

**A BILL**

**ENTITLED**

**AN ACT to Amend the Mortgage Insurance Act.**

[ ]

**BE IT ENACTED** by The Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and House of Representatives of Jamaica, and by the authority of the same, as follows:—

**1. This Act may be cited as the Mortgage Insurance (Amendment) Act, 2014, and shall be read and construed as one with the Mortgage Insurance Act (hereinafter referred to as the "principal Act") and all amendments thereto.**

Short title  
and  
construction.

**2. Section 4 of the principal Act is amended—**

- (a) in subsection(1)(b)(i) by deleting the words and numerals "90 *per centum*" and substituting therefor the words and numerals "97 per cent"; and

Amendment  
of section 4  
of principal  
Act.

(b) by deleting subsection (4) and substituting therefor the following—

“ (4) The Minister may from time to time—

(a) vary the percentage of appraised value under subsection(1)(b)(i), by order subject to affirmative resolution; and

(b) prescribe variations in respect of the percentages or the amount specified in subsection(1)(b)(ii) or in section 5.”.

Amendment of section 5 of principal Act.

3. Section 5 of the principal Act is amended by deleting from subsection (1) the words “*per centum*” and substituting therefor the words “per cent”.

Amendment of section 14 of principal Act.

4. Section 14 of the principal Act is amended by deleting from subsection (2) (a) the words “*per centum*” and substituting therefor the words “per cent”.

**MEMORANDUM OF OBJECTS AND REASONS**

The Mortgage Insurance Act (“the Act”) was last amended in 2008. That amendment was intended to facilitate the writing of more mortgage insurance policies, by increasing the amount of insurance that could be issued from 1.2 billion dollars to 2 billion dollars.

This Bill seeks to further amend the Act to make mortgages more accessible to the average Jamaican.

Currently, the large deposit required and the additional closing costs incidental to the purchase of a home, are a major hurdle faced by Jamaicans in their effort to acquire a home. The approximate amount required for deposits on a home is fifteen per cent of the purchase price, which many home buyers find exceedingly difficult to accumulate. The proposed increase in the percentage of the purchase price, which can be insured under the Act, up to a maximum of ninety-seven per cent, would allow mortgage companies to use a higher loan to value ratio in their underwriting.

The Jamaica Mortgage Bank which administers the Mortgage Insurance Fund on behalf of the Government of Jamaica, envisages that as a result of this increase in the percentage, home buyers will be able to access a larger mortgage loan and would therefore reduce the large amount that would be required as a deposit. This will impact particularly on new entrants to the workforce, new professionals, public sector workers and others who have stable jobs and have qualified for mortgages and can afford the monthly mortgage repayments, but who do not have significant savings to cover a large deposit.

This increase in the percentage will also create an opportunity for these persons, who are unable to afford the standard deposit, to acquire homes earlier, and give them a longer period to pay off the mortgage over their working lives.

This Bill, therefore, seeks to amend the Mortgage Insurance Act to allow for—

- (a) an increase from 90 per cent to 97 per cent, the percentage of the appraised value of the property on which mortgage indemnity insurance is being granted; and
- (b) the varying of the percentage of the appraised value to be done by way of ministerial order, subject to affirmative resolution.

**OMAR DAVIES**  
Minister of Transport, Works and Housing

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**As introduced by the Honourable Minister of Transport, Works and Housing.**

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SECTION 4 OF THE PRINCIPAL ACT WHICH  
IT IS PROPOSED TO AMEND

4.—(1) A loan is insurable under this Act if—

(a) it was made by an approved lender to a person (in this Act called the “borrower”) in order that the borrower may—

... ..

(b) it was for the aggregate of—

(i) 90 *per centum* of the appraised value, or any part thereof; and

(ii) the amount of the insurance fee payable in respect of the loan; and

... ..

(4) The Minister may from time to time prescribe variations in respect of the percentages or the amount specified in paragraph (b) of subsection (1) or in section 5.

SECTION 5 OF THE PRINCIPAL ACT WHICH  
IT IS PROPOSED TO AMEND

5.—(1) An insurance fee of 2½ *per centum* or such other prescribed percentage of the amount of any loan to be insured under this Act shall be paid by the lender to the Bank but may be charged to the borrower and collected by the lender from the borrower a such times and in such manner as may be agreed between the borrower and the lender; and different rates may be charged for different categories of loans.

... ..

SECTION 14 OF THE PRINCIPAL ACT WHICH  
IT IS PROPOSED TO AMEND

14.—(1) ... ..

(2) If the amount received by the Bank pursuant to subsection (1) is not sufficient to defray the expenses of the Bank in the administration of this Act in any year the income of the Bank for that year may be supplemented—

(a) by withdrawals from the Mortgage Insurance Fund not exceeding fifty *per centum* of the return on investments and assets of the Fund for that year; and

... ..