

Government Guarantee of Jamaica 21 Mortgage  
Bonds and Jamaica 21 Home Bonds

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The Honourable House of Representatives will be aware that a Green Paper entitled "A National Housing Policy for Jamaica" identified a number of factors causing continued deficiency in the level of housing investment. Included in the strategy to address this problem was the concept of rationalisation of the housing finance system. Under this concept the functions of the public sector housing finance institutions and their individual roles were clearly defined and in the case of the Jamaica Mortgage Bank it was indicated that it would discontinue its primary mortgage and interim finance activities and, inter alia, concentrate on "mobilising loan funds from local and overseas sources to be deployed on a wholesale basis to primary mortgage institutions to facilitate new housing construction". Accordingly it is now proposed that the Bank issue, subject to appropriate guarantee under section 10 of the Jamaica Mortgage Bank Act, two Bonds which would mobilise savings at the local level and also from overseas sources.

2. The main focus on the mobilisation of local sources will be based on the issue of bonds to be designated Jamaica 21 Mortgage Bonds. The Bonds will be aimed at inter alia, absorbing refundable National Housing Trust contributions due to individuals and which will be come payable in 1984. This will be effected in part through the proposed priority entitlement indexation system under which holdings of Mortgage Bonds will be an important factor (subject to certain limits) in qualifying wage earners and self-employed persons for National Housing Trust mortgage financing for low income housing. (This has already been explained by Ministry Paper submitted to this Honourable House).

3. It is also proposed to tap overseas resources by the issue of Jamaica 21 Home Bonds. These Bonds will aim at attracting savings from Jamaicans resident overseas who wish to purchase homes in Jamaica for their retirement or return to this country. Thus non-resident Jamaicans will be encouraged through Jamaica 21 Home Bonds to save up to 80% of the price of a home. Such savings will render them eligible as non-residents to obtain local mortgage finance up to the remaining 20% of the purchase price of the home. The homes in question are to be purchased through the Urban Development Corporation and will relate to houses constructed by UDC as well as private homes or units built by other public agencies which may be selected by the non-resident purchaser. The Home Bonds will be denominated in foreign currency and will have interest rates linked to six month Certificates of Deposits of designated commercial banks in the U.S.A., Canada and the United Kingdom.

4. The above Bonds will have broadly similar terms and conditions in certain areas but there will also be differences which will be identified below. They will be subject to guarantees under section 10 of the Jamaica Mortgage Bank Act which provides for the Minister of Finance and Planning to guarantee, subject to approval of the House of Representatives, in such manner and on such conditions as he thinks fit the repayment of the principal and interest on any authorised borrowings of the Bank. Accordingly the terms and conditions of the Jamaica 21 Mortgage Bonds and the Jamaica 21 Home Bonds are set out below for the information of Parliament.

A. Jamaica 21 Mortgage Bonds

These Bonds will be issued in separate series - the series presently to be issued to be designated 01/1983. This series of the Bonds will have a tenure of five (5) years but on maturity may be rolled over by way of conversion to other issues as agreed by the Bond holder.

- Interest will be at the rate of 10½% per annum and will accrue half-yearly on a compounded basis payable at maturity. However holders will have the option to receive their interest payments on a half-yearly basis, if they so elect, after the first twelve (12) months from the date of issue. This election should be made on each application to purchase the Bonds.
- The Bonds will bear interest on a tax free basis. No income tax will be charged against interest earned or collected by individuals, or tax exempt institutions and funds.
- The Bonds will be issued, so far as series 01/1983 are concerned, in denominations of \$50, \$100, \$500, \$1,000 and \$5,000 and such other denominations as Jamaica Mortgage Bank may determine. Bonds will be issued by the Jamaica Mortgage Bank and by its issuing agents such as the Bank of Jamaica, commercial banks, stock brokers, the National Housing Trust, the National Savings Committee, Caribbean Housing Finance Corporation Limited and such other persons as authorised by Jamaica Mortgage Bank.
- Bonds will be sold at par, that is, at face value.
- Series 01/1983 will issue Bonds up to a total of \$15 million.
- Bonds may be held by individuals (singly or jointly) or tax exempt institutions. There is no restriction on the amount of Bonds which may be held by individuals.
- The principal of the Bonds along with interest accrued thereon from the date of issue will be repaid on maturity but the Bond holder, as indicated above, will have the option after the first twelve (12) months from the date of issue, to request half-yearly interest payments during the tenure of the Bonds.
- The Bonds are registered securities. Bonds may be pledged between individuals but are not transferable except at death when the representative of the deceased Bond holder may request transfer into his name or that of the beneficiary. Bonds are transferable between tax exempt institutions and individuals and vice versa and between tax exempt institutions. Bonds are transferable between National Housing Trust and Caribbean Housing Finance Corporation and between individuals and CHEC and NET.
- A sinking fund contribution of not less than 1% of the limit of Bonds to be raised under series 01/1983 will be made to assist in redeeming the Bonds.
- Commissions will be paid to issuing agencies at \$1 per Bond where the face value is less than \$200. Where the face value is \$200 or over the commission will be one-half of 1% of the face value.

#### B. Jamaica 21 Home Bonds

- The Bonds - Jamaica 21 Home Bonds - will be issued in series. The initial series will be designated 01/1983 FD.
- The Bonds will be issued in amounts of \$100, \$500, \$1,000 and \$5,000 denominated in U.S. dollars or Canadian dollars and also in units of £100, £500, £1,000 and £5,000 denominated in Pounds Sterling.

- Bonds will be eligible for purchase by non-resident Jamaicans now living in the U.S.A., Canada or the United Kingdom. Purchases may only be effected by individuals acting through their commercial banks in Jamaica as their agents or by local persons acting on behalf of the bond holder and duly authorised by him.
- Bonds may be held by individuals singly or jointly with others.
- The interest rate applicable will be variable and will be determined by the interest rate of six (6) months Certificates of Deposit of a designated commercial bank in the U.S.A., Canada or the United Kingdom depending on the currency in which the Bond is denominated. In the case of the United Kingdom the designated commercial bank will be Barclays Bank Ltd. In the case of the U.S.A. the designated bank will be Citibank N.A. and for Canada the designated commercial bank will be the Royal Bank of Canada. The rates applicable will be 2% per annum over the abovementioned six month Certificates of Deposit pertaining to each designated commercial bank. At present the interest rates applicable to each aforementioned designated commercial bank are: for Barclays Bank Ltd. 9 13/16% per annum (9.8125% per annum) for Citibank N.A. (New York) 10.15% per annum and for Royal Bank of Canada (Toronto) 7 3/4% per annum.
- Interest will accrue half-yearly at the applicable rate and will be compounded half yearly to the date of maturity (encashment) when the accrued interest rate will be payable with the principal. The Bond holder will have the option to receive interest payments on a half-yearly basis after the first twelve (12) months from the date of issue. Election of this option must be notified on each application to purchase Bonds.
- Interest will accrue and be payable in Jamaican dollars calculated at the official rate of exchange ruling at the time.
- Interest on the Bonds will be free of income tax.
- Each Bond of series 01/1983 ED will have an indeterminate term. Bonds may be encashed after the first twelve (12) months after the date of issue but six months notice must be served on the Jamaica Mortgage Bank by the Bond holder. Encashment will be effected on the nearest interest due date after service of the notice and expiry of the applicable six (6) months.
- The Bond holder on initial application to purchase each Bond may also effect option to encash the principal at the half-yearly interest intervals along with each interest payment applicable thereto. This option will only apply after the first twelve (12) months from the date of issue of the Bonds.
- The Bonds are registered securities. They are not transferable between individuals except at death at which time the deceased Bond holder's representative may request transfer into his name or that of the beneficiary involved.

- Sinking fund contributions of not less than 1% per annum of the limit of the Bonds to be issued under the series 01/1983 FD as per each foreign currency denomination will be effected to assist in redeeming Bonds.

The initial issue (series 01/1983 FD) of Bonds will be effected up to a maximum of US\$5 million, Canadian \$5 million and Pounds Sterling £5 million, respectively. Additional issues will be made when this initial issue is fully subscribed.

5. The Honourable House of Representatives is asked to note the terms and conditions applicable to the Jamaica 21 Mortgage Bonds and to the Jamaica 21 Home Bonds. An appropriate resolution will be moved by me in due course pursuant to section 10 of the Jamaica Mortgage Bank Act.

Edward Seaga  
Prime Minister and Minister of Finance  
and Planning.

31st August, 1983.

MFP 355/011

APPENDIX

UPDATED POSITION OF GUARANTEED AGREEMENT FROM 1.4.83 TO 12.9.83

NAMES OF ORGANIZATION	AUTHORISED AMOUNT	PURPOSE OF LOAN	TERMS AND CONDITIONS
1. Eximbank of the U.S. and Barclays Bank International and the Jamaica Public Service Company Limited.	US\$4.495m	Purchase of Electrical Distribution Equipment from General Electric Trading Company, N.Y.	<p>- Principal is repayable by 3 Promissory Notes the 1st is (US\$2,921,750.00)</p> <p>a) repayable in 10 equal semiannual instalments the 1st due on 31.1.84.</p> <p>b) (US\$819,000.00) repayable in 10 equal semi-annual instalments commencing 29.1.84</p> <p>c) (US\$674,250.00) repayable in six (6) equal consecutive semi-annual instalments beginning 29.1.84.</p> <p>- Interest at 11.6% per annum.</p>
2. Citizens and Southern Bank International to the Jamaica Public Service Company Limited	US\$2,963,950	aquisition of spare parts from Essex Exports Inc. of the U.S.A.	Interest is 1% above the Bank prime lending rate. The principal is repayable over a 5 year period in ten (10) semi-annual instalment of US\$296,395 each
3. Midland Bank Public Limited Company to National Sugar Company Limited	£1,700,000.00	for the rehabilitation and Development of Sugar Cane Cultivation	<p>Interest at 10.5% per annum payable semi-annually.</p> <p>- the principal will be repaid over a 5 year period in 10 semi-annual instalments of £170,000.00</p>
4. Morgan Bank of Canada to the Jamaica Public Service Company Limited	US\$3,033,188.00	To purchase Transformers and other related equipment from Westinghouse Company Inc.	<p>Principal repayable in seven instalments.</p> <p>- Interest = <math>365 \times (\text{LIBOR RATE} + \frac{1}{4} \text{ of } 1\%) \div 360</math></p>
5. Caribbean Development Bank to National Development Bank	US\$6.0m	To provide medium and long term sub-loan to persons and enterprises for industrial purposes	<p>Loan is repayable in 48 equal and consecutive quarterly instalments 3 years after the date of disbursement.</p> <p>Interest at the rate of <math>9\frac{1}{2}\%</math> per annum on the amount withdrawn and outstanding</p>
6. National Commercial Bank to the Eastern Banana Estate Limited Mrs. Whiteman	J\$5.0m	provision of part, financing of a banana plantation and Processing Facilities in St. Thomas	Interest at the rate of 1% per annum over the prime lending rate

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7. Commonwealth Development Corporation to the Eastern Banana Estate Limited	£5.25m	to furnish part of the cost of a project for establishing Banana plantations and Banana processing facilities on 2,050 acres.	- at 11½% per annum - loan is repayable by 14 equal instal- ments, the 1st of which is due on 31.12.87 ending 30.6.1994
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CHAPTER 18 GUARANTEED LOAN AND OUTSTANDING AMOUNTS  
AS AT MARCH, 1983

NAME OF ORGANIZATION	AMOUNT AUTHORIZED (J\$)	ESTIMATED OUTSTANDING BALANCE J\$
National Sugar Company Ltd.	7,71,541,000.00	,17,819,775.80
Jamaica Public Service Co. Ltd.	287,532,100.00	254,789,298.19
Air Jamaica Limited	31,018,280.00	21,321,900.00
Jamaica Mortgage Bank Ltd.	149,580,000.00	78,071,036.84
Urban Development Corporation	33,131,900.00	32,522,280.00
Jamaica Telephone Company Ltd.	66,630,747.00	39,561,380.00
Point Hotel	27,216,400.00	11,155,925.61
Mallards Reef Hotel Ltd.	20,398,900.00	9,357,460.00
Rose Hall Intercontinental Hotel	28,598,192.00	14,737,631.04
Rose Hall Holiday Inn		
Port Authority	68,002,304.00	39,978,671.40
Jamaica Soya Products	7,851,580.00	7,851,580.00
Kingston Waterfront Hotel	10,690,900.00	7,934,227.10
Pegasus Hotel	2,980,933.00	1,055,728.68
Jamaica Railway Corporation	13,149,693.00	5,635,579.68
Jamaica Omnibus Service Ltd.	13,046,670.00	1,284,904.53
Kingston Sheraton Hotel	3,873,280.00	464,580.00
Ocho Rios Commercial Centre Ltd.	2,234,560.00	1,124,130.52
West Indies Glass Co. Ltd.	4,005,000.00	2,943,853.00
Jamaica Development Bank	79,345,458.00	49,602,841.70
National Water Commission	35,600,000.00	31,179,863.00
Airports Authority of Jamaica	24,152,872.00	22,152,872.00
West Indies Shipping Service	4,736,000.00	596,296.00
Banana Board	6,274,500.00	2,210,220.66
University of the West Indies	5,714,043.78	3,812,621.16
Forrest Industries Development Co.	15,561,600.00	7,813,260.00
National Housing Trust	\$8.9m	4,743,158.88
Coffee Industry Board	18,122,000.00	16,122,000.00
Jamaica Merchant Marine Ltd.	13,058,818.00	12,849,877.65
Jamaica Cricket Ass.	9,750,000.00	9,750,000.00
Petroleum Corporation	13,350,000.00	7,641,860.00
Jamaica National Investment Corp.	11,800,000.00	11,750,152.00
Eastern Banana Estate	19,175,000.00	19,175,000.00
Ariguarabo Co. of Ja. Ltd.	4,504,192.00	1,830,053.00
National Housing Corporation	1,228,500.00	982,800.00
Jamaica Export Credit Insurance Company	2,545,578.00	1,656,700.00
<b>TOTAL J\$</b>	<b>1,115,301,000.00</b>	<b>832,993,643.71</b>