamaican people.

Currently, the JMB is mostly active in the construction financing market providing monies to private developers. It mobilizes funds from local and foreign sources and lends to developers and financial institutions.

## ***4.4. Private Sector Financing***

Private sources of financing, particularly from building societies, provide significant funding to the housing market.

In addition to the building societies, mortgage financing is also provided by credit unions and insurance companies. This funding is largely to the retail mortgage market, funding open market purchase and home construction. Traditionally, these institutions are mutual societies rather than corporations notwithstanding a recent change in corporate form, with one of the large mutual building societies reorganizing as a commercial bank. In each, members endure significantly reduced rates on their deposits so as to qualify for mortgages at concessionary rates upon meeting the particular requirements of the program to which they have registered. Non-members borrow at significantly higher rates.

Credit unions function similarly on a membership basis but traditionally make smaller loans. Insurance companies provide loans largely to their premium paying clientele as a part of their customer benefits.

Other sources of private funds such as self-financing, family and seller financing are significant. Jamaica receives significant inflows from remittances and from the informal

economy. These sources fund houses island-wide, however self-financing whether using saving or remittances sources is particularly common outside the urban areas.

In rural groups, any kind of loan financing remains unpopular and families often build their homes over time drawing on their domestic cash flows. Participants in the informal economy often wish to avoid the documentation of income required by the mortgage application process.

## ***4.5. Summary of Jamaica's Housing Finance***

Jamaican housing finance consumers are predominantly urban individual retail clients and housing developers. Mortgage financing is accessed by all income groups with self-finance being more common in the rural areas and to the lowest and the highest income groups. The lenders include both private and public sector firms. The public sector players dominate lower income, third-party financing. Often the players in this sector are both major developers as well as housing financiers. The JMB focuses on financing private developers. Building societies dominate the private sector third-party financing, providing loans to much of the middle-income groups.

Intermediaries do not play a large role in the Jamaica housing financing. The JMB is active in this market raising money by issuing bonds in the local capital markets. The NHT has also made limited private placements in local and international markets. The private sector lending institutions access the capital markets in their ordinary treasury operations.

There is limited evidence to suggest that international source of funds play a major role in the third-party financing. This source would impact largely through:

- Remittance flows that can be speculated to play a role in the self-financing sector and
- The operations of each of the building societies that have operations in the USA and UK.

Local sources fund much of the housing largely through the mandatory contribution to the NHT and the low-cost saving flow into the building societies. The lending institutions are generally vertically integrated with each providing their own loan origination, servicing, funding and then holding the loan to its maturity. The operations are mainly primary market, although the JMB has a mandate for secondary market operations.

## 5. NHT – A descriptive assessment

### 5.1. Establishment of the NHT

Jamaica's housing challenges are an historical inheritance. Like so many other developing countries and even advanced economies housing is a fundamental issue that has created a rate of growth of housing need which has never been matched by the official supply of new housing for purchase or rental<sup>21</sup>.

The 1970's financial crisis was driven by increases in basic imports such as cereals, vegetable oils, and crude oil which burdened Jamaica's balance of payments. The increase in the cost of living led to Jamaican workers demanding increased wages, and incomes soon grew faster than the value of goods produced that quickly led to inflation<sup>22</sup>. Increased house prices were experienced by the majority of working Jamaicans in an environment where the main mortgage institutions were building societies and insurance companies<sup>23</sup>.

During the economic crisis of the mid 1970's, the Jamaican Prime Minister Michael Manley established a Commission for Economic Stabilisation, comprising representatives of the government, trade unions and private sector. The Commission entered into deliberations on the government's proposals for guidelines in wages, salaries, dividends, profits and prices<sup>24</sup>. Arising out of discussions, the Commission had contemplated the establishment of a trust to assist the Jamaican workers to cope with the economic crisis.

The trade unions have been credited with the idea for the NHT as commended by Prime Minister Michael Manley "setting up of the NHT was the result of an approach to the government by the nine major trade unions which, collectively, represented over 200,000 unionised workers"<sup>25</sup>. The NHT was established in 1976 through an amendment to the National Insurance Act of 1976. Minister Isaacs outlined some of the thinking behind its creation<sup>26</sup>:

- The NHT would provide a "mechanism for the mobilisation of mass savings" which would, by law, be channeled into a special trust fund that would be kept separate from the National Insurance Scheme
- It would create new wealth for the nation in the form of housing
- It would provide new jobs in the construction industry
- The establishment of the Trust would contribute to the general stabilisation of the economy.

<sup>21</sup> The National Housing Policy and Implementation Plan for Jamaica

<sup>22</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

<sup>23</sup> A Study on Housing in Jamaica Vol 1: Technical, Sociological, Financial and Economic Aspects of Housing The National Housing Trust – The First Thirty Years 1976 - 2006

<sup>24</sup> The National Housing Trust – The First Thirty Years 1976 – 2006

<sup>25</sup> Housing Trust set up after approach by 9 unions

<sup>26</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

In 1979, sections of the NIS Act were repealed to allow the Trust to be established under its own act, the National Housing Trust Act. The NHT was established with the mission of increasing and enhancing the existing housing stock and providing financial assistance to the neediest contributors wishing to purchase, build, maintain, or upgrade their homes. Other aspects of the mandate included generating funding for the housing construction sector, promoting improved building systems, and making the industry more efficient. The NHT was to be funded from payroll deductions that included:

- Two percent (2%) of the gross wages of workers, and
- Three percent (3%) of employers' wage bills<sup>27</sup>.

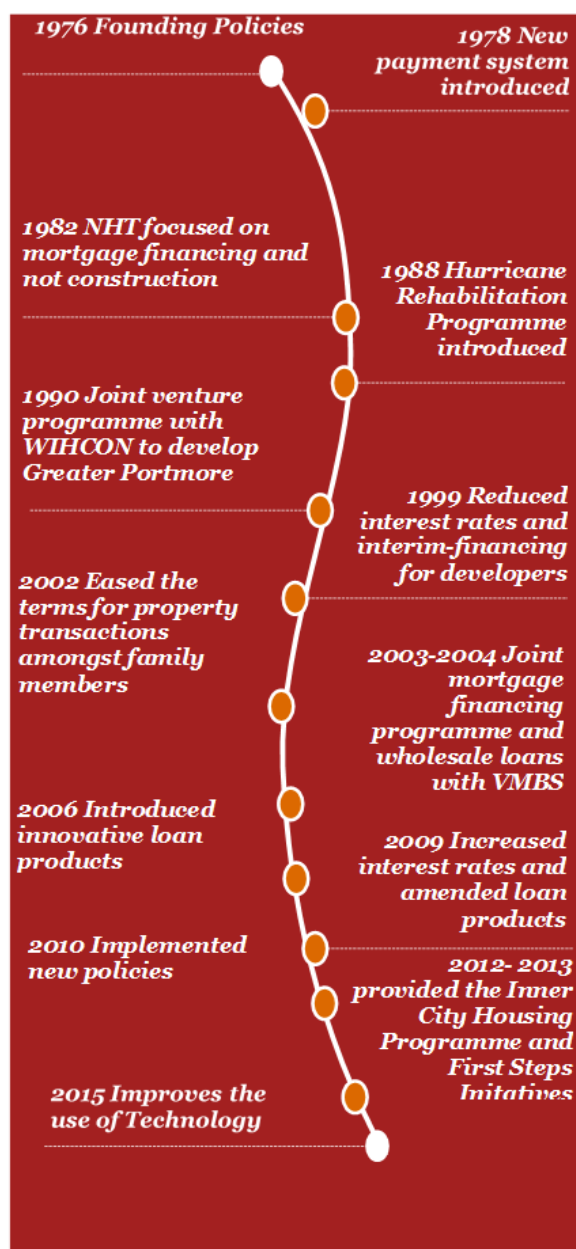
---

<sup>27</sup> Inter-American Development Bank – The state of Social Housing in six Caribbean Countries

### 5.1.1. NHT Adapting to a Changing Environment

The Trust was established as a statutory body governed by the NHT Act, and it was intended that the funds would be prudently managed and used for its intended purpose. With the statutory body status, NHT was able to recommend policy changes that were only implemented subsequent to Parliament passing it into law.

#### Timeline of Key NHT Policies



The initial policies of NHT were addressed in the amendments to the National Insurance Act, and critical issues<sup>28</sup> included:

- Criteria by which applications would be prioritised within the random selection process. Priorities were based on factors such as the length of time a contributor had been making payments to the Trust, the greatest need based on the lower income, and individuals who wanted a house in a scheme promoted by the Trust
- Determine the terms and conditions of loans granted. The NHT had the ability to place restrictions on the loan criteria, including but not limited to the maximum loan available for each individual, repayment period, combining income to obtain a housing benefit, and eligibility for receipt of another NHT benefit
- Extension of loan repayment. The loan repayment period could be extended subsequent to the NHT determining that the situation warranted the five (5) year extension period.

#### 5.1.1.1. NHT Policy Changes during the 1970's and 1980's

During 1978, the NHT realised that its loans were not attractive to low income earners. The Trust attempted to remedy the situation by aligning interest charges to income.

<sup>28</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

***“The annual reports of 1977 and 1978 report an interest rate of 8 per cent being charged to all beneficiaries. In 1979 a sliding scale was introduced whereby interest rates would range between 4 and 8 per cent, with the lowest rates aligned to the lowest income levels. A total of 2,828 mortgages were recorded for the 1979 financial year compared with 1,164 for 1978 and 189 for the 1976–1977.”<sup>29</sup>***

Policy changes were also recommended for developers as they desired a reduction in construction costs that could be alleviated with interim financing. NHT’s solution was to provide a sliding scale for interim and long-term financing, and capital investment in building technology to facilitate economies of scale that would benefit the housing construction industry.

In 1978, a new system was introduced that would remove the lengthy and costly process of contributors making payments through the tax offices, Collector General’s accounts at Bank of Jamaica and then to the NHT. Instead, contributors’ payments would be made at commercial banks that would potentially save J\$250,000 per annum.

The Jamaican economy of the 1980s experienced sporadic growth and declines were mainly attributed to a global decline in Bauxite. Although the local economy’s growth fluctuated, it was noted that most Jamaicans enjoyed a relatively high quality of life when compared to other Caribbean countries. Nevertheless, Jamaica still suffered from severe social problems resulting from the skewed distribution of the country’s wealth, often said to be the legacy of colonialism and slavery<sup>30</sup>.

The public housing sector in 1982 was reorganised by the Government of Jamaica and altered the operations of the NHT so that the organisation would focus on providing financing for contributors to purchase houses rather than on the development of housing schemes. A policy was introduced that included the ability for people with disabilities to obtain a special housing loan at concessionary rates, and discontinued policies were the developers programme that provided interim financing and the random selection system.

In 1983, a new system for applicants was introduced in the form of a priority entitlement index (PEI) system that required two hundred (200) points for the eligibility of contributors, including the:

- Number of years of contributions
- Value of a tax-free mortgage bond which could be purchased from the NHT or earned from unclaimed cash grants
- Income of the contributor<sup>31</sup>.

<sup>29</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

<sup>30</sup> Caribbean Islands: A Country Study. Washington: GPO for the Library of Congress, 1987

<sup>31</sup> National Housing Trust Offering Mortgage Loans Under the Priority Entitlement System”, Daily Gleaner, March 26, 1984

A home bond certificate was introduced concurrently with the new PEI system and it was available in denominations of J\$50, \$100, \$500 and \$1,000. In 1986, the Priority Entitlement Index (PEI) underwent a name change to Priority Index Entitlement (PIE) system and was modified to include geographic location as one priority in the distribution of scheme units.

*Under the PEI, contributors could apply for scheme houses in the most desirable locations, regardless of where they lived or worked at the time of application. Consequently, certain schemes were heavily oversubscribed. To counteract this, the new NHT PIE regulations stated that in selecting beneficiaries, preference would be given “according to proximity of place of residence or employment in concentric bands 4 miles in width”*

A Mortgage Certificate programme (certificate) was born out of the recommendations from a task force that comprised of representatives of public and private housing market players. The task force analysed local mortgage financing and provided an appropriate mortgage instrument for low-income earners. The necessity of providing the Mortgage Certificate programme was due to the lack of focus on this category of contributors, as NHT appeared to concentrate on the low-income earner category.

The certificate was introduced in July 1986 and it allowed an NHT borrower who wished to purchase a house that cost more than the maximum NHT loan amount to combine NHT funds with funds from selected private lenders<sup>32</sup>.

#### *5.1.1.2. NHT Policy Changes from 1988 to 1990's*

In 1988, Jamaica experienced the devastating hurricane Gilbert and the NHT responded by providing a Hurricane Rehabilitation Programme directed at repairing the worst hit units by the end of the calendar year.

The Government of Jamaica recognised that there continued to be a shortage in the amount of houses and the affordability of houses and directed the NHT to revisit housing construction, and policies that guided product development and distribution of housing benefits. In 1989, new strategies were introduced that included:

- *Interim financing for private and public sector developers of low-cost housing*
- *Direct involvement in housing development and use of small contractors to build NHT-designed units Deployment of a rural branch network to extend the Trust's reach into the parishes and facilitate improved customer service for rural contributors*
- *Ensured benefits to groups such as nurses, teachers, civil servants, sugar workers and members of the security forces*

<sup>32</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

- *Re-development of the Community Development Department which had helped in the socialisation process as beneficiaries of scheme units adjusted to the responsibilities of home ownership, both in regard to living in a community and complying with the regulations of the Trust.*
- *Introduction of the daily intake system of applications Investment in housing construction as an alternative to depositing funds in various financial institutions*
- *Introduction of the employer joint-venture initiative, which saw the broadening of the mortgage certificate concept to allow employers to assist workers by matching the funds they accessed from the NHT at a reasonable interest rate*
- *Land banking which was intended to ensure the availability of suitable land at affordable prices for future housing projects<sup>33</sup>*

During the early 1990's, bauxite and increasingly tourism were important foreign currency earners for the economy, with remittances joining that cohort in the late 1990s. Free market capitalism in a high interest rate environment contributed to the mid-1990s financial and banking sector slump and the resultant large-scale government bailout of the sector threw the country's fiscal apparatus into a state of imbalance, thereby making social necessities less of a budgetary priority and largely reorienting the Government's focus to issues of macroeconomic stability<sup>34</sup>.

In the public housing sector, NHT expanded a joint-venture programme that connected the private sector and public sector entities for housing projects. A response to the escalating house prices, the NHT embarked on a partnership with West Indies Home Contractors (WIHCON) to develop Greater Portmore, the largest scheme to be undertaken by the Trust.

By 1991, the land acquisition policy provided a consistent supply of land for NHT housing projects, and NHT provided an increase in the age of female beneficiaries for mortgage payments and contribution refunds. During 1992, a NGO grant programme was established through which community-based organisations could apply for assistance with their housing and community projects.

In 1993, senior citizens (contributors over 55 years) became eligible for 6% interest rate on loans, regardless of their income. The NHT introduced the House Lot benefit in 1994 with a limit of \$200,000 for purchasing land from an individual or agency. This initiative was in response to rising costs for serviced lot and house lot. The serviced lot was a residential lot located in an NHT scheme and served with roads, water, electricity and, perhaps, sewage disposal. The house lot was a residential lot bought from a vendor other than the NHT and which might not necessarily have the infrastructure found on a serviced lot<sup>35</sup>.

Contributors experienced a reduction in interest rates during 1995, and a mortgage rescheduling programme was implemented, while the graduated mortgage programme was

<sup>33</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

<sup>34</sup> Jamaica Observer - A brief history of Ja's modern economic performance: The rise and fall

<sup>35</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

discontinued. During 1996, NHT added a lower interest rate band, increased the ceiling on loans, and introduced higher debt service ratios.

### *5.1.1.3. NHT Policy Changes from 1999 to 2006*

From 1999 to 2000, Jamaica experienced a decline in interest rate from approximately 18.9% to 11.5%<sup>36</sup>. NHT responded with a reduction of interest rates between 2-12%. This reduction assisted contributors to obtain a higher mortgage value.

By 2001, the construction industry also benefited from the reduced interest rates in the form of interim-financing to build lower-cost housing. The removal of the location priority for rural housing schemes was also made to the PIE system. Sugar workers also benefited from the Sugar Workers Housing programme which was a joint venture arrangement with sugar industry players, unions and NHT.

Policies were introduced in 2002 that eased the terms for property transactions amongst family members and facilitated the following arrangements<sup>37</sup>:

- Individuals were able to use NHT funds to purchase property from other family members
- A spouse whose name was not on the title of a residential property was considered a non-homeowner;
- Eligibility criteria for a loan were changed to include any contributor who had made 52 weekly payments, 13 of which had to have been made in the 26 weeks prior to the application and who had accounted for and paid with interest, any outstanding contributions due in the last seven years

During 2003 and 2004, NHT introduced measures for NHT beneficiaries to cover loan servicing costs, the introduction of a joint mortgage financing programme with Victoria Mutual Building Society (VMBS) and wholesale lending where you could apply for a NHT loan through VMBS. Additional policies included, the Mortgage Incentive Programme that offered beneficiaries the opportunity to clear arrears up to 75% of the balance. This not only eased the burden on delinquent mortgagors but also assisted NHT to collect outstanding funds of over J\$179 million.

A special project in 2004/2005, facilitated a partnership between the NHT and the National Land Agency. The alliance allowed for NHT transactions to be done – at a special window at the titles office for an expedited process and to not impede the turnaround times for the other National Land Agency customers. NHT matters accounted for approximately 25% of the National Land Agency transactions<sup>38</sup>.

***Re-calculation of the debt-service ratio from 40% of the gross income to 33⅓ %. This meant that a beneficiary earning \$40,000 per month, before tax, would qualify for a loan with a monthly payment of \$13,300, whereas previously he would have been required to pay a mortgage of \$16,000 per month***

<sup>36</sup> World Bank Data – Real Interest Rate

<sup>37</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

<sup>38</sup> National Land Agency Annual Report 2004-2005

*“2006 the Trust announced significant increases in the loan limits for its products. Contributors benefited from a 100 per cent increase in the loan ceiling for Open Market, Scheme and Build-on-Own Land loans, which moved from \$1.5 million to \$3 million. Loan limits for the Serviced Lot, House Lot and Home Improvement loans moved to \$1 million, up from \$600,000”<sup>39</sup>*

The NHT also offered three innovative loan products including:

5. Solar Water Heater Loans – to acquire alternative energy products
6. Home Enhancement Loan Plan (HELP) - to offer financing of up to J\$1 million for the improvement of property for NHT beneficiaries that received a NHT loan at least fifteen (15) years earlier
7. Home Ownership by Exception (HOPE) – to offer NHT beneficiaries who no longer owned a home but received an NHT benefit at least fifteen (15) years earlier. Financing was up to J\$1 million

#### *5.1.1.4. NHT Policy Changes from 2007 to 2015*

During 2007 and 2008, contributions from employers rose by 17%, moving from \$4.7 billion in 2007 to \$5.5 billion in 2008. Employees' portion rose by 32%, moving from \$4.7 billion in 2007 to \$6.2 billion in 2008. In addition, NHT introduced an internet-based system for contributions refund application. The number of contributors utilising the option in 2007/2008 was 76,977, an increase of approximately 15,000 persons<sup>40</sup>.

Policy changes during 2009 included an increase in interest rates from 5% and 6% for the middle to upper income bands to 6% and 8% respectively. The total NHT interest rates ranged from 2-8%. Adjustments were also made to the policies of the following loan products:

- Solar Water Heater Loans had an increase in loan ceiling
- Home Enhancement Loan Plan (HELP) could now be accessed by qualified beneficiaries within the fifteen (15) year period
- Home Owners Loan was now accessible to purchase and install solar panels
- Facility to Perfect Title was introduced to assist qualified contributors to acquire registered titles for properties held at Common Law<sup>41</sup>.

<sup>39</sup> The National Housing Trust – The First Thirty Years 1976 - 2006

<sup>40</sup> Jamaica Information Services – NHT Contributions Up During 2007/2008

<sup>41</sup> National Housing Trust Annual Report 2008-2009

During 2010, NHT was committed to providing “More houses for less” which continued through to 2013<sup>42</sup>. The Trust implanted new policies during 2010, such as the:

- Short-Term Lease to assist contributors bridge the financing gap between the maximum loan amount and the cost of a scheme unit
- Combined Loan was tailored for contributors to jointly apply for a benefit
- Extension of Loan Terms for the repayment period to fall loans except solar water heater loans
- Contributions as Deposit to facilitate qualified contributors to use up to 50% of contributions that are not yet due for refund towards the NHT benefit
- Deferred Mortgage Arrangement allowed contributors with incomes that did not qualify them for a loan to purchase a NHT housing scheme property<sup>43</sup>

During 2012 and 2013 several housing solutions were completed in the parishes of Clarendon, Manchester and St. Thomas. The inaugural Architectural Design Challenge, launched in October 2012, was a direct response to our mandate to “encourage and stimulate improved methods of production of houses.”

There was also the unveiling of the “First Step Housing Programme”, a collaborative effort with the Ministry of Water, Transport and Housing (MoWTH) and Food for the Poor (FFP). The initiative mainly targeted contributors in the lower income bands providing them with what is essentially a ‘starter’ housing unit with enough land on which improvements can be made for themselves and their families<sup>44</sup>.

The NHT provided the Inner-City Housing Programme (ICHP) and the First Step initiatives, both aimed at increasing access to affordable housing solutions among our less affluent contributors, in tandem with the social development programme, have reaped significant success in the development of communities. The NHT also introduced the Entrepreneurial Challenge, the newest component of the NHT’s celebrated Best Schemes Competition<sup>45</sup>.

During 2014 and 2015, the Trust improved its use of technology<sup>46</sup>, through the provision of online services resulting in the addition of an electronic facility to send annual loan statements, other information such as account status, new products and services offerings and public service announcements directly from the NHT system to contributors’ email addresses.

Since 2010, the NHT has won numerous awards through the efforts of its staff, the latest being the prestigious Human Resource Management Association of Jamaica (HRMAJ) Innovation Award for 2014 for its Go Green Project.

<sup>42</sup> National Housing Trust Annual Report 2012-2013

<sup>43</sup> National Housing Trust Annual Report 2009-2010

<sup>44</sup> National Housing Trust Annual Report 2012-2013

<sup>45</sup> National Housing Trust Annual Report 2013-2014

<sup>46</sup> National Housing Trust Annual Report 2014-2015

The NHT continues to determine how to better serve contributors, by examining mechanisms to produce more houses for less, sustain its financial position, optimize operations and service delivery and build a performance driven team<sup>47</sup>. Up to 2014, the NHT offered the following housing benefits to its contributors:

- Buying a unit in an NHT housing scheme
- Buying a serviced lot in an NHT scheme
- Buying a house on the open market (not an NHT scheme house)
- Buying a house lot on the open market (not an NHT scheme)
- Building a house on land already owned by the contributor
- Construction funds to build on a lot secured under a house lot loan or serviced lot loan
- Home improvement
- Solar water heater loan
- Obtaining a land title in specified parishes under the Land Administration and Management Programme (LAMP)
- 15 Plus loan for those contributors who obtained a loan 15 years ago and would like to refurbish their homes
- Home Grant Programme for people contributing at least 10 years and who earn US\$83.33 or less per week, who may apply for a Home Grant of US\$10,000
- Parent assistance loan, which allows people over 65 who have never received an NHT benefit to use their accumulated points to assist young contributors<sup>48</sup>.

<sup>47</sup> National Housing Trust Annual Report 2014-2015

<sup>48</sup> Inter-American Development Bank – The state of Social Housing in six Caribbean Countries

## 6. Understanding the financial performance and results of the NHT

### 6.1. An overview of the performance of the NHT

#### 6.1.1. 10-year statistical summary of the NHT

| <i>Year Ended March...</i>       | <i>2008</i> | <i>2009</i> | <i>2010</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> | <i>2017</i> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                  | \$'000      | \$'000      | \$'000      | \$'000      | \$'000      | \$'000      | \$'000      | \$'000      | \$'000      | \$'000      |
| <b>Total Assets</b>              | 98,363,100  | 115,995,523 | 134,114,628 | 155,566,439 | 177,463,065 | 194,612,864 | 206,289,926 | 220,950,445 | 236,965,897 | 254,462,806 |
| Inventories                      | 3,909,465   | 4,914,369   | 5,693,088   | 8,380,924   | 9,902,862   | 11,372,815  | 8,822,275   | 8,303,657   | 6,988,501   | 8,403,520   |
| Loans Receivable                 | 70,629,633  | 85,131,068  | 95,757,161  | 110,276,274 | 129,364,036 | 148,065,717 | 166,336,403 | 180,909,435 | 192,964,602 | 206,056,713 |
| Refundable Contributions         | 38,188,003  | 44,060,124  | 50,235,825  | 56,286,861  | 62,177,515  | 67,971,646  | 75,539,203  | 80,658,857  | 87,816,287  | 91,251,418  |
| <b>Accumulated Profit</b>        | 54,419,427  | 64,316,457  | 75,652,719  | 87,756,967  | 100,626,763 | 113,353,683 | 115,120,488 | 121,669,927 | 127,552,754 | 137,930,098 |
| <b>Results From Operations</b>   |             |             |             |             |             |             |             |             |             |             |
| Total Operating Income           | 12,079,104  | 17,279,732  | 18,234,578  | 19,119,432  | 21,089,237  | 22,800,802  | 22,604,097  | 26,954,190  | 27,127,142  | 34,102,959  |
| Operating Expenditure            | 3,901,326   | 3,740,782   | 4,214,928   | 4,168,474   | 4,165,473   | 4,290,512   | 5,106,979   | 4,968,250   | 5,638,683   | 6,526,598   |
| Net Profit/(loss) after Taxation | 5,163,523   | 10,634,847  | 11,331,360  | 12,233,004  | 13,871,239  | 14,458,141  | 14,149,563  | 18,668,454  | 18,119,330  | 24,173,070  |

| <i><b>Year Ended<br/>March...</b></i>                  | <i><b>2008</b></i> | <i><b>2009</b></i> | <i><b>2010</b></i> | <i><b>2011</b></i> | <i><b>2012</b></i> | <i><b>2013</b></i> | <i><b>2014</b></i> | <i><b>2015</b></i> | <i><b>2016</b></i> | <i><b>2017</b></i> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Financial Ratios</b>                                |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Average Interest on Loans**                            | 4.8%               | 5.5%               | 5.5%               | 4.4%               | 4.7%               | 4.8%               | 4.9%               | 4.9%               | 5.1%               | 4.9%               |
| Yield on Investments %                                 | 11.2%              | 12.0%              | 14.1%              | 8.9%               | 7.6%               | 8.4%               | 7.4%               | 7.5%               | 7.1%               | 6.5%               |
| Efficiency Ratio %                                     | 135.0%             | 70.7%              | 62.1%              | 79.6%              | 75.9%              | 60.6%              | 71.3%              | 61.5%              | 57.9%              | 69.9%              |
| Return on Capital                                      | 17.4%              | 16.5%              | 15.0%              | 13.9%              | 13.6%              | 12.5%              | 11.4%              | 14.4%              | 13.7%              | 16.5%              |
| Return on Assets                                       | 10.5%              | 9.9%               | 9.1%               | 8.4%               | 8.3%               | 7.8%               | 7.2%               | 8.7%               | 8.2%               | 9.8%               |
| <b>Other Information</b>                               |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Annual Housing Expenditure                             | 16,941,643         | 20,242,636         | 16,915,796         | 21,209,341         | 24,256,512         | 22,607,055         | 21,485,419         | 20,001,448         | 17,899,900         | 22,392,706         |
| Contributions Received                                 | 11,648,169         | 16,131,501         | 16,821,186         | 18,526,158         | 19,505,023         | 19,901,498         | 21,412,380         | 23,361,346         | 24,585,409         | 29,712,643         |
| Contributions Refunded                                 | 2,250,457          | 2,624,178          | 2,751,659          | 2,874,123          | 3,253,025          | 3,908,254          | 4,437,518          | 5,339,328          | 5,090,898          | 5,268,293          |
| Number of Mortgages Created Since Inception            | 124,934            | 131,804            | 138,353            | 145,424            | 153,087            | 160,937            | 168,744            | 174,768            | 180,646            | 186,210            |
| Number of Individual Benefits Provided Since Inception | 136,417            | 143,287            | 149,836            | 156,907            | 164,570            | 172,420            | 180,224            | 186,248            | 192,126            | 197,690            |

\*\*Comprises all loan types: Mortgage, Institutional, Interim Financed etc.

### 6.1.2. Housing Starts and Completions by Calendar Year

| <i>Calendar Year...</i>              | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>2010</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i>2014</i> | <i>2015</i> | <i>2016</i> | <i>Total</i>   |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Total Housing Starts                 | 9,396       | 4,656       | 5,203       | 4,121       | 2,875       | 2,591       | 3,237       | 2,107       | 2,674       | 6,405       | 1,790       | 2,896       | 2,039       | 1,467       | 3,024       | <b>54,481</b>  |
| Number of Housing Starts by NHT      | 3,671       | 1,481       | 2,197       | 2,338       | 2,233       | 1,417       | 2,232       | 1,688       | 1,278       | 1,466       | 1,790       | 1,689       | 1,549       | 1,270       | 3,024       | <b>29,323</b>  |
| Total Housing Completions            | 5,544       | 3,967       | 5,832       | 4,186       | 3,600       | 2,682       | 4,347       | 2,433       | 2,999       | 3,644       | 4,334       | 5,560       | 2,283       | 2,382       | 1,420       | <b>55,213</b>  |
| Number of Housing Completions by NHT | 2,130       | 1,281       | 2,984       | 2,246       | 2,805       | 1,509       | 2,557       | 1,821       | 1,452       | 1,618       | 2,676       | 1,621       | 1,613       | 1,302       | 1,323       | <b>28,938</b>  |
| Total Number of Mortgages            | 9,953       | 1,667       | 10,768      | 9,870       | 9,912       | 12,469      | 10,465      | 7,955       | 8,292       | 14,090      | 11,684      | 17,308      | 13,428      | 15,054      | 13,490      | <b>166,405</b> |
| Number of Mortgages by NHT           | 6,391       | 6,748       | 6,677       | 5,812       | 5,632       | 7,207       | 5,546       | 5,918       | 6,806       | 7,425       | 7,205       | 7,916       | 6,324       | 5,964       | 5,467       | <b>97,038</b>  |
| Total Value of Mortgages (\$m)       | 8,461       | 10,635      | 12,579      | 14,544      | 24,084      | 31,595      | 33,084      | 23,186      | 24,674      | 27,956      | 28,699      | 37,688      | 34,167      | 34,724      | 37,438      | <b>383,511</b> |
| Value of Mortgages by NHT (\$m)      | 3,966       | 4,262       | 4,383       | 4,147       | 10,967      | 11,865      | 10,417      | 12,275      | 15,715      | 20,672      | 19,387      | 21,697      | 17,711      | 17,080      | 17,159      | <b>191,703</b> |

Source: Economic and Social survey of Jamaica

The Commission notes that the NHT has been responsible for the majority, 29,323 or 54% of the housing starts for the 15 year period to 2016.

## 6.2. Interpretation of the NHT financials

### 6.2.1. The funding profile of the NHT

Anecdotal feedback, pronouncements in the public domain and discussions with stakeholders during the course of the Review suggest that there is a broad lack of understanding of the financial statements of the Trust, and by extension, the resources available to the Trust on an ongoing basis.

In particular, an uninformed examination of the financial statements of the Trust, may suggest that there are ‘multiple repositories of value’ (such as accumulated surplus, total assets or total investments). The Commission considered this and believed it useful to give an indication of the actual resources available to the Trust.

On an annual basis, the Trust generates cash from a number of sources:

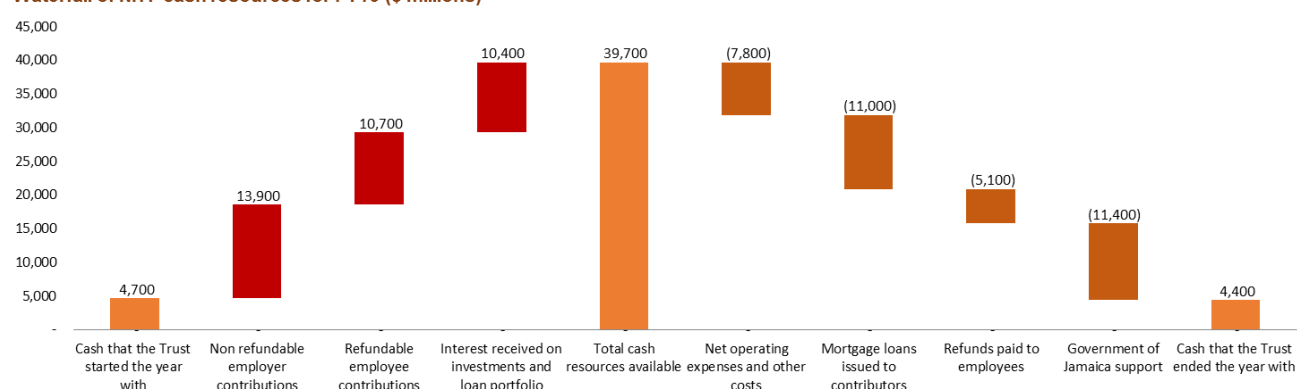
- Non-refundable employer contributions
- Refundable employee contributions
- Interest received on investments of the funds that the Trust holds
- Interest received on loans that the Trust has made to contributors
- Other miscellaneous fees for various services the Trust provides
- Mortgage repayments

Similarly, on an annual basis, the Trust disburses cash for a range of uses:

- Payment of its operational costs
- Payment of taxes
- Payment of interest on refundable contributions
- Refund of employee contributions
- Mortgage disbursements and construction projects
- Support to the Consolidated Fund.

The diagram below provides a summarized overview of the movement of cash through the NHT during the 2015/16 financial year:

Waterfall of NHT cash resources for FY16 (\$ millions)



Source: 2016 Financial Statements

As is evident from the waterfall, at the end of the 2015/16 financial year, the NHT had \$300 million less cash than it started with. However, the Statement of Profit and Loss reported that the NHT enjoyed a surplus of \$18 billion during the year!

How does one reconcile those two facts? An accounting ‘surplus’ or profit of \$18 billion with the fact that the NHT had in fact \$300 million less cash<sup>49</sup>?

The seeming discrepancy lies in the fact that given the accounting rules, the NHT’s most consequential outflows are not recorded in the Statement of Profit and Loss and therefore not deducted in the calculation of the profit or ‘surplus’. As a result, outflows of \$11 billion in mortgage loans, \$ 5 billion in contribution refunds and \$11 billion in GOJ support all during the 2015/16 financial year are not deducted in calculation of the profit/surplus.

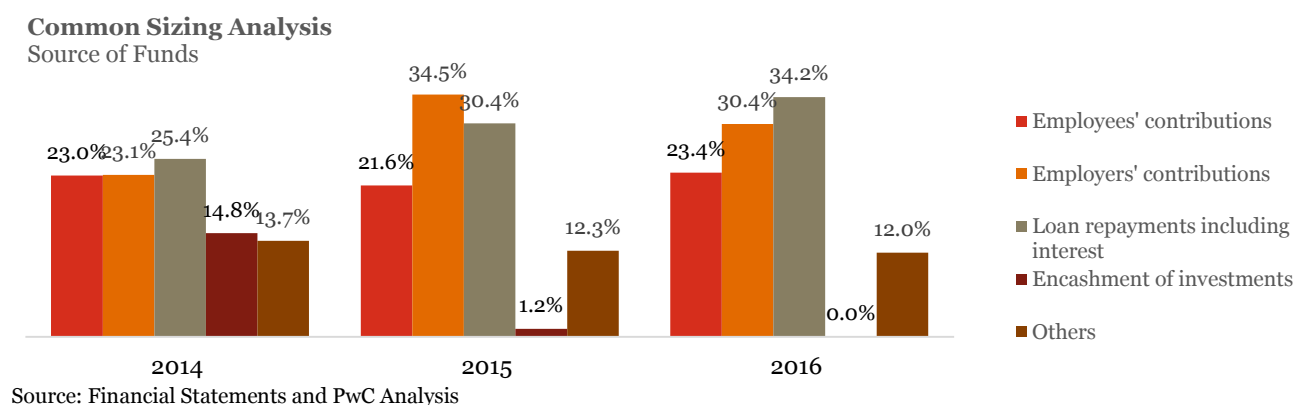
Given the nature of the NHT therefore, the “surplus/profit” is a term that is often misused in the public domain and, it creates a dangerously false perception of the NHT. The surplus or profit does not represent free cashflow.

While the NHT is constrained by International Accounting Standards from changing the presentation of its accounts, the Commission is of the view that the Annual Report needs to do more to educate the public on the interpretation of the NHT financials.

### 6.2.2. Analysis of the NHT’s Financials

NHT generates cash from three main sources, namely: contributions from employees and self-employed persons, employers’ contributions and repayment of mortgages (principal and interest). Occasionally, NHT withdraws funds from its investment portfolio to finance operations. Other sources of funds include proceeds from the sale of assets (project units, property, plant & equipment) and investment income.

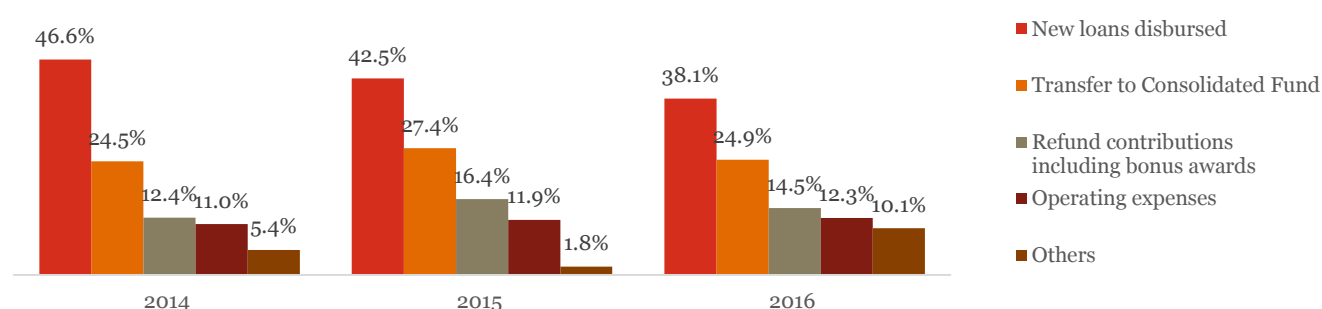
The chart below shows that for the last three fiscal years ended March 2014, March 2015 and March 2016, employees’ contributions consistently represented 21.6% to 23.4% of total inflows i.e., J\$9 billion to J\$10.7 billion annually. Loan repayments, which comprise of interest payments and principal repayments, have steadily increased from J\$11.8 billion or 25.4% of total inflows in 2013 to J\$15.6 billion or 34.2% of total inflows in fiscal year 2016. Employers’ contributions increased significantly in fiscal year 2015 to J\$14.4 billion or 34.5% of total inflows versus J\$10.7 billion or 23.1% of total inflows in fiscal year 2014. However, this source of funds declined to J\$13.9 billion or 30.4% of total inflows in fiscal year 2016.



<sup>49</sup> In addition, the NHT had approximately \$3 billion more in investment securities at the end of 2015/2016 than it had at the beginning.

The chart below shows that while loan disbursements are the single largest use of funds, the annual amounts have been declining over the period. In fiscal year ended March 2014, NHT disbursed J\$21.6 billion in new loans representing 46.6% to total use of funds. However, in fiscal year ended March 2016, total disbursements decreased to J\$17.4 billion or 38.1% of total use of funds. Operating expenses have steadily increased over the period from 11% to 12.3% of total use of funds. Refund contributions increased to 16.4% of total use of funds or J\$6.8 billion in fiscal year ended 2015 compared to 12.4% in 2014 or J\$5.8 billion followed by a reduction to 14.5% in fiscal year ended March 2016 or J\$6.6 billion. Over the period, NHT transferred to the Consolidated Fund, J\$11.4 billion annually. This represented approximately 24.5% to 27.4% of total use of funds over the period. Use of funds classified under the group “Others” include special subsidies and grants, government levies and corporate taxes as well as reinvestments in investment securities.

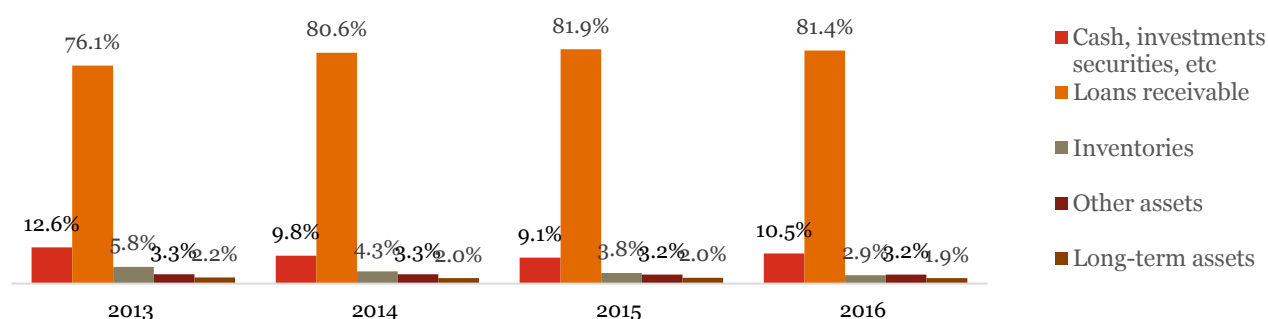
#### Common Sizing Analysis Use of Funds



Source: Financial Statements and PwC Analysis

Loans receivable is the single largest asset of NHT increasing from 76.1% of total assets in 2013 or J\$148.1 billion to 81.4% of total assets in 2016 or J\$193 billion. Cash and cash equivalents, investment securities purchased under resale agreements represent the second largest class of assets held by NHT and accounting for 9.1% to 12.6% of total assets over the years 2013 to 2016.

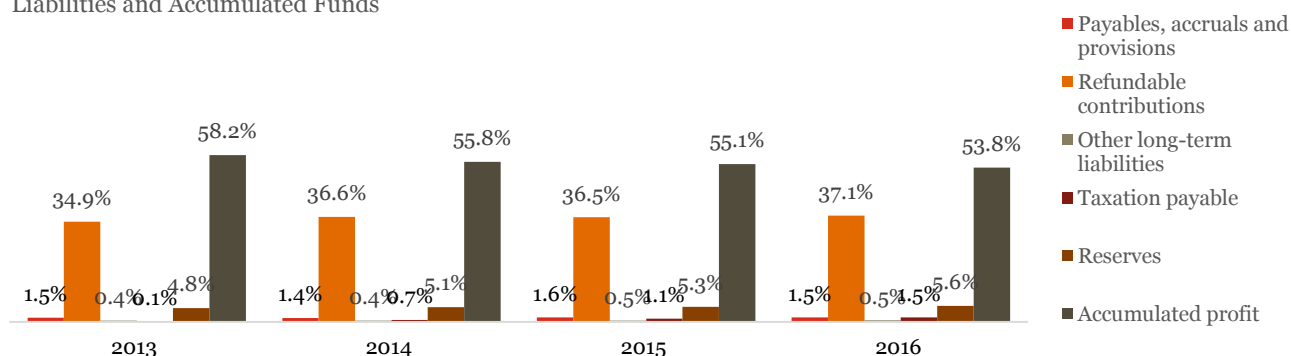
#### Common Sizing Analysis Total Assets



Source: Financial Statements and PwC Analysis

The Accumulated fund, which comprises accumulated profit and reserves, represent the single largest source of capital employed. However, the four year trend shows that this source is marginally declining annually, from a high of 58.2% of total liabilities and accumulated funds in 2013 to 53.8% in 2016. Refundable contributions represent the second largest source of capital employed, steadily increasing from 34.9% of total liabilities and accumulated funds in 2013 to 37.1% in 2016.

### Common Sizing Analysis Liabilities and Accumulated Funds



Source: Financial Statements and PwC Analysis

## 6.3. What does the “surplus” represent?

Over the years, NHT has been a profitable institution. However, reported profits or surplus are accounting-based. To understand what “surplus” represents and the implications for sustainable growth, it is useful to conduct an analysis from an economic perspective.

There a number of critical factors that directly impact NHT’s ability to achieve sustainable increased profitability. These include, but not limited to:

- Interest rates on investments;
- Margin impact on refundable contributions; and
- The level of subsidy/concession extended to beneficiaries embedded in the interest on loans.

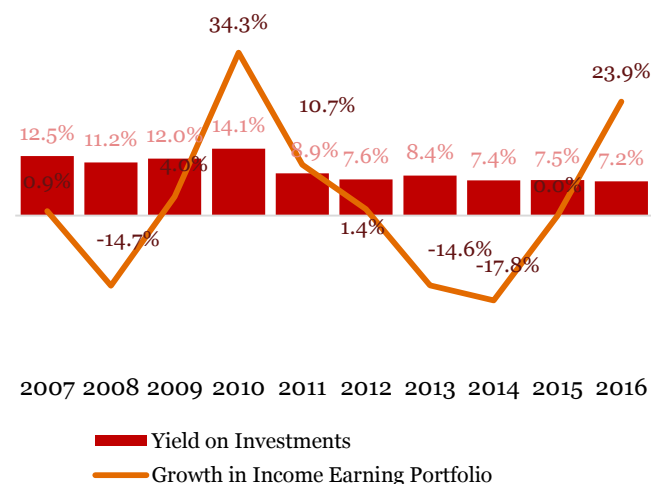
It is important to note that the social obligation of the Trust has a direct impact on its focus and its ability seek higher return investment options.

### 6.3.1. Interest rates on investments

NHT’s interest-earning portfolio, that is cash and cash equivalents, resale agreements and investment securities, are mainly comprised of fixed-income securities with a significant concentration in Government of Jamaica related bonds.

This macroeconomic factor directly impacts average annual yield on investments for NHT, particularly with respect to reduced interest rates being managed through monetary policies. As shown in the adjoining chart, the average annual yield on investments have declined by approximately 700 basis points (“bps”) (i.e., from a high of 14.1% in 2010 to 7.2% in 2016) despite an absolute increase of the portfolio balance from J\$21.5 billion in 2007 to J\$25 billion in 2016, i.e., J\$3.5 billion or 16% over the 10 years 2007 to 2016. More strikingly, despite an incremental increase in the portfolio of J\$4.8 billion from 2015 to 2016, average annual yield on investments declined from 7.5% to 7.2%.

**Growth in Investment Portfolio vs Average Annual Yield**



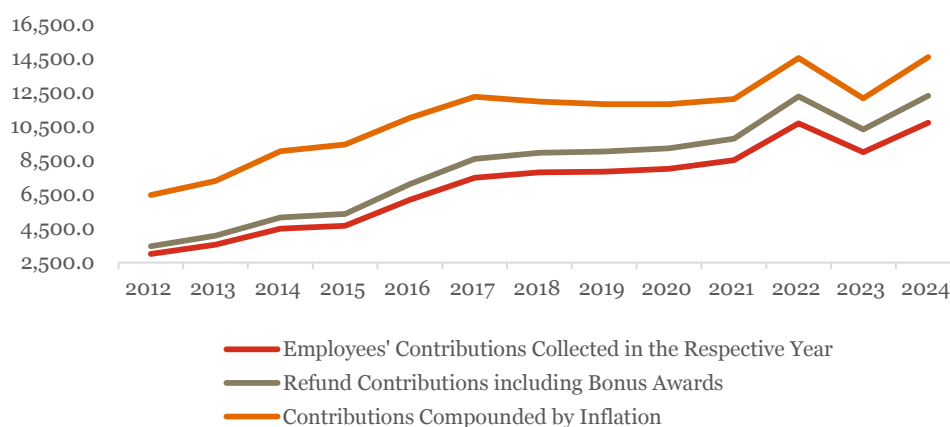
Source: PwC Analysis

### 6.3.2. Margin impact on refundable contributions

The current policy underlying the contributions refunds and bonus awards is favourable to NHT in a high inflationary environment. When taking into consideration the time value of money and the impact of inflation on future spending power, NHT benefits from the spread between refunds compounded in nominal terms by inflation and cash payments based on bonus awards at 2% per annum.

The analysis shown in the chart below, indicates that historically NHT benefited significantly from the high inflationary environment. However, with inflation rates projected to be within single digits the inflationary benefit will be compressed.

**Backtesting Inflationary Impact on Refundable Contributions**  
J\$ millions

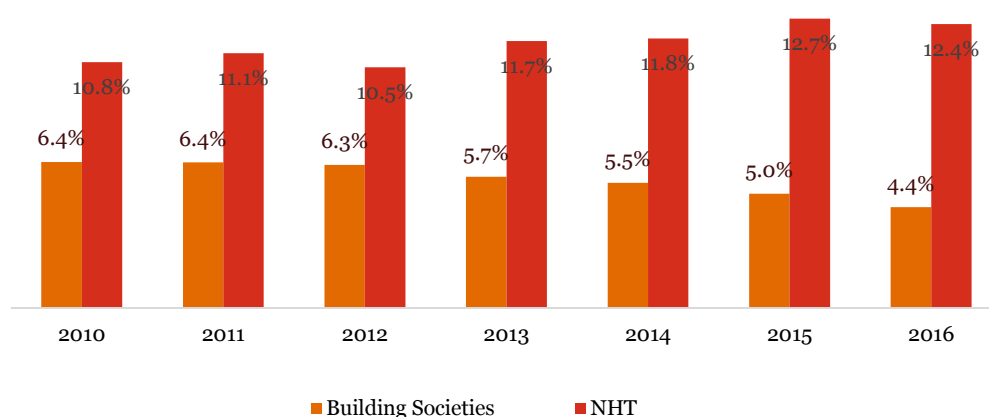


Source: PwC Analysis

### 6.3.3. The level of subsidy/concession extended to beneficiaries embedded in the interest rates on loans

The Commission's analysis suggests that there is some level of concession/subsidies embedded in the interest rates charged on mortgages to beneficiaries. As shown in the chart below, the difference in rates charged for residential mortgages by the building societies were generally 500 to 800 bps higher than NHT's portfolio average over the period 2010 to 2016. Coupled with this, NHT experiences a higher non-performing rates relative to building societies. More strikingly, the analysis shows that while building societies have seen declining reduced delinquencies since 2012, NHT has been showing the opposite trend.

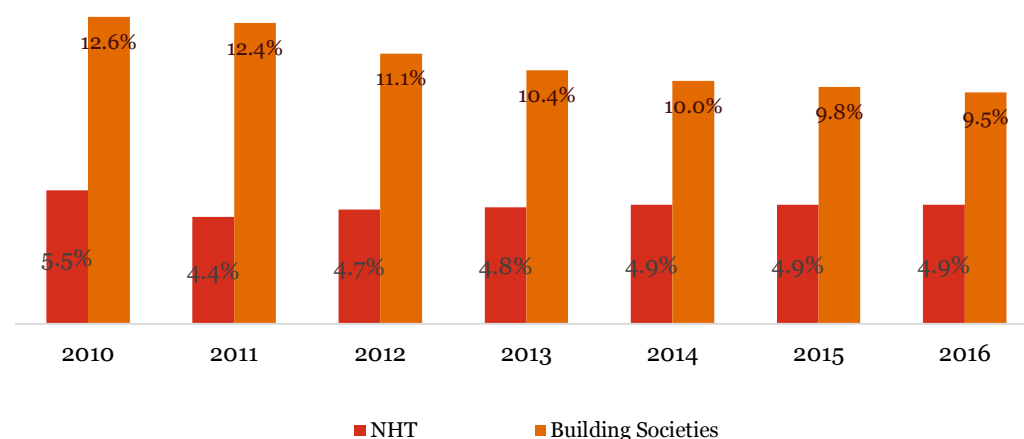
**Non Performing Loans (3 Mths & >) to Total Loans (Gross)**  
NHT vs Building Societies



Source: PwC Analysis, Bank of Jamaica's Prudential Indicators, Statistical Digest

This non-performing loans delinquency rate includes the performance of the Joint Finance Programme (JFMP). Excluding this programme, the NHT's standalone non-performing loans would be 15%

**Historical Mortgage Rates**  
NHT vs Building Societies



Source: PwC Analysis, Bank of Jamaica's Prudential Indicators, Statistical Digest

## 6.4. Observations

Anecdotal evidence suggests that there is some level of misunderstanding of the resources available to the NHT. The NHT's most consequential outflows are not recorded in the Statement of Profit and Loss and therefore not deducted in the calculation of the 'surplus' or 'profit'. Substantial outflows of mortgage loans, capital housing expenditure, amounts refunded to contributors and sums used to support the GOJ are not deducted in calculation of the "surplus" or "profit". The "surplus" or "profit", as calculated, is therefore a vacuous and dangerously misinterpreted term that creates a false perception of the NHT's available resources.

The Commission also is of the view that the NHT's Accumulated Surplus is also a misunderstood term. Some are of the misguided view that this is represented by idle funds or surplus securities. In fact, the Accumulated Surplus or Accumulated Profit of \$138 billion at the end of March 2017 together with the contributions due for repayment at March 2017 of \$91 billion together fund the NHT assets which primarily consists of its \$206 billion mortgage portfolio, \$8 billion of housing inventory and \$22 billion of investments. In other words, the NHT could not sustain its mortgage portfolio without its Accumulated Surplus/Profit.

The Commission has sought to clarify the funds available to the NHT, by clearly demonstrating that:

- A significant source of the NHT funds (employee contributions) are in fact refundable by the NHT. The Commission's analysis shows that of the total refundable contribution of \$87 billion at the end of 2015/16. Of this amount:
  - A relatively small proportion of refundable contributions are attributable to periods prior to 1997
  - Just over one quarter are aged between 0 to 12 years
  - The largest proportion is attributable to contribution refunds not yet due for repayment, but nonetheless a liability waiting to crystallise.
- The Trust has benefited from relatively high inflation rates historically, to the extent that this increases wage levels in the economy, and reduces the financial impact of contributions due for refund. Going forward, this will be tempered by the success of the Government to normalize inflation levels, which will significantly reduce the implied margin that the Trust generates between the refundable contribution to new non-refundable contributions gap.
- There are implicit social benefits associated with the financial policy framework of the Trust, appropriately reflecting the nature of the institution in acting as a catalyst for home ownership. Going forward, as the implied margins mentioned above are compressed, the ability of the NHT to provide this level of subsidy will invariably be affected.
- Should the rate at which contributors file for their refunds increase, the NHT would have to make adjustments to accommodate.

## ***7. Housing finance models – a Global perspective***

### ***7.1. Benchmarking analyses***

In an effort to gain an understanding of common practices in the world, the Commission thought it important to conduct research on jurisdictions that have recognized and sought to address the needs of its citizens through home ownership. The following countries were selected for research on this basis.

- United Kingdom
- Canada
- India
- United States of America
- Germany

The research was conducted with a view to identify the major participants in the housing markets with respect to:

- Providers of capital
- Users of capital
- Regulation
- Social housing component
- Financing flows and the interrelationship with the wider capital and financial market
- Charter or mandate underlying the entity operations and the reasons behind the establishment of entities
- Examination of explicit or implicit Government support and public subsidies (financial and otherwise)
- Examination of the complementary (or competing) role of other agencies (Government, quasi-Government, near Government organisations, private sector for-profit and not-for-profit organisations etc) in housing development and finance
- Evaluation of the lease and rent options and the extent to which the public sector should support same and lessons learned.

#### ***7.1.1. Canada***

##### ***7.1.1.1. Housing Finance Models- Traditional Programs***

The Rental Assistance Programmes are funded by the Government of Canada and the Provincial Government

### Rental Assistance Program (RAP)

- The rental assistance program provides eligible low-income working families with cash assistance to help with monthly rent payments.
- To qualify, families must have a gross household income of US\$35,000 or less, have at least one dependent child and have been employed at some point over the last year.
- The minimum level of assistance any one can receive is \$50 per month or \$600 per year.
- It reimburses part of the difference between 30 per cent of total income and rent. The program has a sliding scale that gives the most money to people with the least income. The amount of assistance is calculated taking into account household size, income, rent, and locality of home.

### Limitations

- *Increases pressure on fiscal budgets*
- *Inadequacy of assistance for very low income group*
- *Confines residents to specific provinces in order to be eligible for such assistance*

### Shelter Aid For Elderly Renters (SAFER)

- It helps make rents affordable for seniors with low to moderate incomes.
- SAFER provides monthly cash payments to subsidize rents for eligible residents who are age 60 or over and who pay rent for their homes in the private market.
- The minimum level of assistance any one can receive is \$25 per month.
- It reimburses part of the difference between 30% of total income and rent. The program has a sliding scale that gives the most money to seniors with the least income. The amount of assistance is calculated taking into account household size, rent, and locality of home.
- The benefit is paid by way of direct deposit to bank account on last working day of each month.

- *Inadequate financial assistance*
- *Limited choice of housing*
- *Service charges and utility bills are more difficult to budget for seniors*

## 7.1.1.2. Housing Finance Models- Investment Trusts

The Real Estate Investment Trust (REIT) does not need additional governmental intervention. The main role of investor is to provide funding for the fund manager to acquire properties.

### Real Estate Investment Trust (REIT)

- A social or affordable housing REIT is a tax efficient mechanism for investment in social or affordable housing properties.
- It can either be a publicly listed trust that allows investors to purchase units of income-producing real estate assets or privately held for members of the trust.
- It allows an average investor to receive a return for their investment due to the growth potential in rental housing. REITs typically generate returns for investors by driving cost efficiencies through the use of professional management, by making property improvements which generate higher rents, and with property sales in high growth markets.

### Financing REIT

**Responsible Residential Investment (RRI)** – A standard limited partnership structure which seeks investors as limited partners that are usually pension funds, foundations and high net worth individuals.

#### Advantages

- Professional staff with strong track records in affordable housing sector
- Mission-oriented towards preserving housing affordability
- For small housing associations, it offers a vehicle to access professional property management within a larger structure committed to providing a return to investors
- Provides a vehicle to access low-cost capital for property upgrades

#### Disadvantages

- Requires access to rental housing buildings for sale at the right price or the willingness of a local authority or housing provider to give up full or partial ownership for a limited period of time
- Requires significant incubation and upfront capital investment
- Inflationary factor in lease arrangements between REIT and housing provider may cost higher than other finance in long run

*RRIs acquire unsubsidized affordable rental housing properties. It targets smaller rental apartment buildings which are not professionally managed and suffer from deferred maintenance. By introducing professional management, they aim to improve the quality of life.*

### 7.1.1.3. Housing Finance Models- Securitization

In the vacuum of no substantial grant funding for housing, there has been no influx of private money for building new or renovating existing social housing.

#### Capital Raising and Lending Facilities

- It is a financial intermediary that borrows funds in the capital markets and lends that money to social and affordable housing providers.
- These facilities offer specialized or aggregating services to providers that cannot access the markets on their own due to scale or capacity issues.
- Canada's social housing system has traditionally relied on Canada Mortgage and Housing Corporation (CMHC) mortgage insurance with mortgages being held by banks and supported by insurance agreements between governments which protect the banks and hold CMHC harmless.

#### Operating Functions

*Provincial governments perform the capital raising function in Canada. Once a new building is complete, a pool of mortgages is competitively tendered to lending institutions who bid on the pools. The winner of the bid sells the bundle to investors as mortgage backed securities.*

| Advantages   | Disadvantages   |
|--|---|
| <ul style="list-style-type: none"> <li>• Efficient means of introducing large investments to housing providers</li> <li>• Allows small to medium-sized housing associations the ability to access cheap capital to continue with their business initiatives</li> <li>• Backed by government guarantees which allows the lowest possible rates to affordable housing projects</li> <li>• Low transaction costs</li> </ul> | <ul style="list-style-type: none"> <li>• Small but experienced team can leave entity vulnerable to turnover and key personnel risk</li> <li>• Reliance on housing providers to identify capital needs which means that the entity is always “herding cats”</li> <li>• Requires institutional investors in advanced capital markets with a ready supply of investing institutions</li> <li>• Larger housing associations are able to raise their own bond finance without the entity's assistance</li> </ul> |

*Housing providers access loan from lending entities and simultaneously work with development services departments in order to receive both grant and financing to build new affordable rental housing.*

### 7.1.1.4. Housing Finance Bonds

Housing bonds have demonstrated themselves to be very attractive in Canada, as they are non-renewing, with long repayment terms and low interest rates.

#### Housing Bonds

- Bond issues are an efficient means of raising money for housing and can raise more money than mortgages.
- Bonds can also be arranged via a public bond offering or through a private placement with one investor. The rating attests to the credit worthiness of the issuer and is the key factor in determining the interest rate.

#### Opportunities

*Municipal housing corporations may be a preferred risk by virtue of their structural links to the municipal government. Private placements would work very well for medium-sized companies;*

| Advantages  | Disadvantages   |
|---|---|
| <ul style="list-style-type: none"> <li>• Free use of funds without impeding security of underlying asset.</li> <li>• Bonds allow access to cheaper money – interest rate on 30-year bonds can be less than for comparable mortgages with mortgage insurance</li> <li>• Higher levels of financing are available, as of creditworthiness is based on security of income flows, rather than asset value or net operating income</li> <li>• Provides stability to the housing association over a long period of time and encourages portfolio growth.</li> <li>• Low transaction costs</li> <li>• High market interest from investors</li> </ul> | <ul style="list-style-type: none"> <li>• Organization must have scale. Bond issues require a critical mass to interest pension, insurance companies and the banks that look for big long-term deals.</li> <li>• Bond issue requires time, money and management attention</li> <li>• Overhead costs (Underwriting fees, rating fees, fees of financial advisor) are significant and relatively fixed.</li> <li>• With private placements, there is a limited secondary market (unlike public bonds which benefit from a large and robust secondary market) which means that the investor must be willing to hold the investment until maturity.</li> </ul> |

*Since most housing providers in Canada are smaller, an aggregating bond function is needed in order to reach a broader segment of the market.*

## 7.1.2. United Kingdom

### 7.1.2.1. UK Government schemes - Housing finance

There are a number of government schemes which help people buy a home in UK, such as Help to Buy, Right to Buy, Shared Ownership, and others.

**Help to Buy** - Help to Buy is a government scheme for those who have a small deposit, when buying a home. Government supports by providing Equity loan or Mortgage guarantee.

**Right to Buy/Right to Acquire** - Right to Buy is for tenants in England, Wales and Northern Ireland who rent their home from their local council. It allows tenants, who qualify, to buy their home at a discount. The size of the discount varies depending on where the person lives and the type of property he wants to buy.

**Right to Acquire** - It is a scheme offered in England and Wales for housing association tenants who don't qualify for Right to Buy. The discounts are slightly smaller. In Northern Ireland this scheme is called the House sales scheme and is for tenants who rent from the Northern Ireland Housing Executive or a housing association.

**Shared ownership** - Shared ownership is where a person buys a share of a home from the landlord, who is usually the council or a housing association, and rent the remaining share. The person needs a mortgage to pay for his share, which can be between a quarter and three-quarters of the home's full value. Then he pays a reduced rent on the share he doesn't own and has the option later on to buy a bigger share in the property.

There are a number of government schemes which help people buy a home in UK – First Step London, Northern Ireland – Co-ownership, shared equity schemes.

**Co-Ownership in Northern Ireland** - This scheme is exclusive to Northern Ireland and is available for both newly built and older homes. The person can buy between 50% and 90% of the property (known as the 'starter share') and can increase that share at any time (known as 'staircasing'). The person pays rent on the portion he doesn't own.

**First Steps London** - This scheme aims to help low and modest income earners buy or rent at a price that's affordable. The person can part buy and part rent the property – mostly for newly-built homes but some resale properties are included. There are eligibility criteria around earnings and the person can't buy a home on the open market.

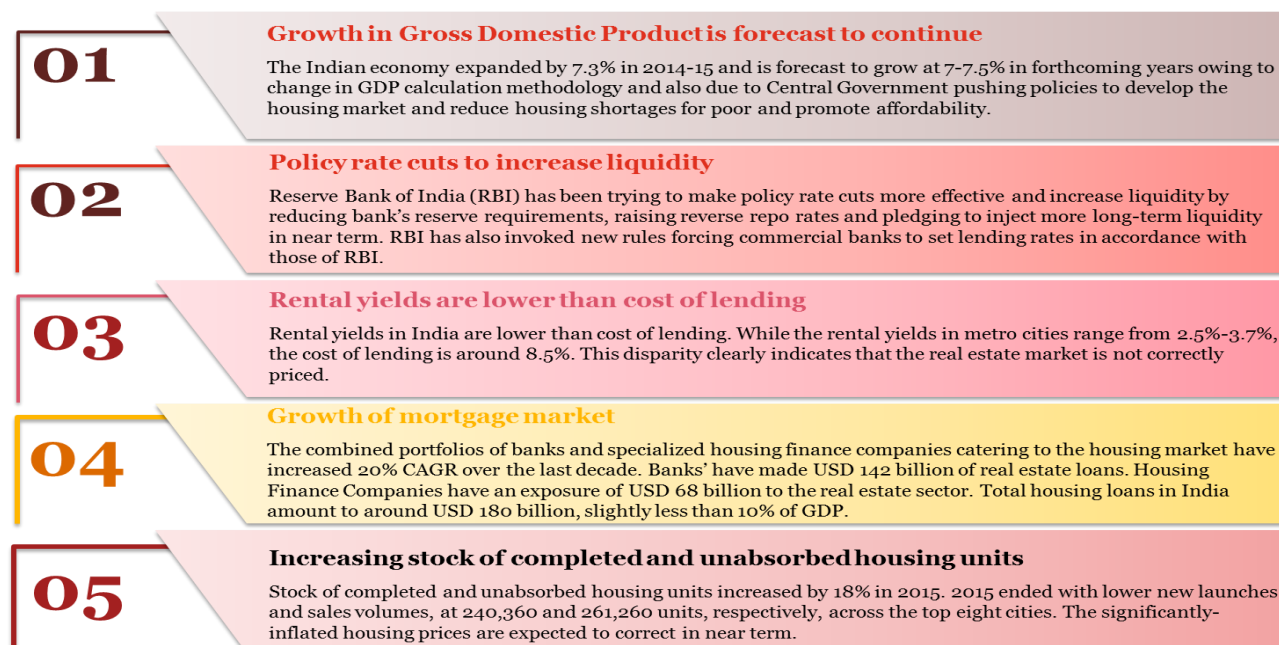
**Shared equity schemes** - The Help to Buy equity loan scheme is a government scheme currently set to run until 2020. It's available to first-time buyers as well as homeowners looking to move – but only for newly built homes.

**Starter Home scheme** - The Starter Home scheme is a new government plan where 200,000 new build homes are available to first-time buyers under 40 years old with a minimum of 20% off the market price. The discounted price for these homes should be priced no more than £250,000 outside London, and £450,000 in London.

## 7.1.3. India

### 7.1.3.1. Housing Market: Macro-economic Trends

Under 'Housing for All by year 2022' scheme, the Government intends to invest US\$30bn by way of Public-Private Partnership and interest subsidies.

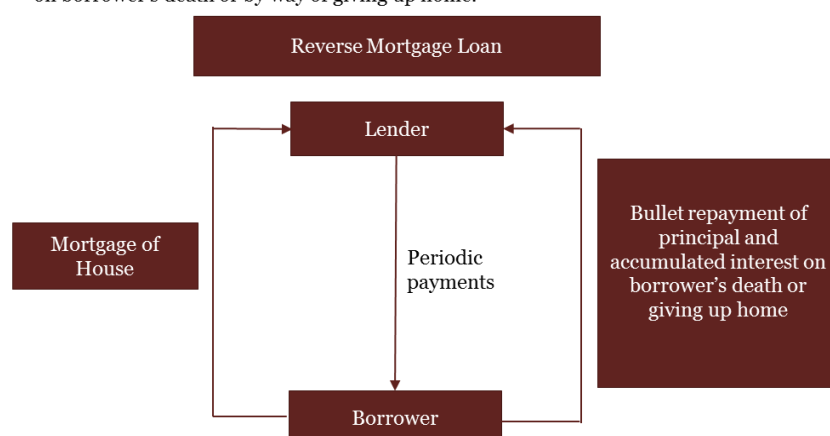


### 7.1.3.2. Housing Finance Structure – Reverse Mortgage Loan

An innovative mechanism whereby senior citizens convert their home equity into tax-free income source without having to worry about means of livelihood at old age.

#### Reverse Mortgage Loan

- Reverse Mortgage Loan enables senior citizens owning a house to mortgage their property with lender and convert a part of home equity to tax free income without having to sell the house.
- They avail periodic payments without having to service the loan during life time.
- The loan is serviced by way of bullet repayment of principal and accumulated interest on borrower's death or by way of giving up home.



#### Advantages

- Higher living standards and better access to health care
- Homeowners are protected against inflation
- Supplements retirement income
- Low probability of default
- Realistic to presume that the property values would double in 15 years
- No Upper age limit for getting the benefit of reverse mortgage loan
- Tax free payments from lenders

#### Disadvantages

- Balancing the need for supplementing retirement income and the desire to bequeath homes to children
- High transaction costs as much as 14%
- Lot of uncertainty involved regarding life expectancy of borrower, value of property, tenure of loan and interest rates
- In extreme case of property price drop, lender bears the loss
- Additional costs on prepayment of loan

### 7.1.3.3. Housing Finance Structure – Overview

External Commercial Borrowings, masala bonds and enhanced investment limits of insurance companies invest in high rated Housing Finance Companies for affordable housing.



### 7.1.3.4. Housing Finance Models- Microfinance and Role of NGOs

Prominent organizations like SEWA, DHAN Foundation and SHARE Microfin play significant roles in making micro-credit for housing a real movement.

#### Housing Microfinance Institutions

- Housing Microfinance (HMF) is designed to meet the housing needs of those without access to the banking sector or formal mortgage loans. It targets low-income households who wish to expand or improve their dwellings, or to build a home in incremental steps relying on sequential small loans.
- Regulated by NABARD, HMF targets low-income households who wish to expand or improve their dwellings, or to build a home in incremental steps relying on sequential small loans.

*Housing Microfinance (HMF) in India is mainly being carried out by Non-Governmental Organisations, including microfinance institutions and Self Help Groups (SHGs) with the mission 'secure living for their members'.*

| Advantages  | Disadvantages  |
|---|--|
| <ul style="list-style-type: none"> <li>Provides finance to very low income group people</li> <li>Microfinance reaches out to urban poor living in slums and rural poor where formal banking sector is not present</li> <li>Includes participation from NGOs and SHGs in public housing finance</li> <li>Helps individuals to undertake housing improvements for sanitation, fresh drinking water and better living standards</li> </ul> | <ul style="list-style-type: none"> <li>Questionable accounting practices</li> <li>Collection methods are often harsh on borrowers</li> <li>Financial sustainability of the microfinance institutions is a challenge</li> <li>Pressure on fiscal budgets</li> <li>Long term financial requirements of households are difficult to be met by these institutions</li> </ul> |

*More and more women Microfinance Institutions are encouraged to empower women of EWS/LIG sections. The development finance institutions like NABARD, NHB provide credit facility to NGOs, SHGs, etc., as well as facilitate their capacity building process.*

### 7.1.3.5. Housing Finance Models- Tax Deduction

Income tax deductions to real estate developers encourages participation in affordable housing schemes. Unlike US, where tax credits are given based on percent allocated for social housing

#### Tax Deduction Program

- Section 80IBA of Income Tax Act, 1961 provides 100% income tax deduction to Real Estate Developers on income derived from construction of affordable houses under:
  - Housing projects under 'Housing for All' Mission/ Pradhan Mantri Awas Yojna (PMAY)
  - Low cost houses up to a carpet area of 60m<sup>2</sup> under affordable housing in partnership component of PMAY or State Government's housing scheme
- In its fiscal budget for 2016-17, the Central Government has waived service tax liability on construction services under affordable housing schemes.
- The eligible assess is required to maintain separate books of account in respect of housing project.

#### Conditions

*The housing project should not utilize more than 3% of total aggregate built up area for shops and other commercial purposes*

*Not more than one residential unit shall be allotted to individual/ spouse or minor children*

*Project to be awarded by competent authority from 1 June 2016 to 31 march 2019*

*Certificate of completion of project to be obtained with 3 years from approval date*

| Advantages  | Disadvantages   |
|---|---|
| <ul style="list-style-type: none"> <li>• Reduces developers income tax liability</li> <li>• Creates incentive for Public-Private Participation in nation building</li> <li>• Private financial sector is also involved in social housing projects</li> <li>• Improved quality of construction in social housing sector</li> </ul> | <ul style="list-style-type: none"> <li>• Increasing stock of completed and unallocated housing units creates pressure on capital of housing developers</li> <li>• Making homes affordable would still keep it out of reach of very low income group of population</li> <li>• Housing projects are concentrated in near urban sprawls</li> </ul> |

### 7.1.3.6. Housing Finance Models- Alternative Programs

MHUPA's Urban Rental Policy (draft) aims to provide a formal public rental housing mechanism. Shelters for homeless, social rental housing for urban poor and need based rental housing for migrant labourers, students are focused categories.

**Tax Incentive to Tenants –**  
Tax benefit in form of house rent allowance (HRA) is available to employees under Income Tax Act. Also individuals not in receipt of HRA from employers can claim deduction under section 80GG of Income Tax Act.

**Rental Subsidies –** The rental subsidies or rental coupons are not prevalent in Indian housing market. However, with formation of Urban Rental Policy, there is an anticipated scope for these assistance mechanisms in combatting ever-increasing affordable housing crisis.

**Incremental Housing –**  
Enables borrower to build the house progressively, thereby decreasing EMIs, tenure and reduced loan burden at any given time. Instead of a single home loan, take 3 modular loans depending on progress of construction.

#### Alternate Collateral Mortgage Solutions –

- Leveraging Panchayat Raj Institutions to reinforce social collateral with para-legal processes
- Community endorsements for establishing semi-formal titles on tenure of tenancy

#### Real Estate and Infrastructure Investment Trust (REITs)-

- An organised market for retail investors to invest
- A professionally managed ecosystem
- An exit platform for the real estate sector to ease out liquidity burden

**Housing Bonds –** Popular in Western economies, housing bonds were kept distant, until recently when DHFL came out with country's first CPI-linked housing bond raising INR40bn. SEBI allowed mutual funds to buy housing bonds to promote affordable housing.

Central Government through MHUPA, has allocated INR33bn under various schemes during 2012-2016 towards achieving its mission of imparting skills and ensuring housing affordability for all.

MHUPA has come up with an innovative concept of strengthening the working population of India by investing and thereby imparting skills to the EWS/ LIG population. Skill Training and Placement, Self Employment Programme and Capacity Building and Training schemes help households to improve their living standard by enhancing their skills and thereby making them self equipped for earning their livelihood rather than being dependent on recurring financial assistance from government.

Under National Urban Livelihood Mission (NULM) and Swarna Jayanti Shahri Rozgar Yojna (SJSRY) during 2012-2016, total number of beneficiaries assisted for setting up Individual/ Group micro-enterprises were 348,240 and total number of urban poor imparted skill training were 1.6mn. There were 131,352 Self Help Groups formed during 2012-2016.

**'In-situ' Slum Redevelopment** – Slum redevelopment grant of INR 1 lakh per house is admissible for all houses built for eligible slum dwellers under this component with participation of private developers. These grants can be utilised by States/ UTs for any of the slum redevelopment projects.

**Credit Risk Guarantee Fund Trust (CRGFT)** – With a view to improve access to loans for EWS/LIG persons, CRGF with a corpus of INR10bn has been created. 61 Banks and HFCs have signed MoU with CRGF Trust. The Trust has so far benefited 1,366 housing loan accounts for INR369.8mn.

**Credit Linked Subsidy Scheme** – Beneficiaries of Economically Weaker Section (EWS) and Low Income Group (LIG) seeking housing loans from Banks, Housing Finance Companies and other such institutions are eligible for an interest subsidy of 6.5 % on loan amount upto Rs. 6 lakh.

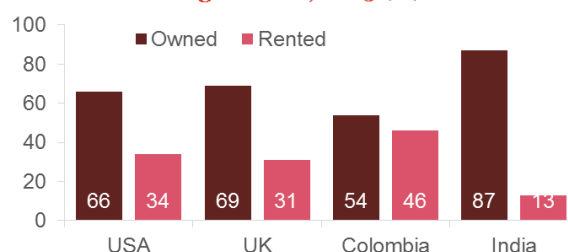
**Shelter for Urban Homeless** – Construction of permanent shelter for the urban homeless equipped with essential services by Central Government and/ or State Governments.

### 7.1.3.7. Owning vs renting

Considering transaction costs, imputed rental yields, opportunity costs, inflation and the length of time owning a home, people with financial constraints, who rent are financially better-off than those who own their home.

- Indian housing market is predominantly driven towards tendency of owning then renting a home. With increasing unaffordability in tier I and tier II cities and rising pace of urbanization in quest of better education and employment facilities, rental housing market is expected to soar in near future.
- Indians usually buy home for a period of 20-30 years unlike Western countries where people change residences in 4-5 years. Hence, renting market in India is mainly unorganized and limited to households renting their homes.

**Housing Pattern, 2015 (%)**



#### **Renting**

- No responsibility for maintenance and repair
- Relocating is easier
- No exposure to real estate market
- Credit requirements are generally less strict
- Less capital involved

#### **Owning**

- Building equity over time
- Tax benefits
- Potential for rental income
- Sense of belonging and community
- Housing security involved

## 7.1.4. United States of America

### 7.1.4.1. Housing Finance Models- Rehabilitation Program

In United States, there is a tremendous backlog of repair and modernization needs. While the federal government funds each PHA for capital improvements, it is often insufficient

#### Capital Fund Financing Program (CFFP)

- A capital financing program that permits Public Housing Authorities (PHAs) to borrow against future capital improvement payments from the federal government
- PHA evaluates its rehabilitation needs through a physical needs assessment. It then decides which repair or construction needs are the most critical. It then prepares a detailed budget and execution plan as per terms and conditions and in the form and manner prescribed by HUD
- In order to gain access to larger pools of capital, the PHA has the ability, upon approval by HUD, to pledge up to one third of its annual appropriation to either a financial institution for a loan or to investors in the case of a municipal bond

#### Conditions of the Program

**Development:** Any public housing that is developed under CFFP shall be operated under the terms and conditions applicable to public housing during the 40-year period that begins on the date on which the project becomes available for occupancy

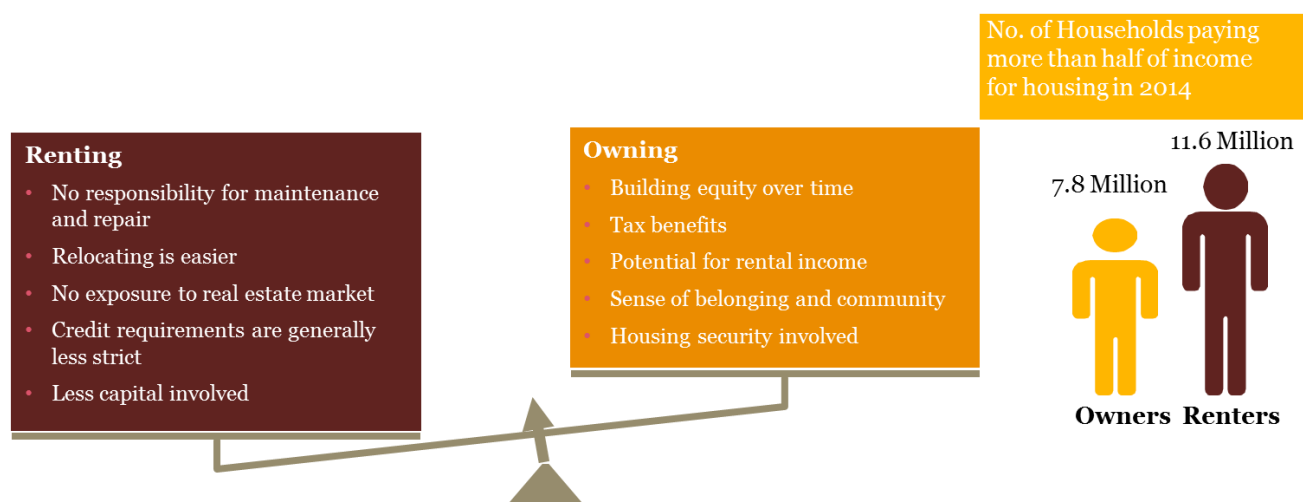
**Modernization:** Any public housing or portion thereof that is modernized using amounts under this part shall be maintained and operated during the 20-year period that begins on the latest date on which the modernization is completed

| Advantages  | Disadvantages  |
|---|--|
| <ul style="list-style-type: none"> <li>• Aids the development needs of the authority</li> <li>• Creates better housing conditions for low income people</li> <li>• Brings in capital from the private sector, while it does not bring in the management tools from the private sector</li> <li>• It also serves the very poorest section of the population</li> </ul> | <ul style="list-style-type: none"> <li>• High risk involved as pledging a share of its funding over a long period of time, there is a risk that if there are significant cutbacks at the federal level, it will have difficulty meeting other housing needs in the future</li> </ul> |

### 7.1.4.2. Owning vs renting

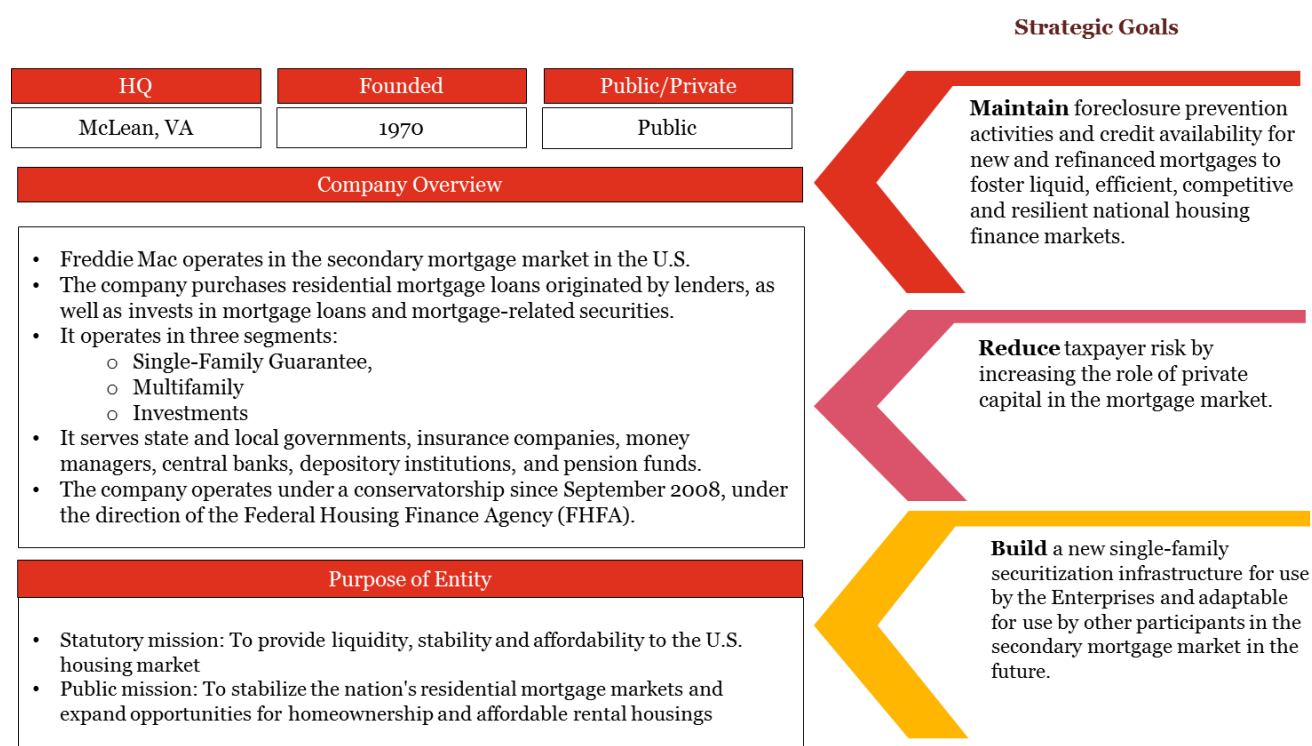
Several trends, including favourable demographics, low mortgage rates and, perhaps, even a view that housing was a better investment than stocks, have, until recent years, supported the demand for housing in most markets.

Federal Housing policy favours owning over renting. In addition, federal housing expenditures are heavily targeted on homeowners, even though many Americans – and the majority of those with severe housing needs – rent their homes. Renters account for 36 percent of the nation's households and 60 percent of those paying more than half of their income for housing, not including doubled up and homeless families and individuals, who in most cases would rent but lack the means to do so. Less than 30 percent of federal housing spending in 2014 went to renters, however. Owners received more than 70 percent of federal housing subsidies, despite making up less than two-thirds of all households and just 40 percent of those with severe housing cost burdens.



### 7.1.4.3. Federal Home Loan Mortgage Corporation (Freddie Mac): Overview

Operates under the conservatorship and under the direction of FHFA.



Freddie Mac Mortgage and debt related securities are the primary providers of capital

| Providers of capital  | Users of capital   | Regulation  | Social housing component  |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>• <b>Freddie Mac Mortgage related Securities:</b> Pools the mortgages purchased from lenders and packages them into securities that can be sold to investors, including the lenders themselves, pension funds, insurance companies, securities dealers, commercial and central banks, and others</li> <li>• <b>Freddie Mac Debt Securities:</b> Issues debt securities to the global capital markets to fund the purchase of mortgages and mortgage-related securities they hold as an investor</li> </ul> | <ul style="list-style-type: none"> <li>• The capital raised is used to invest in residential mortgages and mortgage related securities through its investment management segment.</li> <li>• It is also used to guarantee mortgages made by lenders</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Federal Housing Finance Agency (FHFA):</b> Regulates safety and soundness, and mission</li> <li>• <b>U.S. Department of Housing and Urban Development (HUD):</b> Regulates fair lending issues</li> <li>• <b>U.S. Department of Treasury:</b> Approves issuances of notes, debentures, unsecured debt obligations and new types of mortgage-related securities</li> </ul> | <ul style="list-style-type: none"> <li>• Community investments create and preserve affordable housing, prevent foreclosures, and strengthen communities</li> <li>• <b>Targeted affordable housing:</b> including loans for financing in underserved areas that are affordable to families with low and very-low incomes including cash loans, bond credit enhancements, tax-exempt loans</li> <li>• <b>Seniors housing loans:</b> offers flexible loan terms for a variety of seniors housing property types</li> <li>• <b>Small balance loans:</b> financing for the acquisition or refinance of small balance loans, providing liquidity, stability and certainty of execution to the affordable rental housing market</li> </ul> |

## 7.1.5. Germany

### 7.1.5.1. Housing Finance Models- Traditional Programs

As part of its social benefits, the Federal Government offers residents, regardless of nationality, housing assistance in adequate and affordable dwellings

#### Rental Assistance Program

- People with limited means can apply for a housing allowance ( *Wohngeld*) from their local town hall.
- Receiving allocated housing allowance is a legal right to German residents regardless of their type of housing tenure. Social housing tenants, private renters and owner-occupiers are welcome to apply for this benefit. The allowance is computed with 3 parameters: size of household, eligible income and qualified housing financial obligation.
- Housing allowances have become limited to those who do not receive other forms of income transfers. Residents receiving the basic social security benefits, which have an element in housing cost, are no longer eligible to apply for housing allowance.

#### Limitations

- **Increases pressure on fiscal budgets**
- **Inadequacy of assistance for very low income group**
- **Benefit limited to those who do not receive other forms of income transfers**

#### Housing Subsidies

- Due to the housing shortage, the German government has frequently intervened in the housing sector to guarantee accommodation for people with limited incomes.
- A *Wohnberechtigungsschein* (WBS) is a certificate required to live in apartments that have been built using state subsidies. A WBS is only available to people below a certain income level. To qualify, one's residence permit must have been issued for one year. One can obtain further information on the WBS permit from the local housing authority ( *Amt für Wohnungswesen*).
- Meanwhile, as the number of state-subsidized homes has decreased, the amount of compensation the state has had to pay in the form of housing benefits has risen.

- **Inadequate financial assistance**
- **Limited choice of housing**
- **Out of reach for very low income group of population**

### 7.1.5.2. Housing Finance Models- Investment Trusts

German REITs are income tax-exempt stock corporations that must be listed on an organized stock market.

#### Real Estate Investment Trust (REIT)

- In Germany REITs were introduced in 2007. The legal framework relates, in particular, to the acquisition, management and sale of commercially used property. These include industrial, office, retail and logistics premises. The REIT's portfolio may include German and foreign properties with the exception of residential properties built before January 1, 2007.
- REIT invest in all types of real estate and generate income primarily from the rents of the respective properties. Due to usually long-term contracts, their income streams are very stable. A company which meets certain criteria and therefore classifies as a REIT is not subject to taxes. These are instead imposed on the level of the shareholders. REITs are also characterized by high dividend payments (80-90% of operating income). The asset class of REITs is therefore of particular interest to investors looking for companies with stable cash flows and simultaneously moderate growth opportunities in the long term.
- The G-REIT is obliged to distribute at least 90% of its profits determined under German Commercial Code.
- The G-REIT must be a German tax resident. The tax exemption applies retrospectively from the start of the financial year in which the G-REIT is registered in the commercial register. The G-REIT subsidiaries do not benefit from the tax exemption. They are subject to general tax rules.

#### Conditions associated with REIT

*REITs must be long term owners*

*Payout ratio of at least 90%*

*Mandatory listing on German stock exchange*

*Equity ratio at least 45%*

*75% of gross income must result from rental/ lease or disposal gains*

*Minimum free float of 25% at the time of listing*

*Single shareholder can not hold more than 10% of shares*

### 7.1.5.3. Housing Finance Models- Securitization

In the vacuum of no substantial grant funding for housing, there has been no influx of private money for building new or renovating existing social housing

#### German Mortgage Securitization – Bonds

- It is a financial intermediary that borrows funds in the capital markets or takes deposits from public (savers) and lends that money to social and affordable housing providers.
- German mortgage funding is very much bank deposit-based, with capital markets-based funding less than one-fifth of outstanding loans.
- Pfandbriefe are debt obligations secured by a dedicated reference portfolio of assets, with the issuer being fully liable for all interest and principal payments. Underlying collateral assets are held on balance and all obligations related to Pfandbriefe are backed by the exclusive claim on the cover pool that is recorded in the cover register. In contrast, mortgage-backed securities (MBS) are usually designed to be “bankruptcy remote” from issuers, so performance is based solely on the assets, and securitizers have little to no “skin in the game.”

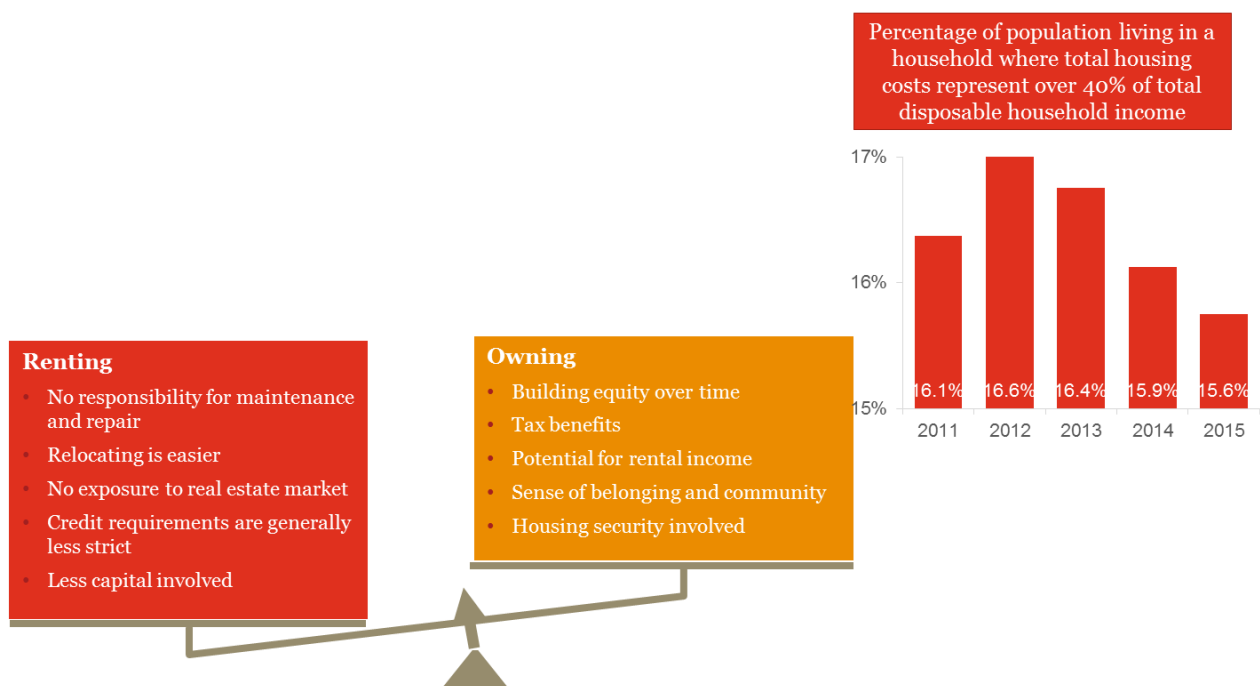
#### German Mortgage Securitization – RMBS

- German residential mortgage-backed securities (RMBS) issuance volumes have been small compared to that of covered bonds.
- RMBS transactions involve the transfer of the risk associated with a portfolio of mortgage loans into special purpose vehicles (SPVs) funded with the issuance of one or more “tranches” of securities. Tranche holders are paid in specific order, starting with the “senior” tranches (least risky) working down through one or more levels to the “equity” tranche (most risky). If some of the expected cash flows are not forthcoming (e.g., some loans default), then, after any cash flow buffers are depleted, the payments to the equity tranche are reduced. If the equity tranche is depleted, then payments to the “mezzanine” tranche holders are reduced, and so on up to the senior tranches.
- Most German MBS transactions have been completed via KfW PROVIDE synthetic securitization platform. Before the creation of this issuance platform, a number of structural impediments had long prevented efficient mortgage securitization in Germany.

### 7.1.5.4. Owning vs renting

Germany remains a country where most people rent. This inevitably makes Germans more amenable to tenant-friendly legislation— especially in Berlin, where the proportion of renters reaches up to 85%.

Berlin Senate's Housing policy favors renting over owning. Under a new plan, low-income tenants of public housing are required to pay less than a third of their income in rent. In a city with high numbers of public housing residents, the effect of the new rule could be striking. Of Berlin's 3.5 million residents, about 250,000 people live in housing projects, spread across some 125,000 apartments. The city also has 280,000 apartments owned by four state property companies that will likewise be subject to the new rules. 2016 onwards, low-income tenants in these homes have a guarantee that rent rises will not price them out. The number of these protected apartments will also go up. The new rule binds the Berlin Senate to build 30,000 new public housing units within the next 10 years, while the proportion of affordable housing owned by the state property companies will also be pushed up.



### 7.1.5.5. Federal Association of German Housing and Real Estate Companies (GdW): Overview

The company is a 14 member federations:

| HQ   | Founded | Status    | 14 Member Federations of the GdW   |
|--|---------|-----------|--|
| Berlin   | 1946    | Regulator |  |
| Overview   |         |           | <ul style="list-style-type: none"><li>• vbw Verband baden-württembergischer Wohnungs- und Immobilienunternehmen e.V.</li><li>• VdW Bayern Verband bayerischer Wohnungsunternehmen e.V.</li><li>• VdW südwest Verband der Südwestdeutschen Wohnungswirtschaft e.V.</li><li>• VdW Verband der Wohnungswirtschaft Sachsen-Anhalt e.V.</li><li>• VdWg Verband der Wohnungsgenossenschaften Sachsen-Anhalt e.V.</li><li>• Verband Berlin-Brandenburgischer Wohnungsunternehmen e.V. (BBU)</li><li>• Verband der Wohnungswirtschaft in Niedersachsen und Bremen e.V.</li><li>• Verband der Wohnungswirtschaft Rheinland Westfalen e. V.</li><li>• Verband Sächsischer Wohnungsgenossenschaften e.V. (VSWG)</li><li>• Verband Sächsischer Wohnungsunternehmen e.V. (VSWU)</li><li>• VNW Verband norddeutscher Wohnungsunternehmen e.V.</li><li>• VTW Verband Thüringer Wohnungswirtschaft e.V.</li><li>• PTW Prüfungsverband Thüringer Wohnungsunternehmen e.V.</li><li>• Genossenschaftsverband Frankfurt e.V. Hessen - Rheinland-Pfalz - Saarland - Thüringen</li></ul> |
| <ul style="list-style-type: none"><li>• The Federal association of German housing and real estate enterprise registered associations is a technical and a syndicate of the housing co-operatives in Germany</li><li>• The 14 member federations of the GdW have approx. 3,200 housing enterprises as members</li><li>• Represent together an existence of approx. 6.4 million dwellings, correspond to approximately 17% of the entire and/or 30% of the rental housing stock in Germany</li></ul> |         |           |  |
| Functions  |         |           |  |
| <p>The housing enterprises cared for over the regional organizations of the GdW can be divided into the following sections:</p> <ul style="list-style-type: none"><li>• Housing cooperatives</li><li>• Local housing companies</li><li>• Public housing companies of the federation and the countries</li><li>• Housing companies of the private sector</li><li>• Church housing enterprises</li><li>• Other housing enterprises</li></ul>   |         |           |  |

## 8. *Housing finance models – a summary of multilateral research*

### 8.1. *Inter-American Development Bank (IDB) studies and recommendations*

The Inter-American Development Bank (IDB) conducted several studies related to the housing market, social housing and rentals. The IDB studies reviewed during the conduct of this engagement include:

- The State of Social Housing in Six Caribbean Countries (2016)- This study focused on a comparative analysis of social housing in six Caribbean countries – Commonwealth of Bahamas, Barbados, Guyana, Jamaica , Suriname, Trinidad and Tobago, the role and definition of social housing in the Caribbean, policy options: trends and challenges in the provision of social housing, and country reviews of each of the aforementioned countries
- Rental Housing wanted in Latin America and the Caribbean (2014) - This study highlighted the problem of housing in the Latin America and Caribbean (LAC) region, especially as it relates to the housing deficit, affordability and segregation, the description of rental housing and the options for constructing a better rental housing market
- Room for Development (2012) – This study looks at both the determinants and consequences of poor housing in Latin American and Caribbean cities.

*“Latin American and Caribbean countries are the most urban in the developing world, enjoy very high home ownership rates, and boast high average family incomes by developing world standards.*

*Despite significant progress over the past two decades, many of the region’s city inhabitants are still poorly housed.*

*Of the 130 million urban families in the region:*

- *5 million rely on another family for shelter*
- *3 million live in houses that are beyond repair, and*
- *34 million live in houses that lack either title, water, sewerage, adequate flooring, or sufficient space.*

*Most of these dwellings and many more otherwise satisfactory homes are located in neighbourhoods that lack basic urban amenities, such as public transportation, parks, and hospitals.*

*Paradoxically, most families living in inadequate housing are not poor, rather they come from the lower middle-income sector.”*

The studies have revealed that during the last 50 years, the region has experienced a rapid process of urbanization, resulting in cities that are characterized by high levels of income, inequality and poor housing conditions.

Economic growth has also fed an obviously segregated pattern of housing, with gated communities for middle-income and high-income families proliferating in the suburbs. Although gated communities promote the concentration of the poor in periphery neighbourhoods that lack proper infrastructure and promote the formation of slums, some researchers argue that this phenomenon does not represent a major change in the current pattern of segregation in the region.

## **8.2. World Bank study and recommendations**

As part of the Financial Sector Assessment Program (FSAP) conducted by the World Bank in May 2014, Jamaica's housing market was assessed and the following key findings and recommendations were made<sup>50</sup>:-

### **8.2.1. Key Findings**

- Jamaica has a relatively sophisticated mortgage market. Mortgage portfolio representing 7% of GDP, 28% of all loans and 40% of all retail lending.
- Mortgages are extended under prudent and standard market practices. The main mortgage actor is the NHT, which issues about 7,000 loans per year.
- Over 80 percent of the population is excluded from mortgage finance. Informal and low income borrowers have little financial and institutional access to housing loans, as only NHT offers affordability products. Self-employed people can make voluntary contributions which also qualifies them to borrow.
- Jamaica still faces a significant persistent housing shortage and half of the land parcels lack title, which affects the poor disproportionately.
- Jamaica does not have a comprehensive housing policy and strategy that encompasses all the relevant aspects from urban planning to housing finance.

### **8.2.2. Recommendations**

- Design a comprehensive national housing strategy:-
- The key stakeholders should work together to finalize the housing strategy which is currently in draft. This with the goal of extending affordability to the lower and informal income borrowers. This strategy should link with the broader long term plans of the country, Vision 2030 etc.
- Establish a uniform regulatory and supervisory framework for housing finance lending.
- Develop the institutional, legal and regulatory framework for long term funding.
- Design a specific policy to introduce subsidies and incentives for low income and informal borrowers to access housing finance.
- Standardise the mortgage sector in products, policies and practices should be supported by institutional, prudential and regulatory means.

<sup>50</sup> World Bank - Financial Sector Assessment Programme Development Module Jamaica

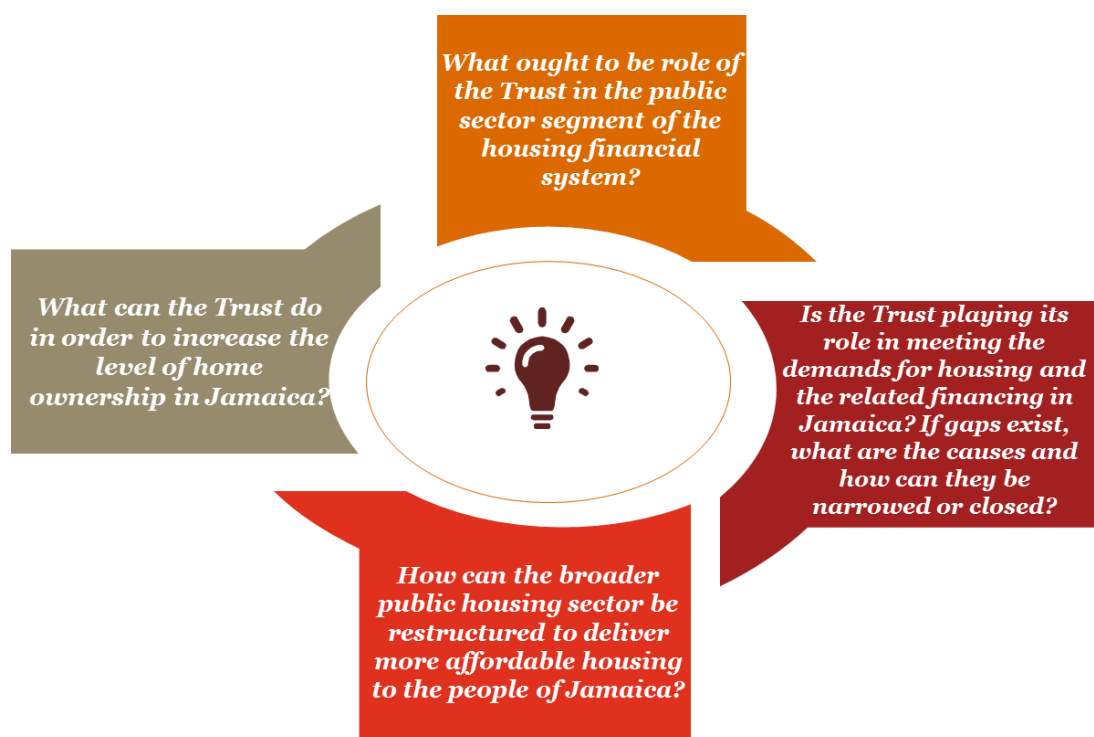
## 9. Stakeholder views and analyses

The following are views compiled from independent stakeholder consultations and do not necessarily reflect those of the Commission. The Commission agreed that a deeper understanding of the current state of play and the needs of the Jamaican people would be gained through a consultative process with a range of interest groups, stakeholders and partners within the housing sector.

### 9.1. Overview

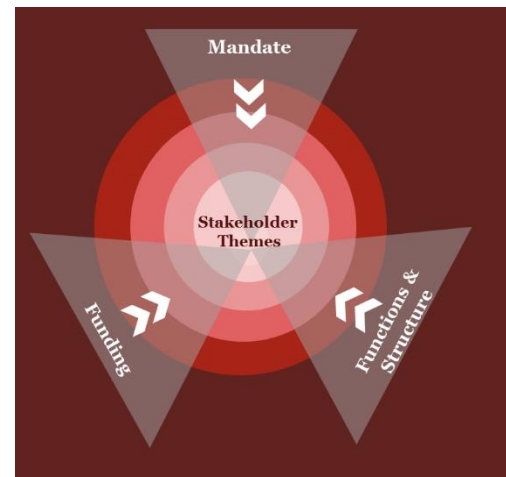
The Commission held stakeholder sessions between December 5, 2016 and February 13, 2017. The objective of these sessions was to ascertain the views of participants of the public and private housing market sector on the NHT mandate, structure of the Jamaican housing finance sector, as well as the structural and non-structural measures to reform the public sector segment of the housing finance sector.

***Stakeholders were invited to share their views, considering:***



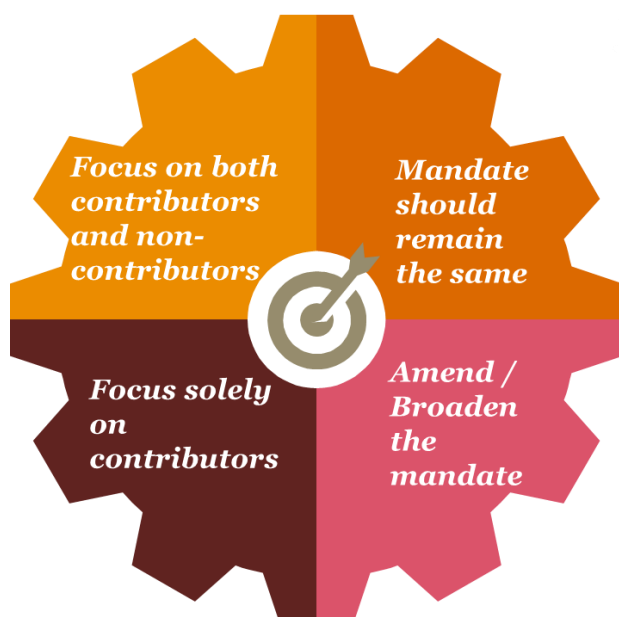
### ***9.1.1. Overview of themes derived from stakeholder focus group sessions***

- Stakeholders shared their opinions of NHT based on their perspectives and interests.
- Arising from the stakeholder sessions, three (3) broad themes were identified, as illustrated in the diagram.
- These themes are further discussed below.



### 9.1.1.1. Stakeholders had various opinions about the NHT mandate

These views have been grouped into four categories, as illustrated in the diagram.



The following table indicates the stakeholder views in regards to the NHT mandate.

| Stakeholder Themes                    | Stakeholder Comments and Observations   |   |  |
|---------------------------------------|---|---|--|
| <b>Mandate should remain the same</b> | <ul style="list-style-type: none"> <li>NHT was established to provide housing solutions to fulfil the unmet need</li> </ul> <p>"the major role of NHT is to provide housing and you cannot have so much unmet housing demands"</p>  |   |  |
| <b>Amend/ broaden the Mandate</b>     | <ul style="list-style-type: none"> <li>Mandate can be broadened, but requires the functions of NHT to be explicitly stated.</li> </ul> <p>"The social needs of the country, and its citizens change from time to time and what the original construct of NHT might have been from it started is not the only thing that needs attention and funding now. That is something for the country to consider, and for the citizens to consider"</p> | <ul style="list-style-type: none"> <li>Diversify the mandate to provide more than just home ownership</li> <li>Change the mandate to housing solutions not just home ownership</li> </ul> <p>"I don't think the NHT's mandate should be housing ownership, but rather housing solutions"</p> <p>"This idea that we always focus on providing housing solutions for everyone out there even those who cannot afford it, it can't work"</p> | <ul style="list-style-type: none"> <li>NHT should be a housing market regulator</li> </ul> <p>"NHT needs to focus on bringing some equilibrium to the housing market and provide that stepping stone for people to move to the next level"</p> <p>"NHT loan framework in and of itself is a bit of market regulation in a hugely efficient way,.....because it does not cost anything"</p> |

*"The fact of the matter is that the challenge that we face in terms of home ownership is the fact that most people just cannot afford housing."*

*Stakeholders have the perspective that the NHT's mandate should provide housing solutions, as well as NHT should act as a regulator or influencer to the housing market and ensure house prices are affordable.*

The following table indicates the stakeholder views in regards to the NHT mandate.

| Stakeholder Themes                              | Stakeholder Comments and Observations   | Stakeholders agree that the NHT has a social responsibility to provide housing solutions to low income earning Jamaican citizens |
|---|---|--|
| Focus solely on contributors                    | <ul style="list-style-type: none"> <li><b>Focus should be on contributors</b></li> </ul> <p>“NHT should be focusing on people who contribute whether they come from inner city or wherever that should be the focus.”</p> <p>“we would prefer if the Trust concentrates on its mandate of providing housing for the workers of Jamaica. Anything outside of that we believe, would have to be done on a case by case basis based on what may be the prevailing condition at that particular point in time.”</p> |  |
| Focus on both non-contributors and contributors | <ul style="list-style-type: none"> <li><b>Focus on both non-contributors and contributors</b></li> </ul> <p>“This is a public agency, it should be acting in the public’s interest so therefore it does have a social role.”</p> <p>“So you could be building a relationship with persons who are non-contributors today, but could become contributors by virtue of the kind of relationship that you are able to build with them.”</p>  |  |

*“Why do you exist, why do you have a public agency if you don’t have a social role? Any re-examination of NHT’s mandate should include a social role.”*

#### 9.1.1.2. Stakeholders views on the functions & structure of the NHT

*The NHT’s functions and structure should be geared towards:*

- closing any gaps with the housing market demand and supply,*
- partnering to build more affordable housing solutions,*
- social housing responsibility*
- operating more efficiently, with improved collaboration of public sector housing entities and*
- increasing public, private, partnerships and joint ventures.*



The following table indicates the stakeholder views in regards to the functions and structure of the NHT.

*There is agreement that there is a gap in the market between the available houses and the affordability of housing offerings. In addition, a number of contributors are unable to access NHT benefits. HAJ has even indicated that the number of contributors that cannot access NHT benefits could be as large as 35-40%.*

*“For those who don’t have access to affordable housing, this costs the nation financial and psychosocially”*

| Stakeholder Themes              | Stakeholder Comments and Observations   |   |   |
|---------------------------------|---|---|---|
| <b>Market demand and supply</b> | <ul style="list-style-type: none"> <li><b>A gap exists in the housing market between the demand and supply</b><br/>“Resources are still not being distributed to address our nation’s housing deficit, particularly amongst marginalized populations.”<br/>“the major role of NHT is to provide housing and you cannot have so much unmet housing demands”</li> </ul> | <ul style="list-style-type: none"> <li><b>A gap exists in the available houses and the affordability of the housing offerings</b><br/>“if NHT can be the organization that would come in and help to develop that (land) and build some houses to help to satisfy the demand that is out there, that is, for people who really cannot afford the private developments”<br/>“there is a major gap in terms of solutions being delivered particularly as you said, the low income and the no income because there are social obligation that Government has”</li> </ul> | <ul style="list-style-type: none"> <li><b>Contributors cannot afford NHT housing solutions</b><br/>“too many of contributors are unable to access the NHT’s mortgage financing”<br/>“several folks contribute to the Housing Trust in a statutory deduction, but they are unable to afford the price and that is a real challenge and something that we need to look at in terms of redirecting the policy of the NHT”</li> </ul> |

The following table indicates the stakeholder views in regards to the functions and structure of the NHT.

| Stakeholder Themes          | Stakeholder Comments and Observations  |  |  |
|-----------------------------|--|--|--|
| <b>Housing construction</b> | <ul style="list-style-type: none"> <li><b>NHT should not be involved in housing construction</b><br/>“NHT should concentrate solely and exclusively on providing mortgage finance for it’s contributors”<br/>“From our point of view, I think that you (NHT) are not as efficient as you need to be and the inefficiency also comes from Government’s own operations”</li> </ul> | <ul style="list-style-type: none"> <li><b>NHT should build houses and be a direct participant in providing housing solutions</b><br/>“the Trust should be building communities”</li> </ul> | <ul style="list-style-type: none"> <li><b>NHT should partner with developers to build houses</b><br/>“if you partner, I feel that it will be much better than just leaving it alone because there are still persons who are there with the hope of getting a house through NHT, because at the end of the day I was happy getting my house through NHT”</li> </ul> |

*NHT should partner with developers to build houses for the different income earners. The mind-set is that NHT is the place to build affordable houses.*

The following table indicates the stakeholder views in regards to the functions and structure of the NHT.

| Stakeholder Themes for Functions & Structure | Stakeholder Comments and Observations   |   |   | <p><i>“...You could be building a relationship with persons who are non-contributors today, but could become contributors by virtue of the kind of relationship that you are able to build with them.”</i></p> |
|--|---|---|---|--|
| <b>Social housing developments</b>           | <ul style="list-style-type: none"> <li><b>NHT should provide social housing</b></li> </ul> <p>“Social housing, we believe is something that the NHT should become involved in.”</p> | <ul style="list-style-type: none"> <li><b>NHT should not be involved in social housing</b></li> </ul> <p>“the Ministry of Housing is not able to properly deal with social housing. So do we then look to a National Housing Trust, to take on the provision of social housing as a part of its mandate?”</p> | <ul style="list-style-type: none"> <li><b>Rent/lease to own housing solutions</b></li> </ul> <p>“the Trust, if it becomes involved in social housing projects that there has to be some kind of mechanisms where those persons recognize that it is not a gift to them, it is something that they have to contribute, and if they don't contribute to it, at some point in the time there maybe action taken to take back the unit. There has to be that kind of thinking”,</p> |  |

*“NHT was designed to solve the housing problems in Jamaica and seven thousand mortgages a year to me is not solving the problem”*

The following table indicates the stakeholder views in regards to the functions and structure of the NHT.

| Stakeholder Themes                                    | Stakeholder Comments and Observations  |   |  |
|---|--|---|--|
| <b>Public private partnerships and joint ventures</b> | <ul style="list-style-type: none"> <li><b>Create more public private partnerships and joint ventures with developers to provide housing solutions</b></li> </ul> <p>“NHT positively could influence the market if they stepped back and actually created more public /private relationships”</p> <p>“NHT essentially subsidizing the cost be willing to put up a significant sum of the project cost and then you know, partnering with a developer who will bring the expertise and hopefully bring that project in at a price. So that is kind of perfect storm if you like, and the elements it hard to put three of those – all three together.”</p> | <ul style="list-style-type: none"> <li><b>Create joint ventures and partnerships with UDC to provide land</b></li> </ul> <p>“The cost of land used to attract developers it has to be about five per cent of the overall development cost in Kingston and St. Andrew is a shock beyond twenty and higher which means that you are limited those who can afford it.”</p> | <ul style="list-style-type: none"> <li><b>Create joint ventures and partnerships with NWC, NEPA and other entities to reduce infrastructure costs</b></li> </ul> <p>“The change that is required, if and when you go out to joint venture (JV) arrangement, NHT must have a more active role, when those JVs - because the JVs who normally take the lead in the development are the ones who will more or likely engage the different professions that is how I understand it.”</p> |

*Stakeholders representing public and private organisations have indicated that they are willing to partner and collaborate with the NHT to provide more affordable housing solutions*

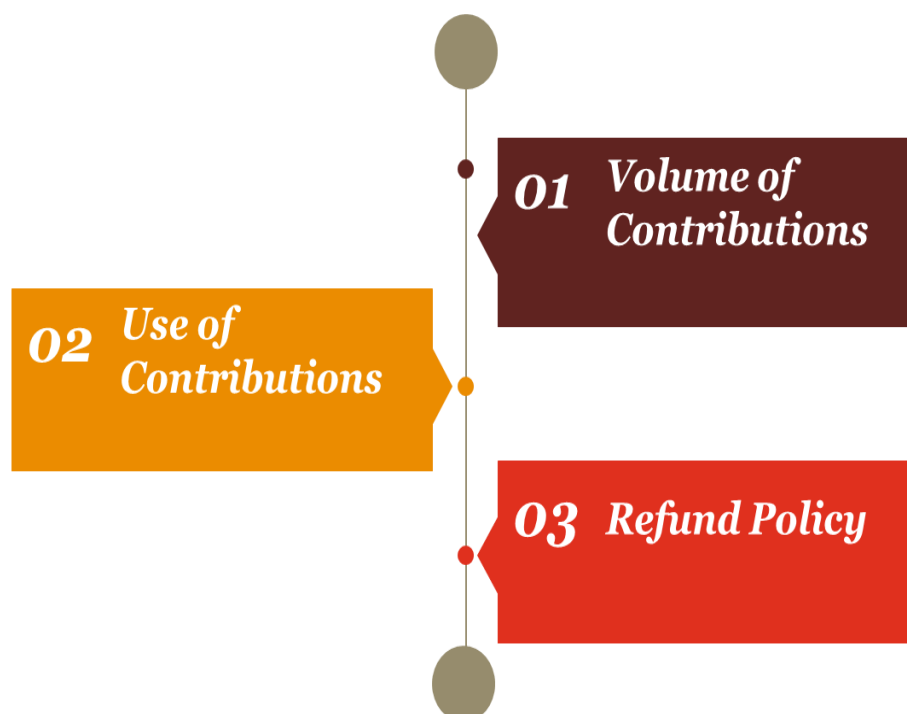
The following table indicates the stakeholder views in regards to the functions and structure of the NHT.

| Stakeholder Themes                              | Stakeholder Comments and Observations   |
|---|---|
| Collaboration of public sector housing entities | <ul style="list-style-type: none"> <li>• <b>NHT should coordinate and cooperate with other public housing entities</b><br/>           “A situation like that where there is land, there is infrastructure, if NHT be the organization that would come in and help to develop that and build some houses to help to satisfy the demand that is out there, that is for people who really cannot afford the private development.”<br/>           “UDC is more about planning, infrastructure et cetera, but we have land”<br/>           “in terms of a partnership, how do we work with NHT, how do we work with Mortgage Bank, how do we work with HAJ to better deliver the products?”</li> <li>• <b>NHT should have an entity/centralized function focused on project management for housing solutions</b><br/>           “a management entity that focuses purely on executing the (housing) project. It could be NHT, it could be centralized,”</li> </ul> |

*“We are going to need greater coordination to be able to address the problem.”*

*“I would imagine that NHT being involved, there is a better chance that more people would be able to afford a house.”*

### 9.1.1.3. Stakeholders views on the funding for the NHT



*Perspectives on funding of the NHT is illustrated in the diagram*

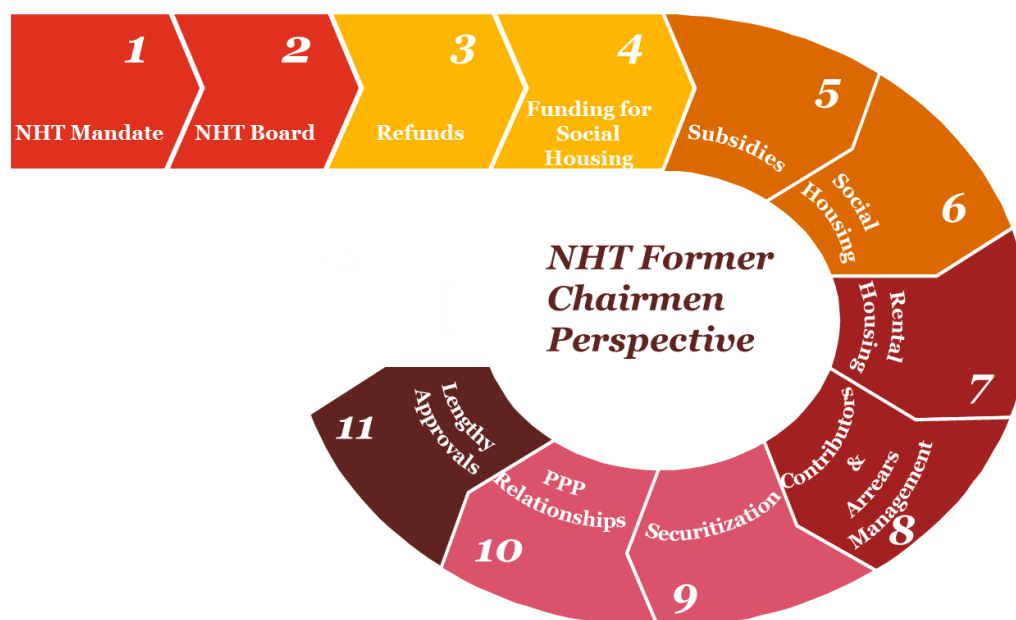
The following table indicates the stakeholder views in regards to the functions and structure of the NHT.

| Stakeholder                   | Stakeholder Comments and Observations   |
|-------------------------------|---|
| <b>Volume of contributors</b> | <ul style="list-style-type: none"> <li>• <b>Increase the number of contributors by including members of the diaspora</b></li> </ul> <p>“Jamaicans in the diaspora are not just potential contributors to housing product, they are also potential investors, and so it may be necessary to target them from this perspective.”</p>  |
| <b>Use of contributions</b>   | <ul style="list-style-type: none"> <li>• <b>Utilise employer contributions to support social housing developments</b></li> </ul> <p>“When the Trust was being formed the Trade Unions were the ones that basically suggested that that (utilization of employer contributions) was the avenue that Jamaica could use to solve its housing crises at the time.”</p>  |
| <b>Refund policy</b>          | <ul style="list-style-type: none"> <li>• <b>Refunds should continue to be provided</b></li> </ul> <p>“At the end of the day, if we are not careful we are going to drive this thing into another tax”</p> <p>“look at whether the none refundable portion of the three per cent contribution and use it to subsidize some of the infrastructure which is the large chunk of the expenditure on these projects, especially the large scale projects”</p> |

***The refund policy should be continued but volume of contributors and the use of contributions need to be examined.***

#### 9.1.1.4. Perspectives of Former Chairmen

The following themes were identified as Chairmen perspectives.



***Small contractors can build cheaper homes as they do not have the large overheads, and they utilise people from the local areas***

The following tables indicates the views of former Chairmen on the NHT:

***“NHT is not a tax and should not be treated***

#### Former Chairmen Comments and Observations

|                                   |   |   |
|-----------------------------------|---|---|
| <b>Mandate</b>                    | <ul style="list-style-type: none"> <li>Mandate should be changed to manage the housing crisis, provide social housing to resolve squatter settlements</li> <li>The mandate should be specific with limitations included</li> <li>Education specifications should be removed out of the NHT Act</li> </ul> | <ul style="list-style-type: none"> <li>Mandate should remain as GoJ should allocate resources to resolve squatter settlements as funding to do so may not need to come from the NHT</li> <li>Be careful how you change the mandate of NHT,</li> </ul> |
| <b>NHT Board</b>                  | <ul style="list-style-type: none"> <li>NHT should be depoliticised and have a staggered board</li> <li>A full examination of the Board should be done and then taken to Parliament to make changes</li> </ul>   | <ul style="list-style-type: none"> <li>NHT should be policy based and terms established for the Board</li> </ul>  |
| <b>Refunds</b>                    | <ul style="list-style-type: none"> <li>Provide refunds from NHT to contributors</li> <li>NHT is not a tax and should not be treated as such</li> </ul>  | <ul style="list-style-type: none"> <li>GoJ should allocate resources from other public service areas to resolve squatter settlements</li> </ul>   |
| <b>Funding for social housing</b> | <ul style="list-style-type: none"> <li>Refocus the attention to squatter settlements with basic infrastructure</li> <li>Cap a percentage of NHT profits to provide funding for squatter settlements</li> <li>Funding for social housing should come from tourism funds</li> </ul>                         | <ul style="list-style-type: none"> <li>NHT should not be resolving squatter communities in totality as NHT does not have the power to use contributors funds to solve some of the countries issues</li> </ul>   |

***NHT has the opportunity to strengthen the community – job security etc., opportunities to expand communities, provide jobs so that crime will be reduced.***

***“Restructure the Trust so that people can have confidence in it”***

#### Former Chairmen Comments and Observations

|  |   |   |
|--|---|---|
| <b>Subsidies</b>                           | <ul style="list-style-type: none"> <li>NHT should provide mortgage rate subsidies</li> <li>Reduce the cost of houses to the contributors by absorbing some of the infrastructures costs</li> </ul>  | <ul style="list-style-type: none"> <li>Utilize GoJ land to establish starter homes</li> </ul>   |
| <b>Social housing</b>                      | <ul style="list-style-type: none"> <li>Houses should be placed near to facilities such as jobs and amenities (shops, medical centres etc.)</li> <li>NHT should study shared equity and graduated mortgage programmes where NHT holds the investment</li> </ul>  | <ul style="list-style-type: none"> <li>HAJ will have to assist in building houses for low-income earners</li> <li>High-rise buildings are not well maintained</li> </ul>  |
| <b>Rental housing</b>                      | <ul style="list-style-type: none"> <li>To have feasible rental options, renters will have to have equity in the rental property otherwise it would be an issue</li> <li>Contract the management of rentals</li> </ul>   | <ul style="list-style-type: none"> <li>Rentals have issues too, and ownership will be an issue</li> <li>Renters have the tendency to not pay and moral hazards are also present</li> </ul>  |
| <b>Contributors and arrears management</b> | <ul style="list-style-type: none"> <li>Compare voters list to NHT contributors</li> <li>NHT should review labour statistics</li> <li>Use the NHT database to match people to contributors to increase the number of contributors</li> <li>Diaspora may not have the funds to contribute to NHT</li> </ul> | <ul style="list-style-type: none"> <li>Revisit the contract employees for contributions</li> <li>NHT needs to acquire a comfort level for collections</li> <li>NHT should review investments for returning residents such as retirement/lifestyle villages</li> </ul> |

***NHT needs to manage public perceptions and implement a communication programme to showcase NHT deliverables in order to build confidence in the society***

### Former Chairmen Comments and Observations

|  |  |  |
|--|--|--|
| <b>Securitization/<br/>Wholesaler of<br/>funds</b> | <ul style="list-style-type: none"> <li>Intermediaries take risks and questions arise will intermediaries take the risk for low-income earners?</li> </ul>            | <ul style="list-style-type: none"> <li>A study should be conducted to determine if NHT wholesaling is feasible</li> <li>Private sector only caters to existing houses and not new constructions</li> </ul> |
| <b>PPP<br/>relationships</b>                       | <ul style="list-style-type: none"> <li>NHT has the opportunity to incorporate the private sector in its housing activities, especially for infrastructure</li> </ul> | <ul style="list-style-type: none"> <li>Joint venture programmes provides NHT with opportunities</li> </ul>   |
| <b>Lengthy<br/>approvals</b>                       | <ul style="list-style-type: none"> <li>Conduct risk analysis and remove some of the approval steps</li> </ul>  | <ul style="list-style-type: none"> <li>NHT has too many bureaucratic levels</li> <li>Lengthy times for housing approvals</li> </ul>  |

***Small contractors can build cheaper homes as they do not have the large overheads, and they utilise people from the local areas***

***Contractors have too many hurdles to go through for NHT***

#### 9.1.1.5. The NHT Staff Perspectives

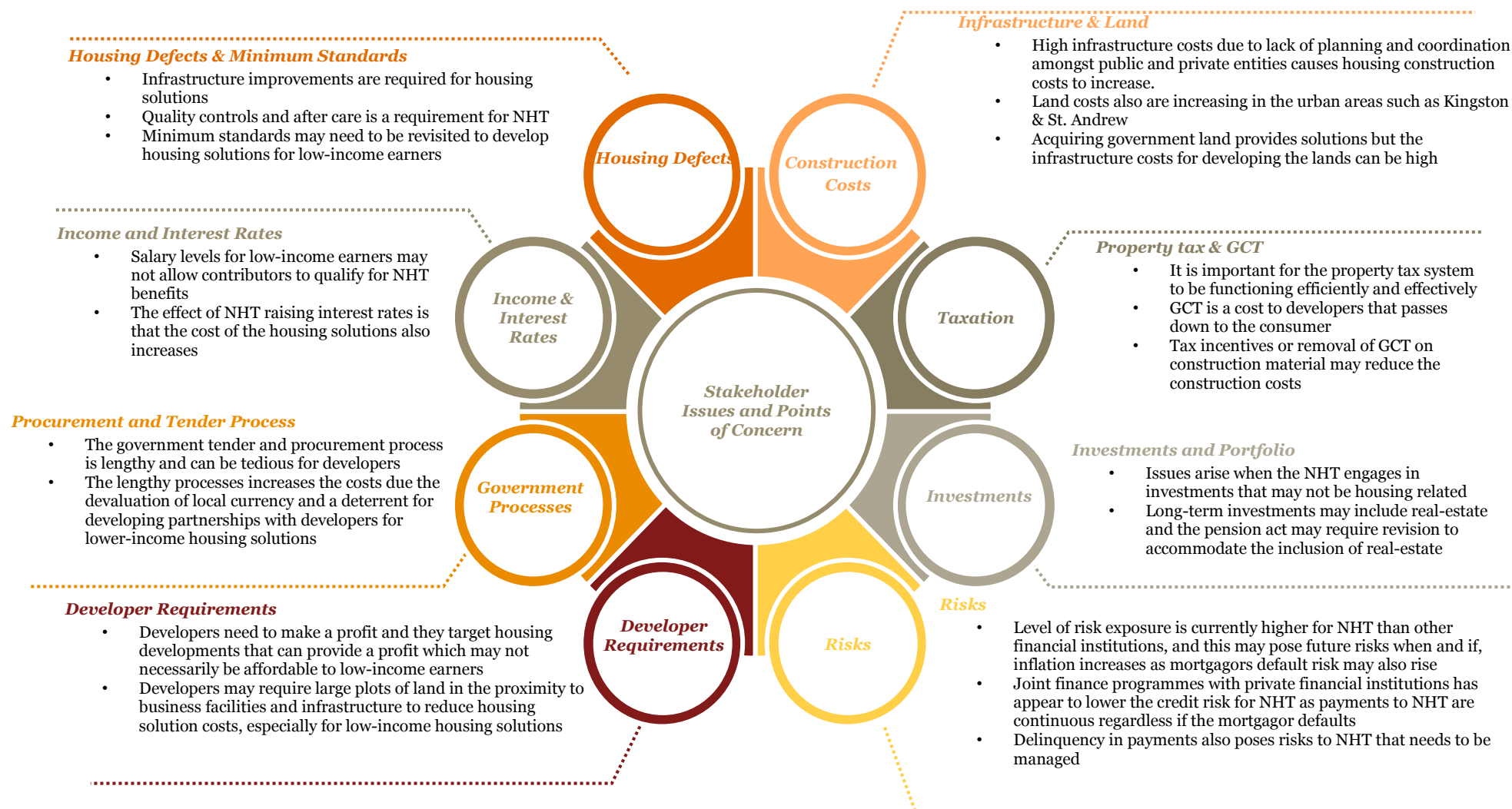
The following table indicate the staff perspectives for the NHT:

| Question   | Comments and Recommendations   |
|--|--|
| <b>What ought to be role of the Trust in the public sector segment of the housing financial system?</b>  | <ul style="list-style-type: none"> <li>Future programmes must directly address the needs of contributors (former or existing)</li> <li>The NHT must continue the Joint Finance Mortgage Programme (JFMP) as it is meeting the intended needs of the target market. It should seek to expand its reach by forming more partnerships with the credit unions and similar institutions.</li> <li>The NHT should not leave the individual mortgage market as contributors will be at a severe disadvantage (reduced affordability and housing finance access).</li> </ul>   |
| <b>Is the Trust playing its role in meeting the demands for housing and the related financing in Jamaica? If gaps exist, what are the causes and how can they be narrowed or closed?</b> | <ul style="list-style-type: none"> <li>The housing demand needs of contributors can be met by: <ul style="list-style-type: none"> <li>Using the available research results to address the associated issues</li> <li>Creating stronger partnerships with related agencies</li> <li>Using strategies to reduce hindrances <ul style="list-style-type: none"> <li>Government needs to put in a programme that fast tracks NHT projects</li> <li>Revise procedures (process flow) for housing development process to include the turnaround times for stakeholders when the service level agreements are finalized</li> <li>State within procedures the activities that can be conducted concurrently within the housing development process</li> </ul> </li> </ul> </li> <li>Rent-to-Own Option</li> </ul> |

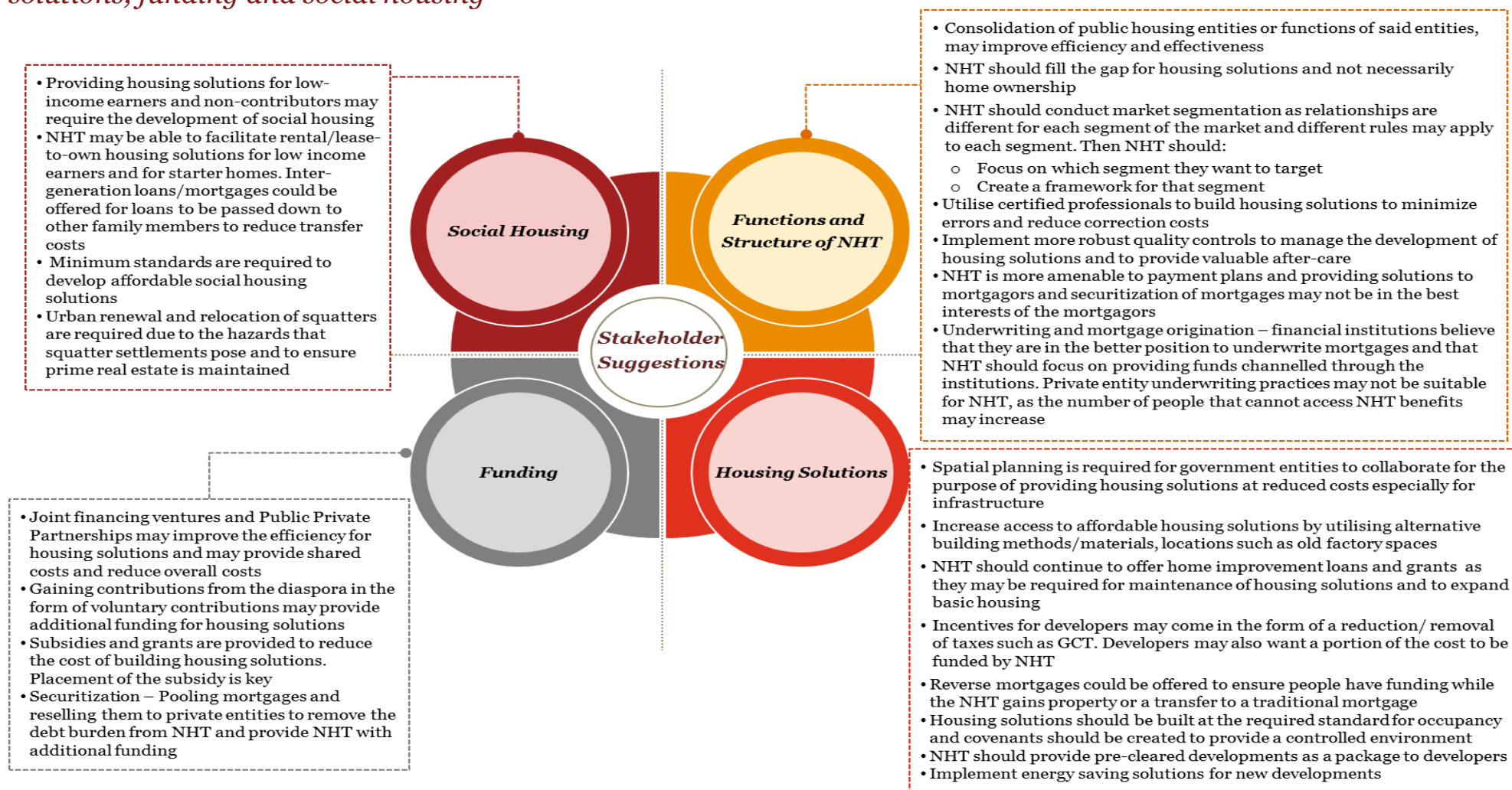
The following table indicate the staff perspectives for the NHT:

| Question  | Comments and Recommendations   |
|---|--|
| <b>What can the Trust do in order to increase the level of home ownership in Jamaica?</b>                                     | <ul style="list-style-type: none"> <li>• Review the small contractors' programme and including them in the model:               <ul style="list-style-type: none"> <li>○ Small contractors are able to deliver better quality houses</li> <li>○ Economic benefits, such as increased employment (influenced by the construction multiplier effect)</li> <li>○ Lower cost finished products</li> </ul> </li> <li>• Create better partnerships with the parish councils</li> <li>• Conduct more research on affordable housing designs and alternative building systems</li> <li>• Initiatives needed to assist qualified scheme applicants who are unable to find the down payment (deposit)</li> <li>• Revise the PIE system to increase the pace of selection</li> <li>• Explore adjusting the home grant and mortgage combination cap, upwards, from \$4m to \$4.5m</li> <li>• Develop a database for persons who call wishing to pursue homeownership</li> <li>• Expand partnerships with developers to produce more houses to the market</li> <li>• Continue to implement the recommendations from the many in-house researches done and use information to create products that will address the needs of contributors</li> </ul> |
| <b>How can the broader public housing sector be restructured to deliver more affordable housing to the people of Jamaica?</b> | <ul style="list-style-type: none"> <li>• Consider merging with other public entities to form an entity that embodies all the requisite skill-sets to deal with public housing construction</li> <li>• Expanding the current project management role to include housing development experts</li> <li>• Loans to developers should still be undertaken</li> </ul>  |

### 9.1.1.6. Issues and points of concern raised by stakeholders in regards to NHT and the operations of the current housing market



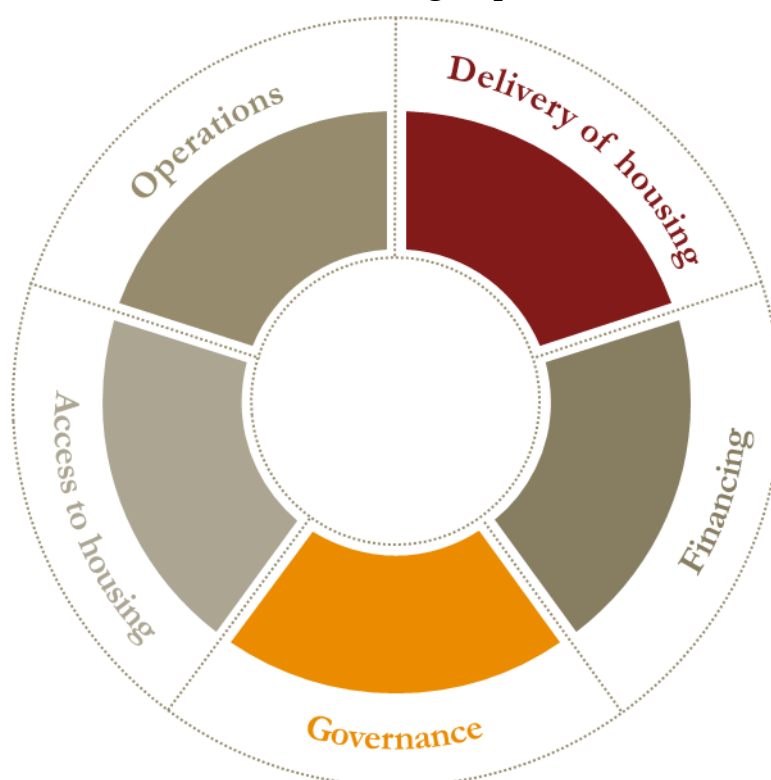
### 9.1.1.7. Stakeholders offered different suggestions for the improvement of NHT functions and structure, housing solutions, funding and social housing



## 10. Recommendations

This section consolidates the Commission's recommended reforms for improving the public sector finance system, with particular emphasis on the NHT. Given the range of issues considered by the Commission, the recommendations have been grouped into the following areas for reporting purposes:

- The operations of the Trust
- The delivery of housing solutions
- Financing the local housing market
- Appropriateness of the governance model for the NHT
- Ease of access to housing based on leveraging the role of the Trust in the public financial management segment of the market.



In considering the range of issues for the Commission and based on the information compiled, to simplify our reporting and crystallise the issues in an easily understandable format, we have structured the reporting around answers to key questions. It is the view of the Commissioners that:

- The questions represent some of the most vexing issues in the public domain related to the NHT, its mandate, operational scope and policy framework
- Consideration and responses to the questions contemplate and cover the full spectrum of areas within the original scope of the Commission's work
- By framing the recommendations and supporting analyses around a question and answer model, we believe it will be easier for the reader to focus on issues most pertinent to them.

## 10.1. Financing

### Question

Is the NHT overfunded?

### Issue

The NHT is funded by mandatory but refundable employee (2% of wages) and non-refundable employer's (3% of wage bill) contributions.

While the NHT is well regarded by the Jamaican public, there are lingering questions as to whether there is an existence of significant excess cash due to overfunding. This view is strengthened by the fact that the Government has been able to, and continues to drawdown on the funds of the NHT, in order to meet social objectives and benchmark requirements under bilateral agreements.

### Impact

In consideration of this, the Commission contemplated the following:

1. Should the NHT be considered overfunded if there are contributors that have never been able to access a benefit?
2. Should the NHT consider diverting funds to benefit the contributors through additional or enhanced benefits?
3. Should there be an adjustment to the contribution percentage and refund period in an effort to reduce the funding available to the NHT?

### Recommendation

The appropriate level of funding of the NHT and the extent to which the Trust may be over or under-funded, is critically dependent on the nature and scale of the interventions that the NHT is expected to make in the housing market and beyond.

The Commission evaluated the gap in provision of benefits by income segment across the contributor population, and acknowledged the critical importance of increasing, over time, the level of housing expenditure in the market.

| Income Band (\$) | Demographics of Individuals Contributing as at February 2014 |                             |                             | Demographics of Individuals who Accessed Loans as at February 2014 |                          |                         |
|------------------|--|-----------------------------|-----------------------------|--|--------------------------|-------------------------|
|                  | Number of Contributors                                       | % of Number of Contributors | % of Value of Contributions | Number of Mortgages  | % of Number of Mortgages | % of Value Of Mortgages |
| 4,501-7,500.99   | 203,696  | 46%                         | 11%                         | 22,116   | 22%                      | 12%                     |
| 7,501-10,000.99  | 44,614   | 10%                         | 6%                          | 14,573   | 14%                      | 10%                     |
| 10,001-20,000.99 | 92,995   | 21%                         | 20%                         | 32,752   | 32%                      | 31%                     |
| >= 20,001        | 102,882  | 23%                         | 63%                         | 31,694   | 31%                      | 48%                     |
| <b>Total</b>     | <b>444,188</b>   | <b>100%</b>                 | <b>100%</b>                 | <b>101,135</b>   | <b>100%</b>              | <b>100%</b>             |

The Commission's analysis suggests that the rate of conversion from NHT contributor to NHT mortgagor averages approximately 30% across all income segments with the exception of the lowest income band where the conversion rate is approximately 11%<sup>51</sup>.

High levels of unmet demand (See Section 3.3) and a low conversion rate, as per above, require the NHT to significantly increase its level of housing expenditure. Given this imperative coupled with an NHT contribution refund liability of \$91 billion<sup>52</sup> as at March 2017, the Commission does not consider the NHT to be overfunded.

<sup>51</sup> The data in the table represent only active NHT mortgages and also does not include those disbursed under the Joint Financing Mortgage Programme (JFMP)

<sup>52</sup> The vast majority of this, 76%, was not yet due for repayment as at March 2017

Given the growth in NHT contributions from \$23 billion in 2014/15 to a forecast of \$30 billion<sup>53</sup> in 2017/18, the NHT can increase its level of housing expenditure, which averaged approximately \$20 billion over the three year period 2014/15 to 2016/17 period, while keeping all other outflows unchanged<sup>54</sup>. In fact, the projected housing expenditure for 2017/18 is \$32 billion, financed by mortgage loan repayments, and contribution income. Given employment growth momentum there is every reason to expect that this is sustainable.

***The Commission concluded that the Trust is not overfunded given the current and planned rate of housing expenditure and the need to improve the realization of benefits to contributors at lower income levels. Further, the Commission recommends that no explicit change in the nature and level of funding take place at this time, either to the employer/employee funding profile mix or the refund basis for the employee contributions.***

### Question

Should the NHT continue the practice of lending to developers (commercial lending)?

### Issue

At the income level of minimum wage to \$12,000 weekly, an individual is able to qualify for an interest free mortgage ranging from \$2,419,048 to \$4,885,714.

It has often been noted that the demand for houses at this price point exceeds the supply. The NHT currently offers loans to developers at below market interest for the purpose of building low-income houses however, there has been a low level of applications.

The Commission contemplated the possible reasons for the gap:

- Developers are not willing to take the risks associated with the lower end market
- The high cost of infrastructure further reduces the level of returns at an already low price point
- Developers are unable to claim the GCT on construction materials when the houses are eventually sold
- At the lower end of the market, developers are not willing to expend finite resources for the lower margins

### Impact

To the extent that developers are unwilling to enter the lower income segment of the market and have introduced (either explicitly or implicitly) a market failure, if the NHT is able to provide financing at lower than market rates, this should aid in delivering at the lower segment of the market.

Further, the Commission considered whether the NHT had the internal institutional capacity to adjudicate and underwrite significant commercial loans, the terms of which can be relatively complex.

### Recommendation

<sup>53</sup> NHT has sources of cash inflows other than contributions. These include principal repayment and interest income from its mortgage portfolio and investment income on its investment portfolio.

<sup>54</sup> This assumes that the rate of contribution refunds remains consistent with historical experience.

The Commission is of the view that developers should access the private commercial market for financing, in most cases.

However, in the lower income housing market that is characterized by an under-supply of housing solutions, and where the participation of private developers is sparse, the Commission believes that a prima facie case exists to lend to developers. However, this needs to be within the framework of more structured lending practices.

***Specifically, the Commission recommends the development of certain parameters around the existing lending programme as follows:***

- ***Strengthen the internal commercial credit underwriting, evaluation and documentation process.***
- ***Package and standardize low income housing developments that the NHT is willing to fund on a commercial basis to help streamline the design, evaluation and delivery.***
- ***Loans to commercial developers, even in the low income segment, should be priced at market with any intervention by way of subsidy targeted at promoting housing demand.***

### **Question**

Should the NHT continue with the existing policy of paying interest on employee contribution refunds?

### **Issue**

The existing policy framework guiding the determination and payment of interest on employee contributions are section 17(1) of the National Housing Trust Act and the National Housing Trust (Bonus) Regulations 1980. Section 17(1) of the National Housing Trust Act defines a bonus as “A sum determined on such basis and at such rate as the Minister may from time to time prescribe shall be awarded and credited by the Board as a bonus on the contributions made by such contributors as may be prescribed and shall be taken into account in the award of benefits pursuant to this Act”.

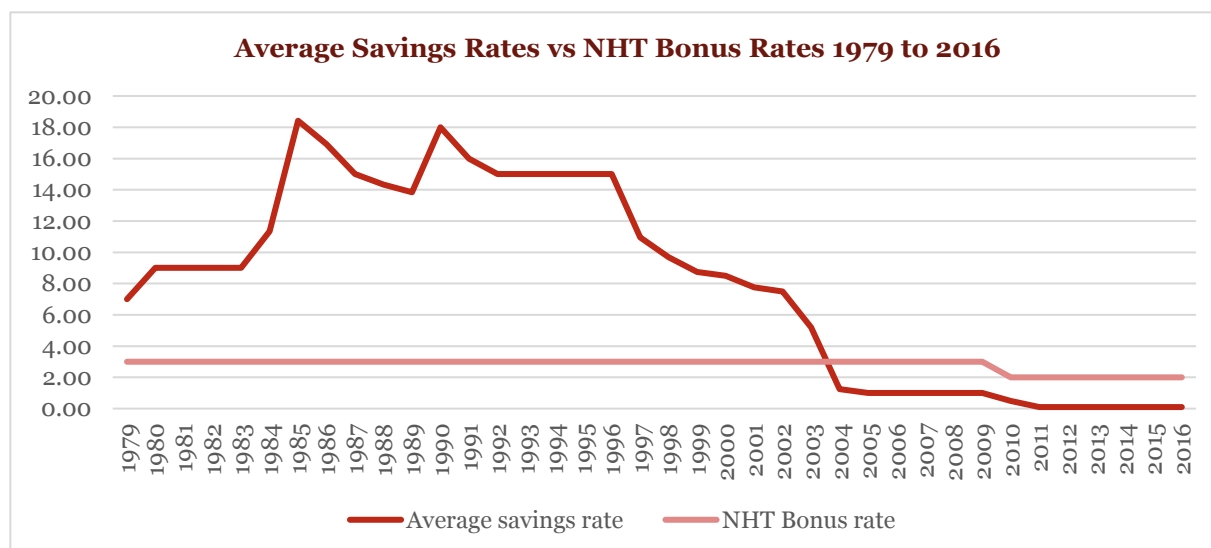
Section 2 of the National Housing Trust (Bonus) Regulations states inter alia that after 1 January 1979 “...the Board shall award as a bonus to each contributor a sum equivalent to 3 per centum per annum on such contributor's contributions in respect of that contribution year.”

By way of a recommendation from the Board in 2010, the interest payable on refundable employee contributions was reduced from 3% per annum to 2% per annum.

### **Impact**

An examination of interest rates (using average savings rates as a point of comparison) over the period from 1979 to present suggests a relatively high level of variability in savings rates over the period with an overall downward trend from 1991.

In 1979 (the commencement year for the payment of the bonus interest on employee contributions), the average savings rate was 7% with the policy based bonus rate being set at 3% or just over 40% of the average savings rate at the time.



Source: International Monetary Fund, International Financial Statistics

Over the course of the subsequent years, notwithstanding changes in average savings rates, the bonus rate on contributions remained flat at 3% until the change by Board decision to 2%. There never appears to have been an intent that the bonus rate on employee contributions would act as a significant source of return for contributors in relation to prevailing rates in the wider economy. With the normalization of rates over time, there is now an unintended result that the policy based bonus rate paid by the NHT is above the average savings rate.

Any reductions in the bonus rates paid going forward will reduce the interest cost of the NHT and release funds for mortgage and housing expenditure.

## Recommendation

### The Commission recommends:

- **An adjustment in the bonus rate paid by the NHT from the current level of 2% to a target of no greater than the prevailing average savings rate.**
- **An amendment to the National Housing Trust (Bonus) Regulations to:**
  - **Eliminate the prescription of a fixed defined amount as the set bonus rate payable annually on employee contributions**
  - **Establish a maximum ceiling and a minimum floor for the bonus rate payable by the NHT**
  - **Shift the responsibility for the setting of the bonus rate to the NHT Board to be consistent with modern treasury management practices, thereby allowing the NHT to respond quickly to changes in market**

***circumstances. The Act will set the lower and upper limits that will govern same.***

### **Question**

Should the NHT exit the retail lending market and shift focus to wholesaling loans to private lenders?

### **Issue**

Wholesale loans have been a standing practice of the NHT and the Commission has raised the question of whether the practice should be continued or is it an impediment to the funding of housing solutions

### **Impact**

- Wholesale loans provide the local private financial institutions with additional funding to offer mortgages to borrowers and consequently, a more efficient and effective mortgage origination process may be applied
- Local private lenders also have the ability to allow an easier and smoother process for joint financing for
- Mortgages that are above the NHT loan limit. This may also improve the mortgage origination process
- A negative impact of wholesale loans is that private lenders may increase the cost of the loan to the borrower (end user) with the addition of extra charges for services or administration
- In addition, the underwriting practices for loans in the private sector may be more rigorous than the NHT. This may impede the ability for some borrowers to access a NHT loan through the private financial institution. It is however noted that borrowers still have the option of applying directly to the NHT for a mortgage without going through a private financial institution.

### **Recommendation**

In formulating its recommendations, the Commission recognizes that:

- The NHT currently lends on a wholesale basis to private mortgage providers through a programme known as the Joint Finance Mortgage Program (JFMP) for further lending through the retail network of these institutions. This has facilitated efficiency gains in the house acquisition process for contributors who require a private mortgage in addition to the mortgage provided by the NHT as, through a single application and adjudication process they can access both.
- The growth and success of the JFMP program<sup>55</sup> has led some to argue that the NHT should exit the retail lending market entirely and lend exclusively through private mortgage providers, saving significant administrative costs associated with the processing and managing of the mortgage loan portfolio.
- The Commission considered this argument and reviewed relevant data. The Commission is of the view that the NHT has an undeniable social role, which includes

<sup>55</sup> The size of the JFMP portfolio as at July 31, 2017 was \$35 billion which was 17% of NHT's total loan portfolio as at that date.

providing mortgage financing to all categories of contributors, including those who could be considered a high credit risk by the private lending market.

- An implicit social contract exists between the NHT and the borrower, based on this underlying social role. The implicit social contract carves out a portion of the compensation of the employee, provides it to the Trust on a guaranteed basis, with an expectation that the contributor will be able to access a housing benefit, which could include mortgage financing.
- Private lenders would be under no 'social contract obligation' and would have no incentive to enter into any.

***The Commission recommends that the NHT:***

- ***Retain its presence in the retail end of the market, and participate with the private sector lenders through appropriately designed programmes and structures. The presence in the retail market preserves the existing social contract.***
- ***It is further recommended that NHT continue the wholesale lending programme to private lenders but reinforce existing and implement new quality controls in conducting wholesale lending, such as:***
  - ***Formal agreements***
  - ***Record keeping and fraud detection***
  - ***Fee caps for wholesale borrowers***
  - ***Formal procedures and guidelines for the selection of private lenders***
  - ***Selection of lenders that can produce quality mortgages***
  - ***Safeguards to protect the interest of NHT contributors***
  - ***Conduct quarterly reviews on the performance of mortgage loans originated by private lenders using sampling techniques***

***In discharging its social obligation, the Commission also recommends that the NHT develop mortgage insurance solutions that can be offered to the private mortgage lending market to incentivize lending to lower tiered customers.***

|  |
|--|
| <b>Question</b>  |
| Should the current NHT investment policy be reviewed with a view to enhance its current portfolio mix?   |
| <b>Issue</b>   |
| From time to time, whether on an opportunistic basis, or in line with Government strategy and direction, the NHT may make investments in areas that are viewed as not consistent with its core mandate. While a policy framework for investments has been approved by the Board, the Commission considered the question of whether this policy framework should be revisited to provide the NHT with sufficient flexibility to undertake new areas of investments.   |
| <b>Impact</b>  |
| <p>Over the years, the impact has been through questions raised in the public domain, and by successive boards on decisions of previous boards on the appropriateness of specific areas of investment of the NHT and more fundamentally whether they:</p> <ul style="list-style-type: none"> <li>• Impair the ability of the Trust to execute on its mandate</li> <li>• Are consistent with the notion of ‘monies being held in Trust</li> </ul>   |
| <b>Recommendation</b>  |
| <p>The NHT exists to provide housing and related benefits to its contributors. To do so, the NHT finances such benefits through employee and employer contributions in addition to investment income and capital gains from its investment portfolio.</p> <p>The Commission is of the view that the investment strategy and policy framework for the Trust must be defined in such a way to maximize returns, while ensuring the existence of sufficient liquidity, within a context of appropriate controls and safeguards.</p> <p><b><i>The Commission is of the view that NHT’s investments, outside of mortgages, should be limited to liquid securities and land for housing development. The Commission recommends that within these limits the investment policy be re-evaluated to set appropriate limits and caps with respect to risk, concentration and diversification within the portfolio.</i></b></p> |

|   |
|---|
| <b>Question</b>   |
| Should the NHT look into the option to partially monetize its current mortgage portfolio?   |
| <b>Issue</b>  |
| Given the prevailing constraints underlying the spending profile of the Trust as a public body and the need to maintain a target public sector balance, the Commission considered whether an applicable tool as an option for the NHT is to sell (monetize) a segment of its loan portfolio.  |
| <b>Impact</b>   |
| <p>The Commission considered the implications of monetizing a segment of the loan portfolio but collectively thought that:</p> <ul style="list-style-type: none"> <li>Any acquirer will target the best segments of the loan portfolio leaving the Trust with relatively higher risk and delinquency levels</li> <li>The measure in itself would not substantially address the constraint imposed by the public sector balance requirement</li> <li>Given the nature of the Trust's portfolio, it is evident that the Trust would absorb a 'value impairment' as follows: <ul style="list-style-type: none"> <li>When the portfolio is sold in the first instance any acquirer will invariably discount the portfolio from the nominal value of the segment under consideration</li> </ul> </li> </ul>  |
| <b>Recommendation</b>   |
| <p>The NHT holds the largest mortgage portfolio in Jamaica, which stands at approximately \$206 billion, an asset on its balance sheet. Theoretically, assuming sufficiently deep capital markets, the NHT could monetize fragments of this portfolio, freeing up capital that could be used in a number of productive ways. The mortgages would continue but would be held by entities other than the NHT.</p> <p>The attractiveness of this proposition lies in the fact that it would constitute an additional source of liquidity, in addition to employer and employee contributions, investment income and capital gains. Theoretically, the Trust could therefore greatly accelerate its activities beyond its existing capacity. Furthermore, this process would develop a secondary market for mortgages, strengthening capital markets and lubricating growth.</p> <p>Several issues arise, however. First is the fact that the NHT has a social mandate and owing to this, tolerates a higher level of delinquency than is tolerable in the private market, in the interest of the public good. The society benefits from higher levels of ownership and that benefit, which accrues to all residents, outweighs the cost of the incremental delinquency<sup>56</sup>.</p> <p>Any transfer of NHT mortgages to the private market would therefore have to be by way of a mechanism that allows for the type of compassionate relief that the NHT often provides, on transparent grounds. In addition, delinquency management would need to retain an NHT character that could be explicitly quantified. This is not insurmountable.</p> <p>However, given the low yield of the NHT mortgage portfolio<sup>57</sup> relative to the private market<sup>58</sup> and the need to incorporate the implicit social costs discussed above, the discount</p> |

<sup>56</sup> Clearly, delinquency beyond a certain limit would not be in the interest of the NHT

<sup>57</sup> The average yield on the NHT mortgage portfolio in the 2016 was 4.9%

<sup>58</sup> The average yield on mortgages in the private market in 2016 was 9.5%

rate that the market would demand in a transfer of NHT mortgages would lead to the NHT realising a substantial capital loss.

Given the long average duration of the mortgage portfolio the capital loss could be significant which the Commission thought would not be justifiable to the public outside of obvious manifest need which does not exist at present.

It is surely possible to cherry-pick higher yielding NHT mortgages to mitigate against heavy capital losses. This, however, brings us to the final point. At the moment, the NHT is not short of resources to conduct its housing financing and expenditure operations<sup>59</sup>. There is therefore little impetus to sell assets, let alone mortgage assets.

There may come a time when contribution and investment income are insufficient to finance housing expenditures. Then, and only then, should the NHT re-look at this option.

***The Commission does not support the notion of mortgage portfolio monetization, at this time, given the inherent capital losses likely to arise with the initial discounting of the portfolio for pricing purposes. The Commission is also of the view that the need to consider this has not arisen as the NHT is not short on resources.***

<sup>59</sup> This may, at first glance, appear contradictory given the obvious unmet demand. There are however factors that constrain housing supply, other than shortage of NHT resources.

**Question**

What can the NHT do to improve its current loan delinquency rates?

**Issue**

Delinquency rates on the loan portfolio for the NHT are currently higher than other entities in the financial system. Further, to the extent that the Trust does not fall under any financial regulatory regime that monitors and tracks delinquency as a part of an early warning system, the Commission considered whether this would create any potential additional exposure for the Trust.

**Impact**

Relatively high levels of delinquency which, if unchecked, may impair the long term viability of the Trust.

**Recommendation**

In considering the financial models and forecasts developed for the Trust, the Commission noted that due to the permanent contractual nature of the NHT's recurring revenue, profit and loss results are not very sensitive to small changes in delinquency rates. While the Commission accepts the need to properly manage and monitor delinquency rates, unless there is some large scale systemic issue that impairs a significant segment of the portfolio, the Commission does not view a material risk in this regard with respect to the NHT's viability

***However, the fundamental nature of the Trust is that one borrows another's contribution. Therefore more can borrow if everyone repays and does so on time. The Commission is of the view, therefore, that the Trust has an interest in minimizing delinquency rates even while accepting that these rates may be higher than what prevails in the private loan/mortgage market.***

***An improved delinquency management programme will invariably benefit the Trust and the Commission recommends that:***

- ***The policy for the recognition of carrying values for non-performing loans be reduced to a shorter period<sup>60</sup>.***
- ***A more scientific approach to delinquency management be taken, with clear segmentation of the portfolio into quality tiers. It is expected that the delinquency levels for the highest quality tiers in the portfolio should be at or close to zero.***
- ***For the other tiers in the portfolio, specific targets be set for delinquency within each tier to ensure that the overall rate is managed down from 15%<sup>61</sup> currently to 10% over a 3-year period<sup>62</sup>.***

<sup>60</sup> The NHT accrues interest on non-performing loans for periods far in excess of that in the private market, sometimes up to the point of foreclosure, though, in line with International Accounting Standards it still makes a specific provision for these loans.

<sup>61</sup> This ratio of non-performing loans to total loans *excludes* loans under the Joint Finance Mortgage Programme (JFMP), which is a partnership with the private sector. Including the JFMP portfolio reduces the delinquency rate from 15% to 12.4%.

<sup>62</sup> NHT mortgages are classified as delinquent when loans become 90 days past due.

## 10.2. Access to housing

### Questions

- How should non-contributors benefit from the NHT?
- What role should the NHT play in social housing?
- How should the pervasive challenge of squatter communities be addressed and what is the appropriate role of the NHT in addressing this challenge?

### Issue

As at January 2014, the labour force in Jamaica was 1,305,500, 1,130,500 employed and 175,000 unemployed (STATIN, 2014). NHT in-house statistics revealed that as at February 2014, 444,188 (34%) of the total labour force contribute to the Trust and based on its current mandate, subject to other qualifying factors, only contributors to the Trust can obtain a benefit.

Non-contributors (861,312 66%) can be categorized as:

- Non-compliant self-employed individuals
- Non-compliant employed persons for which income taxes are not deducted at source
- Minimum wage earners
- Unemployed individuals

Some of these non-contributors, particularly the minimum wage earners and unemployed individuals are considered to be among the most vulnerable Jamaicans.

### Impact

With Jamaica's historically high inflationary economic climate and rising cost of living, this group of individuals are among those that are unable to afford some of their basic needs such as food, clothing and shelter. This has led to various social issues which, in some cases, require the government's intervention.

Further, the inability of low-income earners and unemployed persons to afford shelter, among other factors, has for the most part led to the establishment and growth of squatter communities. A study done showed that there over 750 squatter settlements in Jamaica, with 600,000 people, or 20 percent of the population, living in them. Squatter settlements are of three main types: agricultural, commercial, and residential, with the majority being residential; 82 percent are in urban areas. The settlements vary in size from ten units to 1,000 units per site, accommodating more than 100,000 households.

### Recommendation

This issue dominated deliberations of the Commission from the outset. The NHT was explicitly set up to benefit individual contributors. However, employers also contribute to the NHT and, in aggregate, contribute 50% more than the total contributed by individuals, with the addition that employer contributions are non-refundable.

This latter fact has always lent itself to the argument that the NHT would not violate the obligation to its individual contributors if, from time to time, non-contributors benefit from the Trust. Indeed, successive governments have caused the NHT to lend, or grant large sums for purposes other than providing direct benefits to contributors. This has sometimes been seen as illegitimate by sections of the Jamaican public.

The NHT holds the largest pool of financial assets among public sector entities and receives annual contributions, in perpetuity, that approximate 2% of GDP. The Commission therefore recognizes that the NHT's financial interests are aligned with the economic well-being of Jamaica. NHT's interests are also aligned with social order, which promotes formality, and greater formality increases NHT inflows, allowing for increases in housing expenditure. In other words, the better that Jamaica does socially and economically, the larger the contribution flow to the NHT, and the more the NHT can do.

At the same time, Jamaica suffers from acute social problems, some of which are rooted in the persistent problem of irregular settlements and the limits they impose on the maintenance of order. These settlements are home to one-quarter of all Jamaicans<sup>63</sup>.

A related problem is the large number of untitled parcels of land in Jamaica. Recent studies by the National Land Agency suggest that up to 40% of properties in Jamaica are without title. Aside from the social problems this often causes, large proportions of untitled land greatly inhibit Jamaica's economic potential.

***These problems pose an existential threat and, in this context, the Commission is of the view that the mandate of the NHT should be broadened by legislation to allow it to legitimately and quantifiably respond to the problems Jamaica faces with irregular settlements and land titling, even if the beneficiaries of this intervention are not, at the time of benefiting, contributors to the NHT<sup>64</sup>.***

***The Commission accepts that the NHT does have a role to play in addressing these needs and therefore recommends an annual allocation of the NHT's resources to support these kinds of housing and land related interventions. The Commission recognized that the resources could be quantified, and limited, through a range of individual or combined options including:***

- ***A fixed percentage of employers' contribution***
- ***A fixed dollar amount allocated from the NHT's annual surplus***
- ***A fixed percentage of the NHT's annual surplus***

***While the Commission recognizes that a key component of the mandate of the Trust is a social one, and that the challenge of squatter communities has the potential to affect the very fabric of society, the Commission is however mindful of the fact that a relatively significant cohort of the current contributor base has not been able to benefit from the Trust by way of a mortgage loan.***

***This seems to strike at the heart of the establishment of the Trust. Therefore, any allocation of amounts for social housing, as conceived above, must be conditioned on also implementing other recommendations herein that are designed to propel the NHT to better deliver on the original mandate.***

<sup>63</sup> Source: Ministry of Housing Survey (2008)

<sup>64</sup> Notwithstanding this, the Commission thought it important to note that many NHT contributor do in fact live in irregular settlements. Also, deficiencies in land titling affect some who are contributors to the NHT

### Question

Does the NHT have a role to play in assisting contributors who are unable to qualify for a NHT benefit that suits their individual needs and affordability level?

### Issue

NHT statistics show that as of February 2014, combining data from the funds supply side with the funds demand side indicate that a relatively significant segment of NHT contributors (46%) are low-income earners who earn <J\$7,500 per week. While accounting for the largest single segment of contributors, the relative value of their contributions is only marginally in excess of 10% and they account for only 22% of mortgages. In essence, many of these contributors may not qualify for a NHT benefit. The loan ineligibility of contributors is mainly due to the lack of affordable housing solutions on the market. Some low-income earning families cannot afford a simple basic house. In other cases, even if they earn sufficient income to afford improved housing, they are either unable to acquire a mortgage or service a mortgage of sufficient value because of their inability to meet qualification requirements.

| Income Band (\$) | Demographics of Individuals Contributing as at February 2014 |                             |                             | Demographics of Individuals who Accessed Loans as at February 2014 |                          |                         |
|------------------|--|-----------------------------|-----------------------------|--|--------------------------|-------------------------|
|                  | Number of Contributors                                       | % of Number of Contributors | % of Value of Contributions | Number of Mortgages  | % of Number of Mortgages | % of Value Of Mortgages |
| 4,501-7,500.99   | 203,696  | 46%                         | 11%                         | 22,116   | 22%                      | 12%                     |
| 7,501-10,000.99  | 44,614   | 10%                         | 6%                          | 14,573   | 14%                      | 10%                     |
| 10,001-20,000.99 | 92,996   | 21%                         | 20%                         | 32,752   | 32%                      | 31%                     |
| >= 20,001        | 102,882  | 23%                         | 63%                         | 31,694   | 31%                      | 48%                     |
| <b>Total</b>     | <b>444,188</b>   | <b>100%</b>                 | <b>100%</b>                 | <b>101,135</b>   | <b>100%</b>              | <b>100%</b>             |

### Impact

There is a deficiency in the housing market for affordable solutions, both on a local and global scale. Locally, the effects of NHT contributors not qualifying for housing benefits may lead to a continued rise of informal economies and settlements, and the overall substandard living conditions of many of the Jamaican citizens.

### Recommendation

While the NHT is a premier part of the Jamaican housing finance system, the data indicates that the benefit is most heavily used by persons with weekly incomes of \$10,000 and above.

In the course of the Commission's deliberations, we recognized that while the decision to defer or avoid acquiring mortgage financing may be a perfectly rational one for lower income and vulnerable segments of the society compared to other exigencies in their daily lives, it suggests a challenge on the part of the Trust to deliver solutions to its own contributor base.

The NHT has the following products that are geared towards lower income contributors:

- Home grants, where eligible contributors are given a grant of \$2.5 million towards home ownership.
- 0% interest on loans.
- Direct subsidies for home acquisition.

However, notwithstanding these benefits, the data suggest that the persons in the lower income brackets continue to be under-represented as housing beneficiaries of the NHT.

***The Commission recognizes that a clear imbalance exists between the nature, level and sustainability of income at the lower levels which impairs the ability to qualify for and service a loan over the medium to long term at the current level of house prices and recommends that the Trust:***

- ***Explore modification to units to lower the final price to contributors.***
- ***Increase the supply of housing at this level of the market (See the section that follows).***

**Question**

Is there a market failure in the local housing market? If so, how should the NHT respond?

**Issue**

Jamaica is challenged with the provision of housing for citizens. This is not an isolated local issue, but it is a part of a global housing shortage that affects both developing and even advanced economies. The Commission had extensive deliberations on whether there was a market failure in the housing segment and the nature of that failure. In the first instance two elements could give rise to a market failure, namely:

- The technical feasibility to deliver housing solutions at a specified price
- The capacity of a segment of the population to service the resulting obligations.

Based on feedback from the developer segment of the market and the combined analysis of the contributor data and mortgage data of the Trust, the evidence suggests that a market failure exists on the:

- Technical feasibility side as there is a persistent perception across the developer community that the margins on lower income housing are unacceptable given the underlying cost of development (particularly on 'virgin lands' which require new infrastructure) and the relatively small size of the developments which impact potential economies of scale
- Affordability side as the data indicates an inability to afford existing solutions at the available price points

**Impact**

The Commission is of the view that the market failures are further exacerbated by:

- The large squatter community which benefits from an implicit advantage of not paying the full economic cost of an existing dwelling by avoiding the cost of the land
- A relatively large informal economy that may hold the view that there are inherent cost benefits to remaining in the informal economy and given the information asymmetry related to income and income sustainability of the informal sector and the inability to measure these incomes accurately, preclude housing assistance programs that are geared to income

**Recommendation**

Both the anecdotal feedback from the developer community and the analysis of the data for the contributor and mortgage markets, suggest that there is a market failure at the lower segment of the market: the volume of housing demanded at the lower income level is not matched by the volume of housing supplied at this level.

This market failure is all the more glaring given the existence of an entity like the NHT, which stands ready to provide mortgage financing for all segments, including the lower income segment. The reasons for this market failure could include but are not limited to (i) the practical difficulty of building at the price where the demand exists (ii) developers lacking information on the robustness of this demand and/or (iii) perception of the profitability of supplying this segment of the market.

***Accepting that there is a market failure and that the Trust has an inherent social role in the execution of its mandate catalyses a range of key recommendations for the Trust to pursue including:***

- ***Underwriting the cost of development of a national spatial plan to clearly identify tracts of land that are amenable for housing and community development purposes.***
- ***Identification of a specific and committed target delivery cost of the resulting units, and that this forms the basis of any contractual arrangement with private developers.***
- ***Underwriting where necessary, all or a portion of the cost of the infrastructure to the extent that it explicitly facilitates delivery of the target price point solution.***
- ***Design and delivery of community based developments predicated in part on large numbers of housing solutions for each development to drive economies of scale in the delivery.***
- ***Effectively underwrite a significant component of the design and engineering cost of the development by preparing and packaging the project for private developers to pursue as appropriate.***
- ***Significantly eliminate or reduce the market risk to the developer by undertaking to purchase either on an omnibus basis or a majority of the solutions developed. This should provide the developer community with some comfort that the houses will be taken up on completion and they avoid risks associated with promotion, marketing, accreditation of applicants and sales.***

## 10.3. Delivery of housing

### Question

What is the appropriate placement of any subsidy from the NHT (at the level of the developer- supply-side or at the level of the mortgagor – demand-side)?

### Issue

Currently, the NHT offers subsidies in the housing system in two ways:

- To purchasers of homes
- To developers of housing solutions

The Commission gave extensive consideration to where the ideal placement of the subsidy ought to be from a market efficiency perspective and what is likely to deliver the greatest impact to the housing market and to the final recipient of the housing solution.

The Commission considered that the classical reasons for offering subsidies are to:

- Achieve social outcomes
- Address market failures (whether arising from information asymmetry or some other market externality)

### Impact

The NHT subsidies to the market are effectively executed in two ways:

- On the demand side to purchasers of homes through lower than market interest rates, absorption of a portion of the cost of construction and delivery of the units on a lower than market cost basis etc
- On the supply side, through the provision of lower than market financing to developers, or shielding developers from any market risk by acquiring solutions on an omnibus basis etc.

### Recommendation

Based on the research of the Commission, the consensus view, which the Commission supports, is that:

- Subsidies are best delivered on the demand side of the housing system. Delivery on the supply-side in the form of subsidies to developers and contractors, while easier to administer, have the disadvantage of being blunt with respect to targeting and subsidies may not reach the intended beneficiaries.
- Delivery on the demand-side should provide for better targeting of the subsidy (and avoid potential mal-effects associated with a beneficiary not being a part of the target segment)

***The Commission is therefore recommending that:***

- ***The Trust continues to offer subsidies to the demand-side of the housing market and focus on mechanisms to target these subsidies to the most vulnerable contributors.***
- ***More structure and formality be placed around the extension of subsidies through:***

- ***Measuring and clearly articulating to the market the extent of subsidy being provided.***
- ***Re-examining policies to avoid unintended outcomes of increasing home ownership among existing owners rather than first time home owners.***
- ***Explicit improvement in efficiency of access, as anecdotal evidence suggest that in relative terms it is more difficult for a low income earner and certain categories of workers to attain and meet the administrative requirements to apply, qualify for and obtain a loan.***

***While the relevant literature and the consensus view of the Commission supports the efficacy of demand-side subsidies, the Commission also recognized that the developer market is insufficiently robust and deep to eradicate supply-side subsidies immediately.***

***With this in mind, and in order to continue to develop the housing market, the Commission recommends that the Trust should continue to provide financing<sup>65</sup> and by extension subsidies on the supply-side with a longer term objective of phasing out traditional supply-side programmes as the private developer market matures and develops.***

***The Commission anticipates that this will be re-evaluated periodically by the Trust to inform supply side policy, the nature and timing of de-emphasis in the medium term.***

---

<sup>65</sup> To low income housing developments on commercial terms consistent with previous recommendation herein.

**Question**

Should there be an amalgamation of the public sector entities operating in the housing segment of the market?

**Issue**

Both the private and the public sector play active roles in financing the construction and purchase of houses in Jamaica). Public sector finance plays a critical role in providing housing solutions to the lower income groups; the private sources of finance play an increasing role as income rises and the housing unit become more expensive. It is not unusual for units to be purchased using a mixture of public and private funds, particularly for middle income housing. The other entities in the public sector finance segment of the market are as follows:

- Housing Association of Jamaica (HAJ) is a wholly owned government entity with major business being mortgage financing and housing development. Its portfolio is dominated by construction of residential housing
- Jamaica Mortgage Bank: JMB was set in 1971 and currently, has three core functions:
  - Primary market financing - largely short-term financing for residential construction
  - Secondary market financing – buying and selling mortgages
  - Mortgage insurance services – insuring residential mortgages

**Impact**

One of the key considerations of the Commission is to consider the efficiency and potential for integration within the overall housing system in Jamaica. This is consistent with the Government's broader strategy and plan for integration and consolidation of the public sector service delivery to drive long term efficiency and cost reduction.

In this context, the Commission considered the potential amalgamation of the three entities comprising the public sector housing finance system in Jamaica.

**Recommendation**

By considering a range of prior options for each of the respective entities, the Commission identified potential options as follows:

| Strategy                                  | Description  |
|---|--|
| <b>Abolish/ wind up</b>                   | Entity's function is not needed or has reached the end of its useful life.   |
| <b>Merge/ consolidate</b>                 | Entity's functions are duplicated. Economies of scale can be achieved through merging with another similar entity. We contemplate both horizontal and vertical integration where applicable.   |
| <b>Private sector commercial delivery</b> | <p>Private sector actors are better placed to deliver the entity's functions in a more efficient or cost-effective manner. The type of vehicle is generally determined by the level of involvement Government needs to maintain to ensure the following outcomes:</p> <ul style="list-style-type: none"> <li>• Essential social services are easily available to the most vulnerable citizens</li> <li>• Opportunities for short-term gain do not outweigh need for long-term investment in activities of strategic economic or social importance</li> </ul> |

**Restructure for cost and service delivery efficiency**

Entity's function is best delivered via Government, but cost-savings can be made through restructuring debt or creating a shared model for back office services across entities.

***In applying this framework the Commission believes there is a prima facie case for and recommends:***

- ***The consolidation of the Housing Agency of Jamaica (HAJ) into the NHT given the complementarity of functions (horizontal integration) and the extent of overlap of mandate and objective. The Commission recognizes that the HAJ has itself been a beneficiary of funding from the NHT, and further that a segment of the loan portfolio of the HAJ may be impaired. It is anticipated that this consolidation would drive cost synergies and efficiency with the elimination of duplicate back-office functions, systems and costs between the two agencies. Further, the consolidation would be consistent with an explicit goal of government, which is to drive long term efficiency in the wider public sector.***
- ***Notwithstanding that there is a logical potential vertical integration of the Jamaica Mortgage Bank (JMB), given that a significant component of their business is developer financing, the Commission considers that the role and nature of the JMB are better placed in the private sector, and suggest privatization of the JMB to achieve this outcome.***

**Question**

As a part of a national shelter strategy, should the NHT offer properties for rental?

**Issue**

Some Jamaicans, despite being gainfully employed, are unable to purchase a home and in some cases, these persons utilize the option of rental in the private real estate market.

The Commission contemplated whether offering properties for rental would address the issue of affordability facing low-income earning Jamaicans.

The following options were considered in an effort to determine whether an NHT subsidy could be used to address the issue: The rent-to-own model where the Government through the NHT would play the role of the 'landlord'

1. Providing properties for rental, possibly through employers, creating a public real estate market
2. The NHT acting as a market maker in the rental market

**Impact**

Under a rent-to-own model, the tenant would be granted the option to purchase the home with their periodic rental payments being applied to the purchase price of the home. The rental model would allow beneficiaries to rent properties at subsidized rates. The Commission contemplated two structures:

- A direct landlord/tenant relationship where the property is owned by NHT and offered to low-income earning Jamaicans.
- A landlord relationship through employers such as hotel owners.

The NHT acting as a market maker in the rental market, is likely to involve a change in policy to stimulate second home purchasers to acquire a second home for rental. The Commission discussed and agreed that a number of challenges are likely to arise with the application of any of these models:

- Does the NHT have the administrative capacity or expertise to manage these options?
- Is the NHT able to control the rental rate offered to employees by employers?
- Who should be responsible for maintaining the property?
- Should the NHT put control of employee shelter in the hands of employers?
- What happens if the tenant can no longer afford the rental payments?

**Recommendation**

Using the available data from the NHT on housing demand vs housing supply, while a number of challenges underlie the housing system in Jamaica, the significant shortfall between demand and supply is a fundamental problem of availability of appropriate solutions at the right price, based on the various segments of the market.

***The Commission recommends that the NHT avoid pursuing any element of the rental market modalities presented herein for the following reasons:***

- *To the extent that a fundamental challenge in the market is the supply of housing solutions, it is not clear that the introduction of a public rental market would significantly increase supply.*
- *To the extent that the owner of a property would expect that on a long-term basis under a rental arrangement they would recover both the capital invested, and generate a return on that capital, it is not clear that through the rental market, without extensive support from NHT, there would be any incentive to price the solution below market and pass on any subsidy to the renter.*
- *If the NHT opts to hold and rent the units either on a rent to own or other rental model, the literature, and the experiences of other countries reviewed by the Commission, suggest that there are a number of undesirable outcomes including:*
  - *In the public rental modality, there is limited or no incentive for the renter to focus any great effort on maintenance of the underlying asset, if they have no long term stake in it.*
  - *The administrative burden of managing a significant noncommercial rental portfolio presents high risk.*
- *Under a rent-to-own model, to the extent that the cost of rectification of any modification to the house prior to transfer would rest with the NHT, this would represent a significant contingent liability.*

|  |
|--|
| <b>Question</b>  |
| Is the current length of the execution life cycle for housing construction a factor in the delivery of housing?  |
| <b>Issue</b>   |
| The Commission recognized that one of the key issues underlying the pace of delivery of housing units is the relatively slow execution lifecycle for projects.   |
| <b>Impact</b>  |
| <p>Housing demand surveys conducted by the NHT estimated the urgent need for 105,172 housing solutions over the short-term. Demand for housing units is calculated at 31,229 units out of that total. Invariably, the delivery of this target should be a national housing goal, accepted by all public sector stakeholders. Challenges encountered when dealing with public sector approval agencies continue to affect NHT's timely delivery of housing projects. These challenges include but are not limited to:</p> <p>The number of planning authorities and agencies involved in granting design approvals. The NHT may interact with between 19 to 21 agencies within the development control framework phase.</p> <ul style="list-style-type: none"> <li>• Costly and time-consuming Conditions of Approval (COA) required by approval agencies, or changes to the existing COA. While each agency should maintain a standard one (1) month turnaround time; approvals can take up to 18 months for many agencies. Generally, the average time for receiving COA is 6 months.</li> <li>• Parish councils taking an average of 12 to 36 months to grant approvals against 90 days as stated in their guidelines.</li> <li>• High incidents of refusal to take over infrastructure (e.g. drains) unless exorbitant fees are paid and onerous conditions are met.</li> </ul> <p>Using data from the Construction and Development Division, the Commission compared the actual cumulative time for the full lifecycle of two projects to the expected time based on the procurement plan. The results are presented in the charts below.</p> <p>The analysis indicates significant gaps between the planned and actual time to commence construction.</p> <p>While possessing the financial and technical resources, the NHT encounters constraints as it depends on the operations of other agencies of government to deliver housing efficiently.</p> |

## Recommendation

The Commission recognises that there a range of systemic issues affect the efficient delivery of housing units including:

- Public sector procurement processes.
- Ineffective inter agency interactions and hand offs.
- Financial strength of other entities in the public domain necessitating the Trust to assume financial responsibility for key components of infrastructure etc. in order to act as an accelerant to project execution and delivery.

Housing demand surveys conducted by the NHT estimate the need for 105,172 housing solutions over the short-term. Demand for housing units is calculated at 31,229 units out of that total. Invariably, the delivery of this target should be a national housing goal, accepted by all public sector stakeholders. Challenges encountered when dealing with public sector approval agencies continue to affect NHT's timely delivery of housing projects.

The Commission determined that a significant challenge is the sheer number of distinct planning authorities and agencies involved in granting design approvals. The NHT may interact with between 19 to 21 agencies within the development control framework phase.

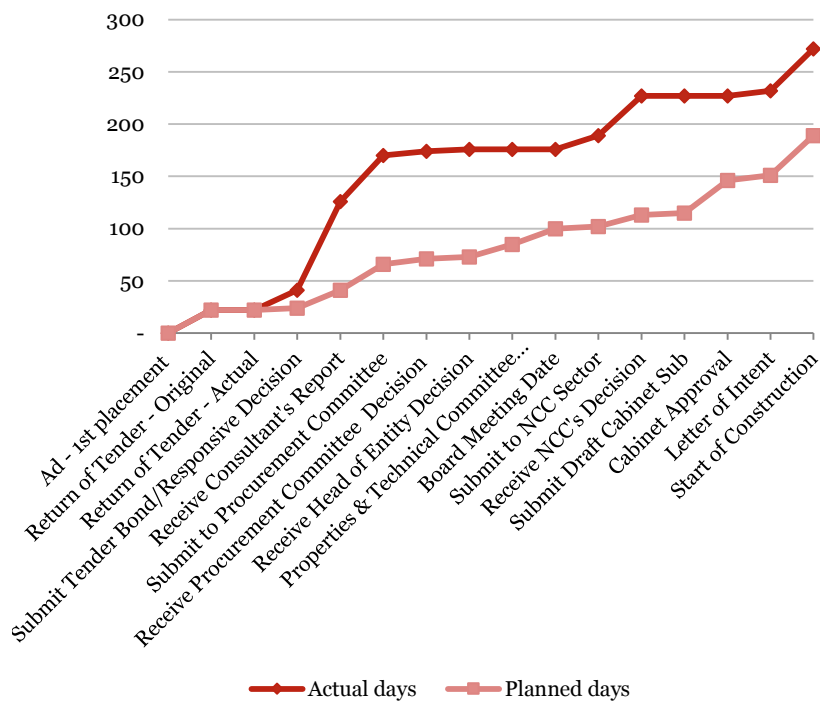
Some of the NHT's experiences in this regard are summarized below:

- Costly and time-consuming Conditions of Approval (COA) required by approval agencies, or changes to the existing COA. The Commission is of the view that each agency should maintain a standard one (1) month turnaround time; In NHT's experience, approvals for a single development can take up to 18 months for many agencies. The Commission's calculation is that the average time for receiving COA is 6 months.
- Parish Councils taking an average of 12 to 36 months to grant approvals against 90 days as stated in their guidelines.
- High incidents of refusal to take over infrastructure (e.g. drains) unless exorbitant fees are paid and onerous conditions are met.

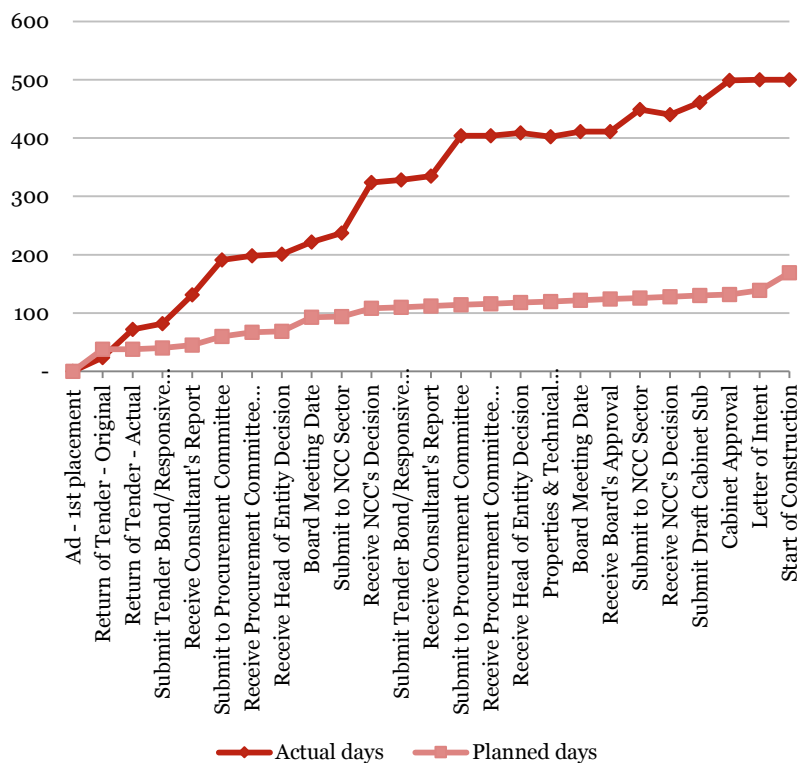
These lengthy timeframes for development approval retard the pace at which the NHT can bring housing solutions to market. In addition to length delays in the approval process, housing delivery is further hampered by the long time it takes to procure a contractor once all planning approvals are obtained.

Using data from the NHT's Construction and Development Division, the Commission compared the actual cumulative time to procure a contractor for ready-to-go-projects, after design has been completed and all planning and regulatory approvals have been obtained. The charts compare the plan vs actual across the various stages of the procurement life cycle. The results are presented in the charts below:

### Cumulative timeline (days) for Darliston, Westmoreland



### Cumulative timeline (days) for Longville Phase 2A



The analysis indicates significant gaps between the planned and actual time to commence construction. It also highlights the number of discrete approval steps required, and the

inordinate amount of time involved, to simply procure a contractor after all regulatory approvals have been received.

While possessing the financial and technical resources, the NHT encounters constraints as it depends on the operations of other agencies of government to deliver housing efficiently. Lessening of these constraints requires greater ownership and the participation among public sector agencies. Each agency owning the end result is one way of achieving this.

***The Commission recommends that participating public sector agencies be encouraged to own the housing creation process by way of a short-to-medium term, Memorandum of Understanding (MoU). Under the MoU, service standards should be established, observed and executed efficiently. While service standards are nothing new to the process, very few sanctions are applicable to participating public sector agencies that constantly underperform. Underperformance adversely impacts projects, and increases delivery timelines and cost. It is not uncommon for private developers to charge escalation fees of between 5% and 15% when the resultant delays are encountered.***

***Collective buy-in is one way of reducing the bottlenecks and lessening the adversarial relationship between the approval agency and developers. By relaxing stipulations/ arrangements, the government can improve housing delivery to the market, making the process more speedy and efficient.***

## 10.4. Governance

|  |
|--|
| <b>Question</b>  |
| Is the existing governance model for the NHT appropriate?  |
| <b>Issue</b>   |
| The Commission recognized that one of the key issues affecting the management and control of the NHT was nature of the governance model where the Board is appointed by the responsible Minister which creates challenges with policy continuity when there is a change in administration.   |
| <b>Impact</b>  |
| Fluidity of policy position of the Board.  |
| <b>Recommendation</b>  |
| <p>The matter of the Board appointments to public bodies has been under consideration by the Government for some time, along with the strengthening of overall public sector management and administration through the amendments to a number of primary acts.</p> <p>While these measures have all had a positive impact, the Commission recognizes that, given the nature of the NHT, the quantum of assets under its control, the nature of the decisions it is required to make, there should be minimum criteria that a NHT Board satisfies in aggregate. Public confidence in the governance of the NHT enhances its legitimacy and credibility which are important in sustaining support for its mandate. Furthermore, the NHT is a public interest entity whose stumble or fall would potentially have severe financial and social consequences, there is a still need to strengthen the governance framework of the Trust.</p> <p><b><i>Accepting this premise, the Commission recommends modification to the NHT Act to specify a minimum set of skills and capabilities are represented on the Board of the Trust by way of specific competencies. These may include but not be limited to:</i></b></p> <ul style="list-style-type: none"> <li>- <b><i>Engineering</i></b></li> <li>- <b><i>Finance/Banking/Accounting</i></b></li> <li>- <b><i>Law</i></b></li> <li>- <b><i>Business/strategy/economics</i></b></li> <li>- <b><i>Public administration and public financial management etc.</i></b></li> <li>- <b><i>Worker representation</i></b></li> </ul> <p><b><i>The NHT commands significant resources and its governance needs to be commensurate with the level of financial responsibility and ought to provide the public with the assurance of sound stewardship. The Commission further recommends that individual nominees to the Board, within the categories above, meet minimum criteria established for the NHT.</i></b></p> |

| <b>Question</b>  |  |   |
|--|--|---|
| In addition to earlier recommendations herein that require a change to the legislative framework of the NHT, are there any other proposed amendments?  |  |   |
| <b>Issue</b>   |  |   |
| Over the last 10 years, the Senior Management and the respective Boards of the NHT have proposed and recommended various amendments to the NHT Act. These changes, while different in nature, are all intended to allow the NHT to better meet execute on its mandate.   |  |   |
| <b>Impact</b>  |  |   |
| While the mandate of the Trust has not changed, the NHT Act has not necessarily kept up with changing Jamaican economy as well as the changing circumstances of the Jamaican people.<br>The Commission is of the view that some provisions in the Act are in some ways prohibitive due to the nature of its wording and the circumstances that might have existed at the time it was being enacted. Also, in some cases, the proposed amendments have already formed part of the standard business practices of the NHT. |  |   |
| <b>Recommendation</b>  |  |   |
| <b><i>The NHT is a creature of statute and its activities are bound by regulations. Often times in the past, Boards or Ministerial/Cabinet decisions have revised certain regulated parameters without the commensurate change to the relevant legislation.</i></b>  |  |   |
| <b><i>The Commission is of the view that this practice be eliminated as the NHT should never be made to act outside of the regulations as amended by Parliament from time to time.</i></b>   |  |   |
| <b><i>As such, the Commission recommends the following changes in the regulations to bring the NHT's current, and in some cases longstanding practices, in line with the regulations that govern its operations.</i></b>   |  |   |
| <b>Proposed amendment</b>  | <b>Recommendation</b>  | <b>Rationale</b>  |
| <b>Cap ceiling on interest on contributors' refunds</b>  | It is proposed that an amendment be promulgated to amend the NHT (Rate of Interest) Regulation 1986 to no longer require the purchase of savings instruments (home bonds after the 7 <sup>th</sup> year) and to have the NHT accounts for all funds held in a designated account at the rate of 3% per annum until collected, effective 1 June 2008. | The NHT has operated on this basis since June 2008. Previously, employees' contributions attracted an interest rate of 3% per annum for the seven years. Thereafter, amounts which remained uncollected attracted an interest rate of 8% per annum. The NHT Act speaks to sums remaining being held in savings instruments (home bonds) of a particular denomination. This system was no longer applicable after June 2008. |
| <b>Further reduction in interest on contributors' refunds</b>  | That the interest rate payable on all contributors' refunds be reduced from 3% per annum to 2% per annum effective 1 May 2010. This will require an amendment of the NHT (Bonus Regulations, 1980) and the NHT Rate of Interest Regulation 1986.   | The NHT has operated on this basis since May 2010. The reduction in interest rate on contributions reduced costs enabling an increase in loan benefits to contributors in terms of lower mortgage interest rates and access to subsidies.   |
| <b>Qualification for benefits</b>  | That there be a reduction in the qualification period for loan   | The NHT has operated on this basis for a number of years. The change was aimed at   |

|                                 |   |  |
|---------------------------------|---|--|
|                                 | <p>entitlement from 156 weekly contributions or the equivalent thereof and a minimum point standing of 200 to 52 weekly contributions only.</p>   | <p>allowing new contributors to qualify earlier for NHT housing benefits as well as removing any ambiguity as to the meaning an application of the section.</p> <p>In cases where persons seek to purchase bonds in order to enhance their eligibility status for acquisition of NHT scheme units, purchases do not give a clear advantage since all persons purchase bonds. The effect is therefore nugatory.</p> <p>The amendment of this regulation to discontinue the use of the home bonds system as one of the basic qualification criteria removed the unfair advantage obtained by persons who sought to purchase their way in the system without having contributed consistently to the fund thereby contradicting the principle of thrift.</p> |
| <b>Parent Assist I</b>          | <p>That parents over 65 years old be able to assign their points to one child) biological or legally adopted) for use in the Priority Index Entitlement (PIE) system used for Schemes, once the parents satisfy the following criteria:</p> <p>Never received an NHT homeowner's or non-homeowner's benefit;<br/>Contributed over ten (10) years;<br/>Not received their total contributors' refunds</p> <p>The parents would not be allowed to access their total contributors' refunds. They would, instead, continue to receive their normal annual refunds.</p> | <p>The NHT has operated on this basis for several years. The purpose of the change was to ensure that young persons whose parents are contributors would be given an equal opportunity in scheme selections.</p>   |
| <b>Parent Assist II</b>         | <p>Parents under 65 years old can co-apply with their child (biological or legally adopted) and obtain a non-homeowner's benefit, although their name may be on a Certificate of Title for residential property.</p> <p>The Parents would have:</p> <p>Never received a benefit from NHT;<br/>Never received an NHT homeowner's or non-homeowner's benefit;<br/>Contributed to NHT for over ten (10) years.</p>   | <p>The NHT has operated on this basis for several years. The purpose of the change was to ensure that parents are not deprived of their non-homeowners' benefits. The opportunity for homeownership will be enhanced for children whose parents are contributors but have never received a benefit.</p>  |
| <b>Solar Water Heater Loans</b> | <p>It is recommended that the NHT (Housing Benefits) Order be amended to include this benefit.</p> <p>* Increased to \$250,000.00 [Board - November 24, 2008]</p>   | <p><b>Section 20 – National Housing Trust Act</b><br/>The Board of Directors at its meeting of 2006 January 27, approved the recommendation that the National Housing Trust provide loans, not exceeding</p>   |

|   |  |   |
|---|--|---|
|   |  | <p>\$100,000.00* per applicant, for the acquisition of Solar Water Heaters. Loans would be available to:-</p> <p>Contributors, including those over the age of 65 years;</p> <p>Public Institutions, such as hospitals and educational institutions, on such terms and conditions as shall be stipulated by the Trust.</p>  |
| <b>Adjustments to Subsidies and Grants Programmes</b> | <p>The NHT will implement policies to ensure that any individual contributing for seven years or more, and meets the NHT eligibility requirements, is able to access funding from the NHT to allow him/her to purchase, at minimum, a studio unit, based on NHT's standard pricing. This means that the limit for the Home Grant will move in line with the difference between the price of a studio unit and the individual's affordability</p>   | <p>To further strengthen the purchasing power of the lowest earning contributors, the NHT has adjusted the Home Grant policy by increasing the incomes of persons eligible for such Grants from \$10,000 weekly to \$12,000 weekly. Additionally, the contribution requirement period for persons applying for Home Grants has been reduced from ten (10) years to seven (7) years. Low income earners can access Home Grant of up to \$1.2M.</p>   |
| <b>Adjustments to Contributors' Income Bands</b>      | <p>Currently, the interest rates charged on mortgage loans were premised on weekly incomes. For this purpose four income bands were developed.</p> <p>The income bands were adjusted nine (9) times between 1992 and 2007. No adjustments were made since 2007. The Trust was of the view that adjustments were needed at this time, as key economic developments had negatively impacted affordability levels. For example, cumulative inflation since 2007 would have undermined disposable income and, as a result, contributors found it increasingly challenging to access the loan facilities offered. Additionally, there had been movements in the minimum wage rate leading to a narrowing of the lowest band. For the lowest income band, the proposal was to extend the upper limit, while maintaining a mortgage interest rate of 0% for that band. Consequently, the band would now be from the minimum wage to \$12,000 weekly.</p> <p>The prevailing 2% interest rate discount for the disabled and senior citizens, as well as the 1% reduction for public sector workers would continue to apply.</p> | <p>The NHT periodically updates income bands in response to economic variables such as inflation.</p> <p>The purpose of these changes was to ensure that, based on the adjustments, persons earning \$12,000.99 weekly, or \$52,000 per month would be able to afford a loan of as much as \$4.89M (up from \$2.97M). Two contributors of similar income levels could now jointly afford a mortgage of \$9.8M.</p> <p>Contributors earning between \$12,001 and \$20,000 per week would be eligible for a 2% mortgage interest rate, down from 4%; and persons now earning between \$20,001 and \$30,000 weekly would be eligible for loans at 4%, down from 6%. Those contributors who earn above \$30,001 weekly would continue to pay at the highest interest rate of 6%. The adjustments were for mortgages written after July 1, 2016.</p> |
| <b>NHT (Housing Benefits) Order</b>                   | <p>It was recommended and approved for a permanent allocation to be made</p>   | <p>This is designed to increase efficiency in the NHT operations. Rather than require</p>   |

|  |   |  |
|--|---|--|
| <b>– Allocation of Groups of Beneficiaries</b>                       | to specific groups of contributors, which would obviate the need to prepare a Special Benefit Order for each development.                         | parliamentary approval each time that the NHT desires to make housing units available to specific categories of employees, the Regulations would be updated to provide upper limits for such allocations, leaving the precise allocation to the Board of Directors.  |
| <b>Contributors' Refund Benefits under Section 22 of the NHT Act</b> | In light of the increased cost of funeral expenses over the years, the Board approved the increase of the limit from \$50,000.00 to \$150,000.00. | <p>The general principles under which a portion of contributors' refunds were approved for refund to applicants under the Intestates Estates and Property Charges Act, without taking out Letters of Administration, was to assist in off-setting funeral expenses.</p> <p>The National Housing Trust Act currently provided for the approval of contributors' refunds under these circumstances up to a limit of \$50,000.00, which was in keeping with the average spend for funeral expenses at the time.</p> |

***The Commission is of the view that codifying operating parameters of the NHT within the law is a drag on the efficiency and efficacy of the NHT and further, it incentivises regulatory non-compliance on the part of the NHT.***

***Changing the NHT Act or its accompanying regulations each time an operating parameter needs to be updated is a laborious process that involves a chain of decision making bodies including NHT management, NHT Board, Ministry, the Attorney General's Chambers, Cabinet, the Office of the Chief Parliamentary Counsel, and both Houses of Parliament, prior to becoming effective<sup>66</sup>. This process, has in the past, taken several years to change simple operational parameters.***

***The Commission recommends that the NHT Act and regulations be reviewed with the objective of removing operational policy matters from the legislative arena, and vesting responsibility for same in the NHT's Board of Directors.***

<sup>66</sup> With respect to changes to the principal legislation, the further requirement of the Governor General's assent is required.

## 10.5. Operations

### Question

Are there key operational changes that will augment the delivery of the mandate of the Trust?

### Issue

The Commission in its deliberations recognized that a range of issues affect the ability of the trust to deliver on its mandate effectively. The principal issues include the following:

- The process of registration (contribution compliance) for persons who are not employed in formal sectors of the economy appear rigid and burdensome.
- The range of benefits offered by the NHT appear complex.
- With the proliferation of the use of technology, it is not clear that the Trust is leveraging technology sufficiently as a key strategic enabler as increasingly, services in most sectors of the economy, are provided to customers via electronic means.
- Given the intent to increase the provision of housing development loans to private developers and institutions, improvements in the framework for evaluating and recommending these loans is necessary.
- The reliance on the private sector to supply certain skill sets (For example, Commissioned Land Surveyors, Architects etc.) can significantly increase the housing development life cycle.
- The NHT, being the premier public agency for housing, should possess and have available all housing and related data regarding the Jamaica market.

### Impact

An assessment of some 102,849 loans comprising the mortgage portfolio, as at December 2016, indicated that 1,033 or a little over 1% of all loans were awarded to *Helpers, Butlers and Gardeners (Household Services working group)*<sup>67</sup>. Females (92%) were the main recipients of these loans. The average age of mortgagors was 51 years<sup>68</sup>. Fifty-seven percent (57%) received mortgages at interest rates of either 1% or 0% (see table below). Consequently, the monthly payments made by the majority of beneficiaries (45%) were less than \$6,200 (the current weekly minimum wage). Nineteen percent (19%) of the group maintained arrears for 90 days or more.

| <b>Table 1: The Distribution of Loans Granted to <i>Helpers, Butlers &amp; Gardeners</i> by Interest Rates</b> |                        |                   |
|--|------------------------|-------------------|
| <b>Interest Rates on Loans Grants</b>  | <b>Number of Loans</b> | <b>Percentage</b> |
| 0%   | 106                    | 10.3%             |
| 1%   | 480                    | 46.5%             |
| 2%   | 26                     | 2.5%              |
| 3%   | 147                    | 14.2%             |
| 4%   | 18                     | 1.7%              |
| 5%   | 134                    | 13.0%             |
| 6%   | 14                     | 1.4%              |
| 7%   | 108                    | 10.5%             |
| <b>Grand Total</b>   | <b>1,033</b>           | <b>100%</b>       |

<sup>67</sup> The name given to this working group is for the purposes of this Report only.

<sup>68</sup> The average NHT mortgagor is 40 years old

These results underscored the reality that the majority of mortgagors earned low incomes/earnings and therefore, require assistance in the form of preferential interest rates, subsidies and allowances, to achieve homeownership. Also, the age at which many decide to apply for their housing benefit result in their getting less years to repay and negatively impacts their affordability.

Loans were mainly used to purchase housing units (58%), construction activities (21%) and land purchases (19%) (See table below). The *Home Improvement* and *Equity Financing* (2%) loan options were the least pursued.

| MAIN PURPOSE OF LOAN         |                 |   |
|------------------------------|-----------------|---|
| CATEGORY                     | NUMBER OF LOANS | MAIN PURPOSE OF LOAN                    |
| FIRST STEP SCHEME UNIT       | 4               | Loans for the Purchasing of Units (58%) |
| SCHEME (S)                   | 164             |   |
| OPEN MARKET (OM)             | 428             |   |
| BUILD ON OWN LAND (BOL)      | 93              | Construction Loans (21%)                |
| CONSTRUCTION (CL)            | 119             |   |
| FIRST STEP CONSTRUCTION LOAN | 2               |   |
| HOUSE LOT (HL)               | 148             | Loans for Lands (19%)                   |
| SERVICED LOT (SL)            | 48              |   |
| HOME IMPROVEMENT (HI)        | 26              | Others (2%)                             |
| EQUITY FINANCING             | 1               |   |
| <b>Grand Total</b>           | <b>1033</b>     |   |

The NHT provided 22,167 mortgages to contributors between 2012/13 and 2014/15. Persons in the *Household Services* working group received a 1.73% share of mortgages, placing them 17<sup>th</sup> out of a possible 102 categories.

The *Household Services* working group has encountered challenges as they attempted to enroll as NHT contributors and remain compliant thereafter. Challenges arise as they seek to gain a full appreciation of the enrollment process and the documentation needed, as well as a full understanding of the timeframe after which benefits become accessible to them. The stipulated timeframe of fifty two (52) weeks (of contributions) poses a challenge since their housing needs commonly arise out of unplanned developments (for example; natural disaster, violence, relocation exercises related to squatting, etc.). As a result, their situations may require a more time-sensitive, direct and speedy approach from the NHT. Such an approach may include a “system” that will reduce the wait-time needed to attain eligibility. In the past, the NHT allowed contributors to improve their chances of securing a Scheme solution with the use of *Home Bond Certificates*. A similar approach would suffice to shorten the current time taken for a targeted working group (or groups) to access benefits.

*Home Bond Certificates* were first introduced in 1983 in line with the Priority Entitlement Index (PEI) system. Back then, the Bonds were available in denominations of \$50; \$100; \$500 and \$1,000 and the number of points accumulated was determined by the face value of the bond in combination with the period of time for which the bond was held. For example, on purchase, a bond valuing \$50 would be equivalent to 10 points; after being

held for three years the same \$50 investment would be equivalent to 20 points. Ten points were gained for each year that the investment was held up to a maximum of 100 points. Potential borrowers who had contributed for only a year could qualify by purchasing home bonds up to a value of \$500, which gave a maximum of 100 points. Contribution refunds that had not been taken up could be converted to Home Bonds. In the past, *Home Bond Certificates* were used by contributors in applying for scheme solutions.

### **Recommendation**

In the course of its deliberations, the Commission identified a range of operational matters that impact the effectiveness of delivery of the mandate of the Trust.

The STATIN Labour Market Survey suggests that approximately 70,000 persons are employed in private households yet NHT data suggest that the Trust has 1,033 mortgages outstanding to *Domestic Helpers, Butlers and Gardeners (Household Services working group*<sup>69</sup>). Females (92%) were the main recipients of these loans.

A large part of the challenge is that most workers in these categories are informally employed and the monthly paperwork required for making contributions to the NHT is cumbersome and inconvenient to domestic employers and employees alike. This should be of concern.

The Commission's findings suggest that the *Household Services* working group encounters challenges as members of this group attempt to enroll as NHT contributors and in remaining compliant thereafter. Challenges arise as they seek to gain a full appreciation of the enrollment process and the documentation needed, as well as a full understanding of the timeframe after which benefits become accessible.. The stipulated timeframe of fifty two (52) weeks (of contributions) poses a challenge since their housing needs commonly arise out of unplanned developments (for example; natural disaster, violence, relocation exercises related to squatting, etc.). As a result, their situations may require a more time-sensitive, direct and speedy approach from the NHT. Such an approach may include a "system" that reduces the wait-time needed to attain eligibility. In the past, the NHT allowed contributors to improve their chances of securing a Scheme solution with the use of *Home Bond Certificates*. A similar approach could suffice to shorten the current time taken for a targeted working group (or groups) to access benefits.

***With this in mind, the Commission recommends:***

- ***Amendment to the NHT Act that simplifies the process of contribution compliance and registration for certain categories of workers which may include but not be limited to:***
  - ***Domestic Workers***
  - ***Seasonal Workers (overseas farm workers etc.)***
  - ***Labourers***
  - ***Farm workers (local)***
  - ***Gardeners***
  - ***Contract workers***

<sup>69</sup> The name given to this working group is for the purposes of this Report only.

- ***Amend the NHT Act to allow for flexible contribution payment arrangements for these groups (see above). For example: quarterly or half yearly payments, flat (set) payment amounts.***
  - ***Amend the NHT Act to bring greater equity in the treatment of contract workers with respect to NHT contributions.***
  - ***With the low incidence of impact among household services, contract workers and similar categories of workers, shorten the time needed to access benefits, with the introduction of a Home Bond-type certification system. The mechanics of this system would include:***
    - ***Allowing both employees and their employers to purchase bonds, on an annual basis, on behalf of individuals in the designated working groups in lieu of monthly contributions which would greatly simplify compliance. This would also enhance access by domestic workers, seasonal workers, labourers, farm workers, gardeners and contract workers to NHT housing benefits.***
    - ***Purchasing up to three (3) years' worth of the bonds for their employee. Note, that contributions total for three (3) years will be slightly less than three (3) weeks' income and this may not pose a burden for some beneficiaries or his/her employer compared to other benefits.***
    - ***The employee then becoming a contributor and being immediately eligible for an NHT housing benefit.***
    - ***Using the bonds to reduce mortgage loan balances in the seventh (7th) year following purchase.***
    - ***Refunding amounts used to purchase the bonds for those contributors who did not receive a benefit.***
    - ***After receiving a benefit, contributions payments are included in each month's mortgage payments.***
  - ***Revisit the time over which new contributors have to provide payments, prior to becoming eligible for a NHT benefit.***
  - ***Review the loan policies with the aim of simplifying the number and type of benefits offered to contributors.***
  - ***Streamline the range of benefits to ensure alignment with the goal of home ownership***
- Other operational changes recommended by the Commission:
- ***Establish a project Appraisal and Investment department to assess and monitor all private housing development offers, joint venture partnership proposals etc.***
  - ***Expand the range of skills in the Construction and Development division to include skills currently procured thus reducing the housing development life cycle.***
  - ***A detailed examination of options by experts who are independent of local industry players. Annually, the NHT pays to insurers (mainly overseas***

***insurers due to the size of the portfolio) over J\$1 billion in premiums, additionally the company maintains US\$30M in liquid securities for its Self-Insurance Reserve (SIR). These amounts are then recovered monthly from each mortgagor as a portion of his/her mortgage repayment. Significant economies of scale are achieved as the homeowner/mortgagor pays a rate of 0.3% through this arrangement as compared with rates of 0.8% - 1.0% that currently obtain in the private market. However, annual claims over the last 20 years aggregate claims have averaged less than \$75M. These dynamics suggest that the Trust could potentially enjoy additional savings, which could be passed unto mortgagors through employment of alternative arrangements, the details of which are beyond the scope of this Review.***

## 11. References

Attorney General. 1 April 2008. Letter to National Housing Trust. [Letter]. Failure of Employers to Pay Contributions to the NHT – Effect on Contributors’ Access to Housing Benefits and Refunds. Kingston.

Attorney General. 10 June 2015. Letter to National Housing Trust. [Letter]. Budget Initiatives 2014-2015 Request for Advice. Kingston.

Attorney General. 12 May 2008. Letter to National Housing Trust. [Letter]. The National Housing Trust Agency. Kingston.

Attorney General. 20 August 2010. Letter to National Housing Trust. [Letter]. Review – Failure of Employers to Pay Contributions to the NHT – Effect on Contributors’ Access to Housing Benefits and Refunds Section 29 of the NHT Act. Kingston.

Attorney General. 25 January 2017. Letter to National Housing Trust. [Letter]. Special Financial Distribution. Kingston.

Attorney General. 27 June 2011. Letter to National Housing Trust. [Letter]. Opinion - National Housing Trust Foundation. Kingston.

Attorney General. 30 September 2016. Letter to Ministry of Finance and Public Service. [Letter]. Cabinet Submission on Equity Funding for Harmony Cove Project. Kingston.

Attorney General. 31 January 2011. Letter to National Housing Trust. [Letter]. Review-Failure of employers to pay contributions to the NHT – Effect on Contributors’ access to housing benefits and refunds. Kingston.

Bank of Jamaica. 2016. BOJ-NHT Residential Real Estate Price Indices Review. [Online]. Available at: <http://boj.org.jm/pdf>. (Accessed 25 January 2017).

Basel Committee on Banking Supervision. Best Practices for Credit Risk Disclosure. [Online] Consultative Paper. Available at: <http://www.bis.org/publ/bcbs53.htm>. (Accessed 13 February 2017).

Blanc, D. I. 2005. Economic Evaluation of Subsidy Systems – A Methodology with Application to Morocco. [Online] World Bank Policy Research Working Paper 3529. Available at: <http://econ.worldbank.org>. (Accessed 26 January 2017).

Blanco, A. G., Fretes Cibils V., and Munos. A. F. 2008. Rental Housing Wanted – Policy Options for Latin America and the Caribbean. N.W. Washington D.C.: Inter-American Development Bank.

Bouillon, C. P. 2003. Room for Development – Housing Markets in Latin America Caribbean. Executive Summary. [Online] Inter-American Development Bank. Available at: <https://publications.iadb.org/handle/11319/447>. (Accessed 25 January 2017).

Caribbean Policy Research Institute. 2016. An Assessment of the National Housing Trust. Kingston: [www.CaPRICaribbean.org/research](http://www.CaPRICaribbean.org/research).

Dennis, D. (2014). A brief history of Ja's modern economic performance: The rise and fall. Jamaica Observer. [Online]. Available at <http://www.jamaicaobserver.com/columns/A->

brief-history-of-Ja-s-modern-economic-performance--The-rise-and-fall-\_17759523. (Accessed 20 February 2017).

FreddieMac. 2008. Discover Gold Through Quality Best Practices. [Online]. Available at: [www.freddiemac.com/dgtq](http://www.freddiemac.com/dgtq). (Accessed 16 February 2017).

FreddieMac. 2016. Wholesale Originations Best Practices. [Online]. Available at: [http://www.freddiemac.com/singlefamily/quality\\_control.html](http://www.freddiemac.com/singlefamily/quality_control.html). (Accessed 16 February 2017).

Gordon, P. 2001. Jamaican Economy Recent Developments and Prospects. [Online]. Available at: [www.columbia.edu/cu/ccbh/souls/vol3no4/vol3num4art3.pdf](http://www.columbia.edu/cu/ccbh/souls/vol3no4/vol3num4art3.pdf). (Accessed 25 February 2017).

Housing Agency of Jamaica. 13 January 2017. Letter to National Housing Trust. [Letter]. Jamaica Housing Sector and the National Housing Trust. Kingston.

Hylton Powell, Attorneys-at-Law. 11 January 2017. Letter to National Housing Trust. [Letter]. Opinion on Request for Financial Distribution for Financial Year 2016/2017. Kingston.

Jamaica Association for the Resettlement of Returning Residents. 4 January 2017. Letter to National Housing Trust. [Letter]. National Housing Trust - Issues. Kingston.

Jamaica Information Services. 2008. NHT Contributions Up During 2007 - 2008. [Online]. Available at <http://www.jis.gov.jm/nht-contributions-up-during-200708/>. (Accessed 17 February 2017).

Jamaica Mortgage Bank Act. 2004. [Online]. Available at: <http://www.jmb.gov.jm/documents/otherdocs/JamaicaMortgageBank.pdf> (Accessed: 25 January 2017)

Ley Smith Lawyers. 27 June 2014. Letter to National Housing Trust. [Letter]. Legal Opinion/Provision of Loans by the National Housing Trust for loans to provide facilities such as dormitories for students and accommodation for teachers and pastors. Kingston.

McHardy, P., and Donovan, M. G. 2014. The State of Social housing in Six Caribbean Countries. N. W. Washington D.C.: Inter-American Development Bank.

Meditz, S. W. and Hanratty, D. M. 1987. Caribbean Islands: A Country Study. Washington: GPO for the Library of Congress.

Michael Collins, J. 2008. Developing Effective Subsidy Mechanisms for Low-Income Homeownership. Kingston: Joint Centre for Housing Studies Harvard University.

Myers, Fletcher & Gordon. 11 October 2014. Letter to National Housing Trust. [Letter]. NHT Foundation. Kingston.

Myers, Fletcher & Gordon. 2011. Letter to National Housing Trust. [Letter]. The National Housing Foundation – Possible Establishment. Kingston.

Myers, Fletcher & Gordon. 7 September 2011. Letter to National Housing Trust. [Letter]. The National Housing Foundation – Possible Establishment. Kingston.

Myers, Fletcher & Gordon. 9 October 2014. Letter to National Housing Trust. [Letter]. NHT Foundation. Kingston.

National Financial Inclusion Council of Jamaica. 2017. Financial Inclusion Strategy 2016-2020. Version 1.1. [Online]. Available at: [http://boj.org.jm/pdf/Jamaica\\_NFIS\\_Final\\_Draft.pdf](http://boj.org.jm/pdf/Jamaica_NFIS_Final_Draft.pdf). (Accessed 27 January 2017).

National Housing Trust (NHT). 2015. 2016-2020 Strategic Plan. Kingston: NHT.

National Housing Trust Act. 2006. [Online]. Available at: <http://moj.gov.jm/sites/default/files/laws/NationalHousingTrustAct.pdf> (Accessed: 10 November 2016)

National Housing Trust. 2002. Enterprise Risk Management Framework. Kingston: NHT.

National Housing Trust. 2002. Enterprise Risk Management Policy. Kingston: NHT.

National Housing Trust. 2004. The National Housing Trust Business Risk Review Manual. Kingston: NHT.

National Housing Trust. 2006. On Housing. Volume 2. Kingston: NHT.

National Housing Trust. 2007. On Housing. Volume 3. Kingston: NHT.

National Housing Trust. 2008. On Housing. Volume 4. Kingston: NHT.

National Housing Trust. 2009. On Housing. Volume 5. Kingston: NHT.

National Housing Trust. 2009. The National Housing Trust Annual Report 2008 - 2009. Kingston: NHT.

National Housing Trust. 2010. St. Ann Housing Demand Report. Kingston: NHT.

National Housing Trust. 2010. St. Elizabeth Housing Demand Report. Kingston: NHT.

National Housing Trust. 2010. St. Mary Housing Demand Report. Kingston: NHT.

National Housing Trust. 2010. The National Housing Trust Annual Report 2009 -2010. Kingston: NHT.

National Housing Trust. 2010. Westmoreland Housing Demand Report. Kingston: NHT.

National Housing Trust. 2011. A National Housing Policy for Jamaica Implementation Plan. Kingston: NHT.

National Housing Trust. 2011. Hanover Housing Demand Report. Kingston: NHT.

National Housing Trust. 2011. National Housing Policy and Implementation Plan for Jamaica. Kingston: NHT.

National Housing Trust. 2011. Portland Housing Demand Report. Kingston: NHT.

National Housing Trust. 2011. St. Andrew Housing Demand Report. Kingston: NHT.

National Housing Trust. 2011. The National Housing Trust Annual Report 2010 -2011. Kingston: NHT.

National Housing Trust. 2012. Kingston Housing Demand Report. Kingston: NHT.

National Housing Trust. 2012. St. Thomas Housing Demand Report. Kingston: NHT.

National Housing Trust. 2012. The National Housing Trust Annual Report 2011 -2012. Kingston: NHT.

- National Housing Trust. 2013. Construction Finance for Housing Projects. Kingston: NHT.
- National Housing Trust. 2013. The National Housing Trust Annual Report 2012 -2013. Kingston: NHT.
- National Housing Trust. 2014. Clarendon Housing Demand Report. Kingston: NHT.
- National Housing Trust. 2014. Clarendon Housing Demand Report. Kingston: NHT.
- National Housing Trust. 2014. Our Contributors Performance and Challenges Presentation to NHT Board of Directors' Retreat. Kingston: NHT.
- National Housing Trust. 2014. St. Catherine Housing Demand Report. Kingston: NHT.
- National Housing Trust. 2014. St. James Housing Demand Report. Kingston: NHT.
- National Housing Trust. 2014. The National Housing Trust Annual Report 2013 -14. Kingston: NHT.
- National Housing Trust. 2014. The National Housing Trust Responses to the FSAP Technical Notes dated December 2014. Kingston: NHT.
- National Housing Trust. 2014. Trelawney Housing Demand Report. Kingston: NHT.
- National Housing Trust. 2015. Manchester Housing Demand Report. Kingston: NHT.
- National Housing Trust. 2015. National Housing Trust Board Charter And Corporate Governance Guidelines. Kingston: NHT.
- National Housing Trust. 2015. The National Housing Trust Annual Report 2014 - 2015. Kingston: NHT.
- National Housing Trust. 2016. A Response to CaPRI's Assessment of the NHT. Kingston: NHT.
- National Housing Trust. 2016. Joint Financing Programme - Guidelines for Participating Institutions. Revised. Kingston: NHT.
- National Housing Trust. 2016. Memorandum of Understanding between the Ministry of Finance and Public Service and the National Housing Trust. Kingston: NHT.
- National Housing Trust. 2016. The National Housing Trust – The First Thirty Years 1976 – 2006. Kingston: NHT.
- National Housing Trust. 2016-2017. Monthly Cash Analysis. Kingston: NHT.
- National Housing Trust. 2017. Recommended Investment Guidelines. Kingston: NHT.
- National Housing Trust. 2017. The NHT Mandate Review - Staff Feedback Results. Kingston: NHT.
- National Housing Trust. 2017-2018. Monthly Cash Analysis. Kingston: NHT.
- National Land Agency. 2005. The National Land Agency Annual Report 2004- 2005. Kingston: National Land Agency.
- Ninno, C. d. 2003. Social Safety Net Primers Notes - Demand-Side Subsidy for Housing. [Online] World Bank Institute. Available at: <http://www.worldbank.org/safetynets>. (Accessed 25 January 2017).

Rent Assessment Board. 9 December 2016. Letter to National Housing Trust. [Letter]. Contribution to the NHT Strategic Review Session. Kingston.

The World Bank. 2014. Financial Sector Assessment Program Development Module - Jamaica. Housing Finance Technical Note. Financial and Private Sector Development Vice Presidency, Latin America and The Caribbean Vice Presidency.

United Nations General Assembly. (2016). Policy Paper 10: Housing Policies In: Preparatory Committee for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III). Third Session. Surabaya: United Nations.

United Nations. (1996). National Report Jamaica In: the United Nations Conference on Human Settlements (Habitat II). Istanbul: United Nations.

Woetzel, J., Ram, S., Mischke, J., Garemo, N., and Sankhe, S. 2014. A Blueprint for Addressing the Global Affordable Housing Challenge. McKinsey Global Institute. Available at: [www.mckinsey.com/mgi](http://www.mckinsey.com/mgi). (Accessed 8 February 2017).