

VERBATIM NOTES  
OF  
COMMISSION OF ENQUIRY INTO CIRCUMSTANCES  
THAT LED TO THE COLLAPSE OF THE FINANCIAL INSTITUTIONS  
IN THE 1990s

HELD AT  
THE JAMAICA PEGASUS HOTEL  
81 KNUTSFORD BOULEVARD, KINGSTON 5

ON  
TUESDAY, MAY 17, 2011

PRESENT WERE:

COMMISSIONERS

Mr. Charles Ross  
Mr. Worrick Bogle

COUNSEL FOR THE COMMISSION

Hon. Justice Henderson Downer (Retired)

SECRETARY TO THE COMMISSION

Mr. Fernando DePeralto

ATTORNEY MARSHALING EVIDENCE FOR THE COMMISSION

Miss Judith Clarke - Attorney-at-Law

REPRESENTING JAMAICAN REDEVELOPMENT FOUNDATION

Mrs. Sandra Minott-Phillips - Attorney-at-Law  
Mr. Gavin Goffe - Attorney-at-Law

REPRESENTING MR PATRICK HYLTON

Mr. Dave Garcia - Attorney-at-Law

REPRESENTING FINSAC LIMITED

Mr. Bryan Moodie - Attorney-at-Law

REPRESENTING DEBTOR1

Mr. Anthony Levy - Attorney-at-Law

GIVING EVIDENCE

Mr. Jason Rudd

1 May 17, 2011  
3 COMM. BOGLE: Good morning ladies and gentlemen. This  
4 enquiry is now in session and for the  
5 records may we have the names of the  
6 attorneys present?  
7 And just before you go, a request from  
8 the stenowriters that many times they  
9 can't hear persons, hear what persons  
10 are saying, they are therefore asking us  
11 to speak into the microphone because it  
12 is very difficulty for them at times and  
13 if they don't hear then they can't  
14 record so I am appealing to everyone to  
15 try and speak as loudly as possible and  
16 into the microphone.  
17 MR. LEVY: Could we have the hotel provide more  
18 microphones to this table?  
19 COMM. BOGLE: We will request that. Okay the names of  
20 the attorneys present.  
21 MRS. PHILLIPS: Sandra Minott-Phillips and with me is  
22 Gavin Goffe instructed by Myers Fletcher  
23 & Gordon, and we appear for Jamaican  
24 Redevelopment Foundation Inc.  
25 MR. LEVY: Anthony Levy representing DEBTOR1

1 and DEBTOR1COMPANY.

2 MR. MOODIE: Bryan Moodie instructed by Samuda and  
3 Johnson appearing for FINSAC.

4 COMM. BOGLE: Okay, we have received a submission from  
5 JRF, this we got last night and as such  
6 we have not had the opportunity of going  
7 through this document, neither have the  
8 attorneys that might have an interest in  
9 this matter, therefore, this morning we  
10 will ask JRF to present the document to  
11 you in the usual form, thereafter we  
12 will adjourn until the last week of May  
13 at which time cross examination will  
14 take place which will allow us time to study  
15 the document. The length of time has nothing  
16 to do with the document, itself because as we  
17 had said last week that we were only going to  
18 meet today and half day tomorrow and we would  
19 return at the end of the month, therefore, it  
20 is not because of the length of the document  
21 why we would have been having such a long  
22 adjournment, however the adjournment today  
23 and tomorrow is to allow time for

24

1 persons, the Commissioners and others  
2 that might be interested to go through  
3 the document.

4 MR. LEVY: Mr. Chairman, the witness Mr. Rudd is  
5 fairly new to this country and to JRF. I  
6 do not expect that he has an ongoing  
7 flowing knowledge of many of the cases  
8 and instances which were brought to him  
9 here. Might we be given an opportunity  
10 at the end of today's meeting for at  
11 least some of those to be mentioned in  
12 order that he can research it in order  
13 that he can come and give evidence,  
14 unlike the usual evidence we get; I  
15 don't know, I do not recall, I do not  
16 know a thing about it, if he did  
17 research he could come and respond to  
18 that.

19 COMM. BOGLE: My response to that Mr. Levy, would be  
20 that JRF has had representation at this  
21 enquiry from the outset, from the first  
22 day and of all of the persons requiring  
23 representation, JRF has had consistent  
24 representation in the persons of  
25 Mrs. Minott-Phillips and Mr. Goffe and

1                   Therefore, I would take it that they  
2                   have been keeping their client well  
3                   informed of the proceedings here and of  
4                   all of the comments or allegations or  
5                   whatever against their client, therefore  
6                   I do not think that there needs to be  
7                   this list of persons, that we should  
8                   provide it to JRF.

9   MR. LEVY:                   Then maybe we will have to come back a  
10                   third time in June, sir.

11   COMM. BOGLE:               Let's see, I am sure we will not, but  
12                   let's see.

13   MR. MOODIE:               Mr. Chairman, my question in regards to  
14                   schedule. You mentioned we will be  
15                   returning in the last week of May, does  
16                   that mean that the 30th, we come back on  
17                   the 30th when Mr. Downer is scheduled.

18   COMM. BOGLE:               Yes.

19   MR. MOODIE:               And thereafter the date of the 2nd for  
20                   Mr. Crawford, is that confirmed?

21   COMM. BOGLE:               No, Mr. Crawford, that date is not  
22                   confirmed because there are a number of  
23                   persons interested in the examination of  
24                   Mr. Crawford who will not be able to  
25                   make it on the 2nd.

1 As the Secretary was just saying, the  
2 attorney for Mr. Patrick Hylton and the  
3 attorney for Bank of Jamaica have  
4 informed us that the 2nd of June would  
5 not be convenient to them. We are  
6 therefore looking at the 7th of June.  
7 However, as you would understand video  
8 conferencing, quite a number of persons  
9 and organizations will have to come into  
10 play, therefore, it is not a set date as  
11 yet but that is the proposed date at  
12 this moment, the 7th of June.

13 MR. MOODIE: I am guided, Mr. Chairman. Thank you.

14 COMM. BOGLE: In view of the adjournment, early  
15 adjournment today and also of  
16 Mr. Crawford not being on the 2nd of  
17 June, the secretariat is now as usual  
18 redoing the schedule and this you will  
19 get shortly so that you will know what  
20 the schedule going forward will be.

21 MR. MOODIE: Grateful.

22 COMM. BOGLE: Can you state the name of the witness?

23 MRS. PHILLIPS: Mr. Jason Rudd.

24 MR. RUDD SWORN.

25 COMM. BOGLE: Thank you very much. Mrs. Phillips?

1 MRS. PHILLIPS: Commissioners, you would have received  
2 the revised statement by Jamaican  
3 Redevelopment Foundation. I am just  
4 indicating that it's only revised in the  
5 sense that it is a different person  
6 giving the evidence and by the addition  
7 of further details, given that the first  
8 statement was submitted from even before  
9 the enquiry started in response to a  
10 request of a statement and so, as the  
11 enquiry emerged there have been certain  
12 details that we felt needed speaking to.  
13 So, Mr. Rudd, can you state your name  
14 please?

15 A: My name is Jason Rudd.

16 Q: Would you look at page 20 of the  
17 document in front of you.

18 A: Yes.

19 Whose signature is that?

20 A: Mine.

21 Q: And this document would be JRF's witness  
22 statement given through you?

23 A: Yes.

24 Q: In accordance with the -- I am just  
25 going to mention Commissioners, that in



1 addition to being the CEO of the JRF  
2 Mr. Rudd is also trained as an attorney-  
3 at-law and as a CPA but his capacity  
4 here is as CEO of JRF.

5 In accordance with the procedure that  
6 you have indicated that you prefer  
7 Mr. Commissioner, I will ask Mr. Rudd to  
8 speak to his statement and follow  
9 chronologically for your benefit, given  
10 that you only received it recently, the  
11 form of the written statement.

12 COMM. BOGLE: Fine.

13 Q: You may proceed Mr. Rudd?

14 A: My name is Jason Rudd and I am one of  
15 the principals of Jamaican Redevelopment  
16 Foundation, Inc, as well as the Chief  
17 Executive Officer. I became CEO in late  
18 2010, succeeding Janet Farrow after Beal  
19 Bank sold its stock in JRF. JRF has  
20 remained a going concern in Jamaica from  
21 2002 to the present time without  
22 interruption. My address for the  
23 purposes of this statement is care of  
24 JRF, 2nd Floor, 6 St. Lucia Avenue,  
25 Kingston 5.

M

y knowledge of the matters which are  
2 the subject of the enquiry is derived  
3 from the files of JRF to which I have  
4 access.

5 MRS. PHILLIPS:

Okay, just pause here for a moment, and  
6 I am grateful that you read that because  
7 it introduces who you are but you need  
8 not, unless you wish to, read it word  
9 for word. If you are more comfortable  
10 speaking to it, that's fine, but  
11 whichever is more comfortable to you.

12 A:

Okay. Since assuming the post of CEO of  
13 JRF, I have mixed emotions about  
14 testifying before this enquiry. On one  
15 hand, I have been concerned about the  
16 negative publicity that has continued  
17 throughout the enquiry and I anticipate  
18 will continue after my testimony, but on  
19 the other hand I wanted the opportunity  
20 to defend the reputation of JRF in the  
21 hope that it can open lines of  
22 communication that might have been  
23 damaged. I believe that some of the  
24 testimony against JRF has been somewhat  
25 one sided and JRF has not had the

1 opportunity publicly to defend itself in a  
2 manner to give the whole picture. In  
3 preparing for testifying before the enquiry,  
4 before the hearing of this enquiry, I have  
5 studied various reports that have be issued  
6 by various people both in Jamaica and outside  
7 of Jamaica, trying to understand what the  
8 various opinions are as to how the financial  
9 10 collapse came about and I have also reviewed  
11 files and reviewed witness statements to  
12 determine how JRF has seemingly become the  
13 scapegoat during this enquiry.

14 This Commission of Enquiry into the collapse  
15 of the financial institutions in Jamaica in  
16 the 1990s has been charged with what I  
17 believe is a daunting task. The intended  
18 scope of the enquiry was extremely broad and  
19 was generally described by the Jamaica  
20 Information Services as covering of five  
21 broad tasks which I list in my statement  
22 which I will not repeat at this time and I  
23 am certain everyone is aware of those.  
24  
25

1 JRF is an investor in the economy of Jamaica  
2 and as such we are deeply interested in and  
3 concerned with the success of Jamaica and the  
4 Jamaican people. The problems are real and  
5 substantial. However the problems facing  
6 Jamaica were not caused by JRF and JRF should  
7 not be blamed for them. Despite our American  
8 ownership I should point out that JRF is  
9 domiciled in Jamaica, and registered in  
10 Jamaica as a company incorporated outside of  
11 the island carrying on business within the  
12 island. JRF currently employees 23 life long  
13 Jamaican citizens; that number has been much  
14 higher over the years but it is currently at  
15 23. These are all people who love their  
16 country deeply and are very committed to  
17 their country. Most of these employees have  
18 worked for JRF since its inception, many of  
19 them even came over from FINSAC prior to JRF's  
20 inception.

21 Since 2002, JRF has paid in excess of US  
22 \$70,000,000 to the Jamaican Government  
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1 by way of payment for the non-performing loan  
2 portfolio that we acquired from the  
3 Government of Jamaica through FINSAC and its  
4 related entities on January 30,  
5 2002. We continue to pay for the portfolio  
6 via funds returned to the Jamaican  
7 government for these entities under the  
8 relevant agreement.

9 10 In addition, JRF has invested countless sums  
11 into the Jamaican economy through the  
12 services of our accountants, our  
13 appraisers, our attorneys, our  
14 valuers, consultants, security companies,  
15 transportation companies, tourism industry,  
16 and various other services and products that  
17 JRF uses on a regular basis, not to mention  
18 our staff and our payroll that we pay monthly.  
19 JRF proudly supports various local causes,  
20 currently, of which you may be unaware. We  
21 support The Best Care Foundation and Brandon  
22 Hill All Age School, and as the new  
23 principals in JRF, we look forward to  
24 becoming even more involved with local  
25 causes. I am sure that over the

1 past years there have been other causes that  
2 JRF has been involved in and I may not be as  
3 aware of them.

4 Over the past few months, a few, angry and  
5 hurt individuals have appeared before this  
6 Commission and have  
7 seemingly blamed JRF for their financial  
8 difficulties. The events as recalled by these  
9 individuals were tragic and made great  
10 headlines that appeared to place all of the  
11 blame for their economic problems and the  
12 problems of Jamaica squarely at the feet of  
13 JRF. Unfortunately, the events that were  
14 forgotten by these individuals and that were  
15 often overlooked by the media were, in almost  
16 every case, the true cause of the problems  
17 that these people faced. These individuals  
18 often borrowed money that they should not  
19 have borrowed upon terms that they should have  
20 known better than to agree to. Some  
21 individuals that have testified before this  
22 Enquiry signed loans with originating legacy  
23 banks and financial institutions at  
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1 rates as high as 70% and then appeared before  
2 this Commission and attempted to blame JRF  
3 for their financial ruin. The truth is their  
4 financial were the result of their own  
5 decisions, choices and contractual bargains  
6 freely entered into by them, and long before  
7 their loans left the legacy banks and  
8 financial institutions for transfer to  
9 FINSAC or its related entities.

10 Due to the nature of our business, JRF does  
11 not pretend to be qualified to look back and  
12 offer its opinion on the host of factors that  
13 would have caused the economic meltdown that  
14 resulted in the creation of FINSAC, nor are  
15 we qualified to make recommendations with  
16 regard to banking regulations that could have  
17 been or could possibly help protect borrowers  
18 from potentially predatory lending. However,  
19 JRF does know when a borrower is qualified for  
20 a loan and is able to determine a borrower's  
21 ability to repay a loan. In the case of every  
22 borrower that has complained to this  
23 Commission  
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1 about JRF, the fact of the matter is that they  
2 were simply not financially capable of  
3 honouring, or willing to honour, their  
4 agreements with the legacy banks and  
5 financial institutions.

6 The ability to obtain debt for which they were  
7 unqualified, combined with the inability to  
8 understand that they were unqualified for the  
9 debt (sometimes coupled with a determination  
10 not to repay the money borrowed), seems to JRF  
11 to be the primary cause of so many people in  
12 Jamaica finding themselves encumbered with  
13 debts that they were unable (and in some  
14 cases, unwilling) to repay.

15 There are many economic and political  
16 theories that must be considered by this  
17 Commission on how the financial industry  
18 should be regulated or on how we can learn  
19 from this crisis and how we can better adapt  
20 fiscal economic policies to prevent its  
21 recurrence. There are lessons that can and  
22 should be learned from the facts and evidence  
23 relating to  
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1 2 3 regulation and economic policy, but I hope  
4 5 6 that in opining on these topics, this  
7 8 9 Commission does not overlook the role that  
10 personal responsibility of  
11 borrowers must also play.  
12 This is just as an aside. I would want to  
13 refer Dr. Blythe's recent article where he  
14 mentioned, although probably not in the  
15 same context that I am using it now, where  
16 he points out that  
17 everyone seems to be blaming everyone else  
18 but no one is taking the blame for  
19 themselves, and I will concur with that  
20 statement.

21 None of the individuals that appeared before  
22 this Commission had their debt "imputed" to  
23 them, rather each one voluntarily signed  
24 loan documents and mortgage documents with  
25 financial institutions and accepted the  
terms upon which the money was lent to them.  
Now, over fourteen years later, in many cases  
sometimes longer than that, from the date  
the loans were originally signed, they come  
before the Commission and cry

1 2 3 'foul' against JRF. This fact must not go  
4 5 6 unnoticed by this Commission.

7 8 9 I sympathize with the individuals who  
10 appeared before this Commission and with  
11 other Jamaicans who have been hurt through  
12 this situation but who have chosen not to  
13 appear before Commission. However, I would  
14 point out to this Commission and to the  
15 people of Jamaica that when JRF took over the  
16 portfolio from FINSAC that we acquired  
17 approximately 23,530 accounts representing  
18 17,459 borrowers. Of those borrowers less  
19 than one tenth of one percent appeared before  
20 this Commission. Considering the nature of  
21 our business, the fact that only nine debtors  
22 have appeared before this Commission to  
23 complain about JRF is actually quite  
24 impressive. And I can hear from the crowd  
25 some disagreement with that statement and I  
don't pretend to think that these nine are  
the only people who would seek to have a claim  
against JRF. I am certainly aware of many  
complaints,

1 many people who have struggled to get their  
2 financial situation. I have met with other  
3 debtors in my office who have been hurt  
4 through the financial meltdown but it is  
5 still a fact that only nine have chosen to  
6 appear before this Commission.

7 It is also important to note that despite the  
8 horror stories that have been told to this  
9 commission and that have subsequently been  
10 reported by the media, that JRF has an  
11 enviable success record in the independent  
12 and honourable courts of Jamaica. JRF has been  
13 sued countless times by disgruntled debtors  
14 and has also been forced to pursue litigation  
15 over the last ten years with a success record  
16 of more than 99%. That is not because JRF is  
17 lucky but it is because as a matter of policy,  
18 JRF acts in accordance with the law of the  
19 lands, which by definition means that JRF  
20 acts in a manner that is 'fair'. Even more  
21 importantly for this Commission to realize is  
22 the fact that each and every  
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1 one of the borrowers who has appeared before  
2 this Commission to complain against JRF has  
3 also had an opportunity to present his or her  
4 complaint and his or her side of the story  
5 to the local courts, and where they done so,  
6 the courts, after weighing the facts  
7 presented, have not found any  
8 credibility in the complaints.

9 Accordingly, I trust that this  
10 Commission will have due regard, not just to  
11 the witness statements or evidence-in-chief,  
12 of this small, albeit vocal, small percentage  
13 of borrowers, but also to the evidence  
14 elicited under cross-examination of omitted  
15 information and omitted documents of those of  
16 the debtors, which demonstrate that these  
17 debtors were not quite the victims that their  
18 testimony would have led people to believe.  
19 JRF has always respected the debtors'  
20 confidentiality and will continue to do so,  
21 even to the point of not defending itself in  
22 the media when debtors say  
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1 unchallenged in that medium those same  
2 things that have not stood up to  
3 scrutiny here when tested in  
4 cross-examination. When both sides have  
5 their say a wholly different picture is  
6 painted from that in the one-sided stories  
7 of the debtors' complaints made via the  
8 media. Rarely do the media publish the  
9 details of the cross-examination of the  
10 complainants before this Commission, with  
11 the prominence, extensiveness and gusto  
12 given to their publication of the  
13 examination-in-chief. During many of the  
14 early days of this Commission, the media  
15 packed up and left once the  
16 examination-in-chief was over, not even  
17 bothering to stay for the cross-examination.  
18 If I could, I am going to move on from my  
19 written statement for just a second and  
20 highlight that point. As we were doing our  
21 due diligence on JRF, that was actually one  
22 of the questions that I specifically asked  
23 Mrs. Phillips, why JRF was not even defending  
24 itself at  
25

1 this enquiry because all the information  
2 about the enquiry that I was able to glean  
3 came from newspaper, television, radio,  
4 which was shocking and very troubling from  
5 someone looking to acquire a company and at  
6 that point Mrs. Phillips did inform me that  
7 the problem was that the media usually did  
8 not stay for the end of the day and only  
9 reported what was said that morning and now  
10 having had the opportunity to go through a  
11 significant number of transcripts, I think  
12 I have had the opportunity to read most every  
13 day that this Commission has met and I see  
14 that that was certainly the case although it  
15 certainly does not make the facts and the  
16 emotions that the debtors feel any less  
17 painful for them and I still sympathize  
18 greatly with them. I mean it's certainly  
19 their feelings or their realities, that is  
20 the case and they struggle greatly during  
21 this time and I feel very bad about that, but  
22 I think that the stories that were told were  
23 not

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fair to JRF and oftentimes to FINSAC as well.

1  
2 JRF is a corporation organized in accordance  
3 with the laws of the State of Texas in the USA  
4 and registered in Jamaica in 2002 under Part  
5 X of the Jamaican Companies Act as a company  
6 incorporated outside of Jamaica carrying on  
7 business within the island.

8 After a competitive bidding process, JRF was  
9 selected by the Government of

10 Jamaica as the purchaser of a portfolio of  
11 non-performing loans held by the Government  
12 of Jamaica to various government-controlled  
13 companies. These loans had been acquired by  
14 the

15 Government of Jamaica from various banks and  
16 financial institutions as part of its effort  
17 to rehabilitate and stabilize the Jamaican  
18 financial sector which is the object of your  
19 Commission of  
20 Enquiry.

21 By way of an agreement for the Sale of  
22 Purchase of Assets between FINSAC Limited,  
23 Financial Institutions Services  
24  
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1 Limited, Workers Savings and Loan Bank  
2 and Refin Trust Limited on the one hand  
3 and JRF on the other, dated January 30,  
4 2002, JRF acquired all the rights, title  
5 and interest that those entities had in  
6 the non-performing loan portfolio  
7 consisting of 23,530 accounts.  
8 Under the agreement what was sold to JRF  
9 are included and I quote, "**the aggregate**  
10 **amount in respect of principal,**  
11 **interest, insurance premiums, fees,**  
12 **rates charges, costs, damages and any**  
13 **other sums of whatever nature owing from**  
14 **time to time by the relevant borrowers**  
15 **or any Security Party to the Seller",**  
16 together with the credit security  
17 documents. The several agreements  
18 entered into between the Buyer and  
19 Seller are listed in the copy letter to  
20 the Commission of July 3 2009 annexed to  
21 this statement as...

22 MRS. PHILLIPS: Pause there for a moment, Mr. Rudd.  
23 Commissioners, you will see after page  
24 20 that on the 3rd of July, 2009 a  
25 letter of that date was sent to the



1 Secretary of this Commission and that the  
2 letter lists all the agreements that were  
3 requested by this Commission to be provided  
4 in the Commission's letter of May 28, 2009  
5 and on the second page you will see that this  
6 has been signed by Secretary confirming  
7 receipts of all the enclosures. Proceed Mr.  
8 Rudd.

9 MR. RUDD: Included among the documents referenced in  
10 Annexure 1 are the agreements that speak to  
11 the collection of the proceeds of recovered  
12 debts and the distribution of those  
13 proceeds and to the custody of the security  
14 documents.

15 I might add that over the last, almost ten  
16 years JRF I believe, has enjoyed an excellent  
17 relationship with FINSAC and the Government  
18 of Jamaica as far as this business is  
19 concerned. I am aware of no situation where  
20 FINSAC or the Government of Jamaica has ever  
21 claimed or implied or inferred in any way  
22 that there was any mismanagement of funds  
23 recovered by JRF or any challenges to how  
24 much money should have been or was actually  
25 paid

1 over to FINSAC.  
2 Also pointing out **Annexure 4** at this  
3 time, and **Annexure 4** is a letter that I  
4 will not read, but **Annex 4** was written  
5 to FINSAC with relation to release of  
6 information to debtors and just to point  
7 out the terms of the original agreement  
8 which very clearly testifies that after  
9 the closing of, or the acquisition of  
10 the portfolio to JRF was the only part  
11 that was authorised to deal with debtors  
12 on any level particularly, was the only  
13 party authorised to provide that  
14 information to JRF with regards to their  
15 accounts or with regards to the terms of  
16 their loan agreements or their  
17 settlement or restructuring agreements.  
18 This type of agreement for the  
19 acquisition of a non-performing loan  
20 portfolio is not unique to FINSAC, JRF  
21 or Jamaica. Examples abound  
22 worldwide, and there are several examples  
23 listed in **Annexure 2**.

24 I would further point out here that...

25 MRS. PHILLIPS: Just a minute. You might be going just a

1 shade quickly. **Annexure 2** you will find  
2 of course behind **Annex 1** Commissioner,  
3 and you will see that it relates to a  
4 situation in Ireland and a situation in  
5 Trinidad in relation to CLICO, et  
6 cetera. Yes Mr. Rudd.

7 COMM BOGLE: As is usual, you are placing these as  
8 exhibits?

9 MRS PHILLIPS: I have no objection if you wish to do  
10 so, Commissioner. **Annexure 1** could be  
11 JRF1.

12 COMM BOGLE: Right. And that is the letter...

13 MRS PHILLIPS: To the Secretariat.

14 COMM BOGLE: ...from Myers, Fletchers & Gordon to  
15 this Commission.

16 MRS PHILLIPS: Dated July 1, and **Annexure 4** -- Well,  
17 Mr. Rudd referred to that earlier but  
18 since he has already dealt with it we  
19 could just call it JRF 4 if you don't  
20 mind because we are going to come back  
21 to JRF 2 and 3, and the illustrations of  
22 the other countries where similar things  
23 have happened we could call JRF 2.

24 COMM. BOGLE: Yes.

25 MRS. PHILLIPS: Obligated, Commissioner.

1                   You were at numbered paragraph 20 your  
2                   Witness Statement, Mr. Rudd.

3       MR.   RUDD:           Yes, although I don't have anything that I  
4                   can annex as an example, I think that you are  
5                   probably saying that this similar type of  
6                   agreement adopted from the United States in  
7                   recent years as a result of bailing out of  
8                   failed institutions in the United States.  
9                   The FDIC partnered with certain companies  
10                  for the acquisition of toxic loans and those  
11                  partnerships, financing was provided in a  
12                  bail out package and there were also revenue  
13                  sharing agreements between the government  
14                  and qualified buyers.  
15                  Now, certainly it does not only happen in  
16                  the public sector, as well our company in  
17                  the United States has often, we also have  
18                  purchased non-performing loan packages,  
19                  however we have traditionally purchased  
20                  directly from banks that were not failing  
21                  or failed banks, but banks simply that  
22                  wanted to divest certain assets for  
23                  various

24

25

1 reasons.

2 Prior to JRF, Mr. Dennis Joslyn had been very  
3 successful in the acquisition of  
4 non-performing loan acquisitions from the  
5 FDIC back in the early '80s and late '80s from  
6 the Resolution Trustees in America. And I  
7 would suggest that many, of those  
8 acquisitions by Dennis Joslin and his  
9 various companies were actually at lesser  
10 percentage on the dollar than what has been  
11 paid to the Jamaican Government and there was  
12 no revenue sharing at that time.

13 (21) *In 2003 over 16,000 of the loans being*  
14 *mostly credit cards and overdraft accounts*  
15 *were sold to International Assets **Service***  
16 *Limited ("IAS") and all books and records*  
17 *related to those accounts were sent to IAS.*  
18 *IAS is not related to, or connected with JRF*  
19 *in any way.*

20 (2) *The sale of the portfolio to JRF was*  
21 *conducted on an "as is" basis with the*  
22 *Government of Jamaica warranting to JRF that*  
23 *it would do nothing to diminish in*  
24  
25

1 2 3

any way the existing value of the

4 5 6

*portfolio*. As such, *JRF* stands in the

7 8 9

shoes of the *banks* as it has had

10

*assigned to It* their ability to collect on

11

their *delinquent accounts*, and all pledged

12

*securities together* with their ability to

13

*enforce* the *legal contracts* made by the

14

*borrowers*. An *important but seemingly under*

15

*appreciated legal fact* is that an *agreement*

16

it writing cannot be *varied otherwise* by a

17

*subsequent agreement* in writing signed by

18

*all parties*. *Delinquent borrowers who did*

19

not enter *into subsequent compromise*

20

*agreements with* either a *FINSAC* entity or

21

*JRF* were left *only with their*

22

*original agreements with* the legacy

23

*banks*.

24

This is an important point to be made because

25

in certain cases if those agreements had been

varied you know, either by *JRF* even to the

benefit of the borrower such a variation

could

actually come back to haunt *JRF* so to speak,

because at those points borrowers

1 could have argued that we have  
2 rights under the contracts by and  
3 invariably modified the terms without  
4 written agreements.

5 **Also it is a normal feature of restructuring**  
6 **that the new agreement is conditional on it**  
7 **being adhered to. Therefore, if a debtor who**  
8 **has restructured his debt does not abide by**  
9 **that subsequent agreement, the debt reverts**  
10 **to the original agreement upon his default**  
11 **under the restructure agreement. JRF's**  
12 **business is the**  
13 **recovery of debt from persons who**  
14 **voluntarily borrowed money from the legacy**  
15 **banks or financial institutions under**  
16 **private contracts entered into between them**  
17 **and the legacy banks or financial**  
18 **institutions. All debtors have been given the**  
19 **opportunity to come into JRF and restructure**  
20 **their debts at lower interest rates than**  
21 **those agreed to pay to the legacy banks, and**  
22 **very many have done so.**

23 (23) When JRF acquired non-performing  
24  
25

1 2 loan portfolio, the Government of Jamaica,  
3 4 through FINSAC, received an initial payment  
5 6 of US\$23M from JRF and retained a continuing  
7 8 interest in future collections by JRF in such  
9 a manner as to ensure that the Government of  
10 Jamaica collects a higher and higher portion  
11 of the collections as higher recovery  
12 thresholds by JRF, thus preventing from  
13 receiving a windfall from its investment.  
14 This is the model now being followed by the  
15 US Government in addressing the current  
16 financial crisis there. All money paid to the  
17 Government of Jamaica by JRF is for the  
18 benefit of the Jamaican taxpayers paid out  
19 by the Jamaican taxpayers as it is a recovery  
20 of the funds paid out by the Jamaican  
21 taxpayers in the rehabilitation of the  
22 financial sector. The Jamaican taxpayers  
23 benefited from the initial payment made by  
24 JRF for the portfolio and continue to benefit  
25 from the Government of Jamaica's portion of  
the collections by JRF from the portfolio.



1 (24) In collecting on the debts, JRF is not  
2 acting as agent for the Government of  
3 Jamaica. An agent does not pay anything to  
4 its principal. This initial payment was  
5 essential to provide liquidity and other  
6 financial support for FINSAC and other  
7 related entities. An agent assumes no  
8 risk. JRF assumed significant risk in this  
9 transaction. It was given no guarantee of  
10 what it would collect on the portfolio,  
11 which had already spent years at FINSAC,  
12 and was considered "seriously impaired."  
13 Many of the debts had exceeded the  
14 realizable value of the collateral pledged  
15 as security. The evidence before this  
16 Commission is that it was closely guarded  
17 secret at FINSAC that the non-performing  
18 loan portfolio was valued at 10c in the  
19 dollar. Even before this Commission it has  
20 generally accepted that JRF, to date, has  
21 paid more than twice that for the  
22 portfolio. There was no way for JRF to know  
23 whether the property values would have  
24 declined  
25

1 significantly as they did in the USA in 2007.

2 In many cases, JRF had to assume (and has  
3 incurred) significant costs including  
4 property insurance, stamp duties, transfer  
5 taxes, appraiser's fee, property taxes,  
6 water rates, security and legal fees. JRF, as  
7 current creditor was often sued (albeit  
8 unsuccessfully in the main) by disgruntled  
9 debtors who did not want to repay their loans  
10 in accordance with the terms they had  
11 voluntarily agreed. It had to defend itself  
12 in dozens of suits, some from borrowers with  
13 no prospect success whose only intentions  
14 were to delay and frustrate the process. An  
15 agent is under the control of its principal  
16 and is bound to follow the principal's  
17 instructions. JRF is not an agent of anyone.

18 (25) *In reviewing these accounts, JRF has*  
19 *found that the majority of these loans were*  
20 *delinquent for several years prior to the*  
21 *intervention of the Government of Jamaica*  
22 *in the*

23

24

25

1                    *institutions. There has been discussion*  
2                    *about how these loans became delinquent by*  
3                    *various borrowers who have stated in public*  
4                    *that the sole reason for the*  
5                    *delinquencies was the unilateral increasing*  
6                    *of interest rates and compounding of*  
7                    *interest by the banks. JRF has reviewed the*  
8                    *accounts and found the statements being made*  
9                    *to be largely untrue. In fact, JRF has found*  
10                   *these often repeated allegations of*  
11                   *unilateral increasing of interest rates*  
12                   *compounding of interest to be the case in*  
13                   *very few of the accounts. Among other things*  
14                   *JRF's review shows:*

15                   ***(i) It is true that there are some accounts***  
16                   ***where the loan was by way of a current account***  
17                   ***or what is commonly referred to as an***  
18                   ***overdraft account and that in those cases***  
19                   ***interest rates reach in excess of 90% and***  
20                   ***that the interest rates compounded. However,***  
21                   ***that was usually because while borrower was***  
22                   ***drawing money out of the overdraft account***  
23                   ***each month, they were not***

1                   depositing sufficient funds to *repay* the  
2                   amount they were drawing or even to pay the  
3                   interest that was accruing on the account.  
4                   The very high interest rates were rates  
5                   charged on accounts that were in overdraft or  
6                   overdrawn. These accounts were set up  
7                   withdrawing limits such as J\$400,000 or  
8                   sometimes as high as J\$10,000,000 dollars  
9                   but would often *have* balances outstanding in  
10                  excess of \$20,000,000 or more due to actual  
11                  funds withdrawn by the borrowers which, when  
12                  you add the interest and compounding, *can*  
13                  cause the *accounts* to more than double again.  
14                  To address the ever increasing overdraft  
15                  interest, the banks often converted these  
16                  accounts to demand loans or commercial paper  
17                  where the interest rates were in the range of  
18                  25% to 40%. However, there is only **a** benefit  
19                  to the borrower if the borrower pays the  
20                  monthly interest accrual on the converted  
21                  demand loan or commercial paper. In the  
22                  majority of cases, this was not done so once  
23                  again the **interest**

24

25

1                   accrual would *soon overtake* the *ability* for  
2                   the *security* to properly cover the debt.

3                   (ii) *Then*, there are *some accounts* where  
4                   *persons borrowed* money at initial interest  
5                   rates of 45% and higher

6                   *(usually related to the construction*  
7                   *industry) where due to lack of*  
8                   *experience they underestimated their*  
9                   *costs or over-estimated their revenue. In*  
10                   *most of these cases though they agreed to*  
11                   *make monthly interest*  
12                   *payments, the borrowers often made no*  
13                   *payments to the account at all until they*  
14                   *began to sell the properties and by that time*  
15                   *the interest accrual was such that it was*  
16                   *unlikely the sales would be able to retire*  
17                   *the debt, so again, the banks were left with*  
18                   *loans that were not properly secured.*

19                   (iii) There are *some accounts* where *persons*  
20                   *were borrowing from one bank to pay another*  
21                   *and then borrowing from a different bank to*  
22                   *pay that bank but in the interim they made*  
23                   *no actual payments*

on the account.

1  
2       *(iv) There **were some accounts where** loans*  
3       ***were made that were inadequately secured***  
4       ***because** the funds **were** given to a "regular*  
5       *customer" of the bank or other persons of*  
6       *known status in the community **and** it was*  
7       *assumed by the banks that the loans would be*  
8       *repaid because of **a person's** reputation,*  
9       ***however** the loans were not **repaid**.*

10  
11       *(v) The credit documentation showed that*  
12       *the banks' credit approval process was*  
13       *seriously flawed, particularly in banks that*  
14       *had **executive** chairmen. The documentation*  
15       *shows that the banks did not do sufficient*  
16       *due diligence to ensure that borrowers had*  
17       *the ability to repay the loans being granted*  
18       *to them, other than by way of **sale** of the*  
19       ***collateral**.*

20       *(vi) And **there are** some accounts where after*  
21       *money was lent to an individual or a company,*  
22       *not a single payment was every made on the*  
23       ***account**.*

24       (26) As Chief Executive Officer of JRF,  
25

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*I am aware of the complaints that are made against JRF. I believe that JRF's reputation is unjustified, and I believe that the role that JRF has played in the economy of Jamaica is misunderstood.*

*(27) JRF complies with the requirements of Jamaican law in carrying out its business.*

*(28) All borrowers are given the opportunity to negotiate a restructuring of their debt to a manageable repayment schedule. Each case is looked at on its own merits. There is no "one-size fits all" approach adopted.*

There has been a lot of testimony to the Commission about what's been referred to as the "Window of Opportunity" offered by JRF in 2002.

The terms of the so-called JRF Window of Opportunity applied only to single family, owner-occupied residences which were used as security for debts and which had balances of \$5M or less. Over 90% of the portfolio acquired by JRF fell into this category. See the pages

1 from The Gleaner published on  
2 January 31, 2002, the day after the  
3 agreement made between the GoJ and JRF  
4 which is annexed to this statement as  
5 **Annexure 3.**

6 MRS. PHILLIPS: Pause there for me, Mr. Rudd, please.  
7 Commissioners, if you look at **Annexure 3**

8 you will see that already there is an  
9 exhibit number that is because it was  
10 previously put in evidence through the  
11 testimony of DEBTOR6.

12 However, we also would like to rely on  
13 this document and would ask that you  
14 mark it as JRF3 as well. And if I  
15 could just -- oh sorry. Could you call  
16 it JRF3(a) and JRF3(b), JRF3(a) being  
17 the first page and JRF3(b) being the  
18 second page.

19 And if I could just draw your attention  
20 Commissioners, in relation to JRF3(b), I  
21 know the writing is very small and maybe  
22 difficult to read but if you look at the  
23 end of the first column that starts with  
24 the words "of the 23,000 accounts" you  
25 see those words, Commissioner?





1 look back at PH 6 which was exhibited to Mr.  
2 Hylton's statement you will see that it also  
3 bears the signature of Dennis Joslin.  
4 Very well, paragraph 31.

5 (31) *For the 6-month period between*  
6 MR. RUDD: 7 *February 2002 and July 2002, JRF accepted*  
8 9 *80% of the principal balance outstanding on*  
10 *these accounts and waived all interest once*  
11 *the borrower paid the sum within 120 days.*  
12 *Once the facility qualified under this*  
13 *program, the borrower would automatically*  
14 *benefit, without any special approval*  
15 *process being required. In other words, it*  
16 *was not discretionary; JRF extended the*  
17 *facility to all qualifying accounts for the*  
18 *period in question, even though this was not*  
19 *part of the terms and conditions of the sale*  
20 *to JRF.*

21 (32) *In cases borrowers could not come up with*  
22 *a lump sum payment of 80% of the principal*  
23 *debt, they were given the opportunity to*  
24 *restructure their loans on terms which would*  
25 *allow them to repay*

1           *the principal amount only within 5*  
2           *years. The principal was amortized over*  
3           *a 20 year period so that the monthly*  
4           *payments were manageable to the debtor,*  
5           *with a lump sum payment required on the*  
6           *5-year anniversary.*

7           *(33) I do not know the exact number of*  
8           *persons who benefited from these types*  
9           *restructuring arrangements but I*  
10          *understand that it was a significant*  
11          *number, far more than the number of*  
12          *complainants at this Commission.*  
13          *Notwithstanding, I understand that*  
14          *several borrowers did not take advantage*  
15          *of the offer because they were hoping to*  
16          *secure an even better deal.*

17          (34) Apart from the arrangements for  
18          single-family...

19    COMM ROSS:        Mr. Rudd, you really have to go a little  
20                        more specific in 33. It is pretty  
21                        pointless telling us about the great  
22                        facility that you have and how many  
23                        people would have benefited and not  
24                        telling us how many actually did. Could  
25                        you let us know, please.

1 MR. RUDD: I have reviewed that file but I do not  
2 have that number in front of me.

3 COMM ROSS: I appreciate that but if we could get  
4 some information it would be helpful.

5 MR. RUDD: I think it is important to realise  
6 though that there are a lot of people  
7 who may have been benefited from the  
8 offer they had actually implemented the  
9 programs if you will, and by that I mean  
10 that the publication of the offering of  
11 paper generated a lot of activity on  
12 accounts even by folks who may not have  
13 qualified for that program, people whose  
14 homes may have been valued at higher  
15 than \$5m came in and were able to  
16 negotiate settlements who might not  
17 otherwise have come in but for the  
18 advertising of the window. I think also  
19 it would have attracted borrowers in the  
20 commercial sector with commercial loans.  
21 So to simply say okay, this number of  
22 people came in and were able to pay 80%  
23 of their loan balance is not really a  
24 fair analysis of whether the window of  
25 opportunity was successful if you will.

1 And certainly, there were also, I am  
2 sure, borrowers who took advantage of  
3 the window who ultimately defaulted on  
4 this five-year balance and that number  
5 also skewed the benevolence of the  
6 window depending on how you look at it.

7 COMM ROSS: But it still would be useful to have the  
8 information.

9 A: Certainly.

10 (34) Apart *from* the arrangements *for*  
11 *single-family, owner-occupied*  
12 *residences, JRF was and is always open to*  
13 *restructuring* the debts with significant  
14 *write-offs where appropriate.*

15 (35) *Prior to Beal Bank's divestment of*  
16 *its stock in JRF, whenever a serious*  
17 *settlement offer was put to the local*  
18 *branch of JRF, a case submission was*  
19 *prepared and sent to a credit committee*  
20 *of Beal Bank in Texas for approval.*

21 *This committee, detached from social or*  
22 *political influence, would carefully*  
23 *assess the settlement proposal, make*  
24 *recommendations where appropriate and*  
25 *liaise with the local branch to arrive*

1 at a workable settlement. Final authority  
2 for the approval of all settlements rested  
3 with this Committee. The approval process is  
4 now much quicker because currently I preside  
5 over the committee that grants approvals and  
6 it meets frequently here in Jamaica.

7 (36) Many borrowers have restructured their  
8 debts and have subsequently paid their  
9 10 obligations and had their pledged security  
11 and properties returned to them. In many  
12 cases this restructuring involves a  
13 significant write-off of interest and/or  
14 principal owned by the borrower. In  
15 considering the amount to write-off,  
16 several factors are taken into account,  
17 including the percentage of the debt that  
18 represents accrued interest, the borrower's  
19 repayment history from the inception of the  
20 loan, their current resources, their  
21 creditworthiness and attitude towards  
22 compromise.

23 I would like to emphasize in paragraph 36.

24 **"The borrower's repayment history**

25

1                   **from the inception of the loan**", that is  
2                   always a consideration that's taken into  
3                   account when we settled our  
4                   restructuring our debt despite the fact that  
5                   JRF, may or may not have received any of that  
6                   debt repayment we do oftentimes consider  
7                   what the original of our principal was, how  
8                   much money we had to pay back over the course  
9                   of the entire loan even before we received  
10                  that debt.

11                  (37) *JRF does not "charge" interest, JRF*  
12                  *seeks to recover interest that borrowers*  
13                  *have agreed to pay and, in the overwhelming*  
14                  *majority of cases, does so at a percentage*  
15                  *well below that agreed. Interest rates*  
16                  *charged on any account never exceed the rates*  
17                  *agreed upon by the borrower under their*  
18                  *contracts with the banks and in most cases*  
19                  *are much lower. In general, JRF seeks to*  
20                  *recover 25% -- 30% on Jamaican dollar debts*  
21                  *and 12% on US dollars debts. It is therefore*  
22                  *unfortunate to hear borrowers like DEBTOR9*  
23                  *deny that JRF was*

1 2 acting reasonably when it cut *his*  
3 4 interest rate in half.

5 6 {38) Whilst the *borrower is* compliant with  
7 8 the terms of the structure agreement, *JRF*  
9 10 *will not seek* to realize *the* security, even  
11 *where* the debt might still not be classified  
12 as a "*performing* loan." There are several  
13 *cases,*

14 including 2 before this Commission (namely  
15 DEBTOR11 and DEBTOR9), *where JRF* consented  
16 to the *borrower* selling the *property*  
17 himself, whilst he remained *current* with  
18 the *terms of* the restructure agreement.

19 (39) Typically, *JRF* has *only sought to*  
20 *recover by way of sale of underlying*  
21 collateral in situations *where a*  
22 *borrower (i) is in serious* default of his  
23 *original* obligations as well as his  
24 *restructured* obligations or (ii) is in a  
25 *serious* default of his *original* obligation  
and has been *unwilling* to negotiate a  
reasonable *restructure* agreement.

(40) If *restructuring is unsuccessful,*



1 JRF may choose to sell the pledged  
2 security and **properties** to **recover** the  
3 balances owed by a borrower. In that case, JRF  
4 complies with the Registration of Titles Act  
5 and other relevant  
6 Jamaican laws. Independent valuation reports  
7 are obtained from reputable Jamaican firms,  
8 generally not older than 6 months prior to  
9 agreeing to the sale price. In most cases JRF  
10 obtains a sale price in excess of the  
11 valuation. Upon completion, the net proceeds  
12 of the sale are applied to the debt. If the  
13 net proceeds are sufficient to repay the  
14 debt, any surplus is delivered to the  
15 borrower or guarantor (depending on who was  
16 the registered proprietor of the sold  
17 property)

18 (41) With respect to the issue of statements  
19 of account, the longstanding policy of JRF  
20 is that it will provide a statement of  
21 account upon written request to the  
22 borrower. Indeed,  
23 several statements of account have been  
24 entered into evidence, some by the  
25

1                    *borrowers and others by JRF. (see testimony*  
2                    *of DEBTOR12, DEBTOR10 and DEBTOR9 to name*  
3                    *a few). Some borrowers have blamed JRF for*  
4                    *its failure to provide statements of*  
5                    *accounts in circumstances where the*  
6                    *cross-examinations reveal that they*  
7                    *have, in fact, received them.*

8                    (42) There is not a single complaint *from*  
9                    *a borrower that he doesn't owe JRF, save for*  
10                    *DEBTOR13 whose assertions were roundly*  
11                    *rejected by the Supreme Court and Court of*  
12                    *Appeal of Jamaica.*

13                    (43) DEBTOR14 is one of several *guarantors*  
14                    *of the debt of her daughter and this*  
15                    *Commission has ruled that it has*  
16                    *insufficient information about that*  
17                    *borrowing arrangement to be able to draw any*  
18                    *conclusion in relation to DEBTOR14's case.*

19                    *DEBTOR1COMPANY*

20                    *DEBTOR1COMPANY2 (DEBTOR1), DEBTOR3,*

21                    *DEBTOR5, DEBTOR4COMPANY & DEBTOR4COMPANY2*

22                    *(DEBTOR4), DEBTOR2 & DEBTOR7 have all*

23                    *testified that*  
24  
25

1 2                   they have no complaint against JRF,  
3                   notwithstanding that many of them are JRF  
4 5                   debtors. JRF hopes this Commission will  
6                   take due note of that.

7                   (44) In the opinion of JRF, DEBTOR8,  
8                   DEBTOR15, DEBTOR6, DEBTOR16, DEBTOR11,  
9 10                  DEBTOR12, & DEBTOR9 have all been  
11                  demonstrably discredited by the documentary  
12                  evidence adduced in their cross-examination  
13                  and conveniently omitted by them in giving  
14                  their evidence in chief. To JRF, DEBTOR10  
15                  stands out as a witness of truth who, not  
16                  surprisingly, ascribes no blame to anyone  
17                  but himself and his brothers for the plight  
18                  in which he and his remaining brother find  
19                  themselves. That is not to say that JRF  
20                  agrees with all of DEBTOR10's views.

21                  (45) Due to the nature of the business that  
22                  JRF is in, as you can imagine our customer  
23                  approval ratings are generally not going to  
24                  be high. Oftentimes this is simply an  
25                  unpleasant business, but it

1 2 is a business that *plays a vital role* in the  
3 4 economy, not least *because it is still*  
5 6 *contributing in a meaningful way* to the  
7 8 *coffers of the Government of Jamaica. First,*  
9 10 *consider the assertions that I have heard*  
11 *that the assets should have been offered to*  
12 *Jamaicans before they were offered to JRF.*  
13 *The portfolio was offered to anyone and*  
14 *everyone before JRF purchased the portfolio.*  
15 *In fact, Beal Bank (the prior owner of JRF)*  
16 *looked at the portfolio and*  
17 *initially passed on the investment until it*  
18 *was brought back before them by the late*  
19 *Dennis Joslin. The fact of the matter is that*  
20 *no other company*  
21 *(Jamaican or foreign) was willing to take on*  
22 *this risk. It has also been argued by at least*  
23 *one of the borrowers that appeared before*  
24 *the Commission that the discount that he was*  
25 *offered was simply not enough in light of*  
*what JRF paid for his loan.*

This argument lacks merit - it would be  
ludicrous for this Commission to make

1 recommendations to limit or cap the profit  
2 that an entrepreneur can make on an  
3 investment. JRF bought the NPL portfolio at  
4 a discount, not a portfolio of discounted  
5 loans. Nevertheless this entrepreneur has  
6 (in recognition of the debtor's hardships)  
7 voluntarily imposed on itself interest rate  
8 caps and entered into numerous compromises at  
9 the expense of its own bottom line and when  
10 there is absolutely no legal or other  
11 requirement for it to do so.

12 Although, difficult for many to accept, the  
13 role that JRF has played over the last ten  
14 years is actually important and contributes  
15 to the over-reaching goal of this commission.  
16 If the Government of Jamaica had simply  
17 bailed out the banks, forgiven all the loans  
18 and walked away, the government would have  
19 created an economic environment where bank  
20 failure would be more desirous than bank  
21 success. All borrowers and deposit  
22 holders of each and every failed bank  
23 would have looked forward with eager  
24  
25

1 2 3 anticipation to the next financial crisis  
4 5 6 because it would mean that their assets were  
7 8 9 safe, but that their liabilities were washed  
10 away. In fact, one of the criticisms of the  
11 FINSAC regime that I have seen made by  
12 economists is that the Government actually  
13 went too far in protecting depositors,  
14 because by making sure that no depositors  
15 lost money as a result of the failure,  
16 depositors were not held accountable for  
17 contributing to the bank failure by doing  
18 business with the failing banks. Although it  
19 sounds nice to those who lost property as a  
20 result of their inability to pay, a blanket  
21 forgiveness of debt would have  
22 ultimately been disastrous. I daresay that  
23 if that had happened that there would be far  
24 more than nine Jamaicans that borrowed money  
25 from banks that did not fail that would have  
appeared before this Commission to complain  
about *the* inequity of the government's  
forgiveness of debt only to those that

1 borrowed money at a failed institution.

2 Imagine if you were a borrower at a strong  
3 healthy bank and had struggled for years to  
4 stay current on your loan and to maintain a  
5 good relationship with your lender, but then  
6 your neighbour who is not current on his loan  
7 receives forgiveness of his debt simply  
8 because he borrowed money from a failed bank.  
9 Again, this would have created an economic  
10 environment where bank failure is the  
11 desired outcome, and that would be a fatal  
12 blow to Jamaica.

13 Again I recognize that many people have been  
14 hurt due to the economic turmoil of the 1990s  
15 that resulted in the creation of FINSAC. I  
16 also recognize that many people blame JRF for  
17 their current state. That simply is  
18 unwarranted, not least of all because JRF did  
19 not even come to Jamaica until 2002. We at JRF  
20 know that due to the circumstances under which  
21 we were forced to do business with our  
22 customers that many people will not like us,  
23 but we are committed to  
24  
25

1 2 treating every borrower and guarantor with  
3 4 respect and dignity as they work through  
5 6 what is always a very difficult time. We are  
7 8 committed to treating borrowers fairly, and  
9 10 we want to work with anyone who is willing  
11 to work with us.

12 We invite every borrower who has an open  
13 account with JRF to contact us and open up  
14 a dialogue about how your account can be  
15 settled. Do not come to us with unreasonable  
16 expectations. However if you come to us  
17 willing to work with us, then after you have  
18 demonstrated your credibility and  
19 determination we will likely be able to work  
20 together in achieving a resolution of your  
21 account as we have done successfully with so  
22 many others.

23 In conclusion I would urge this commission to  
24 recognize that the primary problem that faced  
25 Jamaica during the financial meltdown is the  
same problem that continues to plague Jamaica  
today - that problem is primarily a problem  
of



1 debt. Debt is a primary problem for life.  
2 Debt if not handled with the utmost caution  
3 by those seeking it, offering it and even  
4 those seeking to enforce it, can undercut the  
5 ability to live and to lead. It become a great  
6 destructive force. While at time debt can be  
7 beneficial and useful, the ability to gain  
8 possession of things without paying for them  
9 must be used with great caution. Debt is a  
10 relentless burden, rarely well handled,  
11 though those who sell it to you present it  
12 as a wonderful opportunity. When not managed  
13 properly it becomes a constant treat to  
14 well-being and character, to maturity and  
15 integrity. I think that all those who have  
16 testified before this commission would agree  
17 with this statement. Additionally this  
18 statement applies not only to individuals  
19 but to companies and even to governments, as  
20 is currently being experienced by the  
21 government in the US, Greece and even in  
22 Jamaica. On the consumer level, one of  
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1 the greatest recommendations that could  
2 come from the commission would be for  
3 the Government, through partnership with  
4 the financial sector (JRF included) to  
5 do a better job of educating those  
6 seeking debt, and attempting to ensure  
7 that people understand the risk they are  
8 taking on. JRF are committed to working  
9 with the Government of Jamaica to do its  
10 part to be part of the solution moving  
11 forward and welcomes the opportunity to  
12 work with the Government with whatever  
13 recommendations this Commission may  
14 make.

15 MRS. PHILLIPS: Thank you, Mr. Rudd.

16 That, Commissioners is the evidence of  
17 Jamaican Redevelopment Foundation.

18 COMM. ROSS: Mr. Rudd, just a couple of questions. I  
19 don't know if you can answer them now,  
20 but if you could research them before  
21 you come back. Can you tell us how many  
22 loans were resolved and how many you  
23 have outstanding both in terms of value  
24 and number.

25 You also mentioned what happens when JRF

1 seeks to recover on a loan. If you could let  
2 us know what happens when the sales of the  
3 proceeds do not cover the amount  
4 outstanding or the amount that you would  
5 seek to recover, what happens then?  
6 And also if you can tell us a bit more about  
7 the ownership. You mentioned that Beal Bank  
8 has sold their interest. It might be  
9 interesting for us to know who are the people  
10 or entities that acquired that interest.  
11 Was that last question a part of the  
12 Terms of Reference, Commissioner? I  
13 MRS. PHILLIPS: don't think so.  
14 We are asking the question, you can decide  
15 whether or not you wish to answer it.  
16 COMM. ROSS: Okay, he will decide.  
17 You want me to answer those now? If  
18 you can, yes.  
19 MRS. PHILLIPS: With respect to the first question I  
20 A: can't, I don't have that answer. I think  
21 COMM. BOGLE: that the current value of the unpaid  
22 A: principal balance which  
23  
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1 2 oftentimes in this Commission the numbers  
3 4 they have used have not been unpaid  
5 6 principal. However in this business anytime  
7 8 someone is looking at acquiring portfolio  
9 10 the only number you are really looking at is  
11 principal, not interest, not penalties and  
12 I believe the unpaid principal balance at  
13 this time on the remaining portfolios is  
14 approximately a hundred and thirty or a  
15 hundred and forty million U.S., but I'll get  
16 more accurate numbers on that.

17 With respect to how many loans have been  
18 settled, how many are outstanding, I do not  
19 have those numbers.

20 The second question I believe was what  
21 happens to a deficiency? In most cases JRF  
22 does not seek to recover on a deficiency  
23 balance. Again that's most cases. Certainly  
24 there are the exceptions to the rule but in  
25 those exceptions, those decisions would be  
made on a case by case basis and oftentimes  
various factors would come into play;  
liquidity of the borrower and

1                   then there are situations where -- and  
2                   here I not referring to a specific  
3                   example, I am speaking very generally  
4                   here. There are situations where a  
5                   borrower who is adept at hiding assets,  
6                   moving things around and on the flip  
7                   side were pretty adept at finding them,  
8                   and so we sell that collateral. We know  
9                   that borrower had the ability to pay and  
10                  in those situations we seek to recover a  
11                  deficiency. That is a rare situation.  
12                  Generally deficiencies are not sold.  
13                  And then the third question relating to  
14                  ownership; the current ownership of JRF,  
15                  unless I am advised not to, I don't have  
16                  a problem answering that question. JRF  
17                  is currently owned by Tennessee LLC;  
18                  it's called JRF/Tennessee LLC, and  
19                  JRF/Tennessee LLC is owned by myself and  
20                  Mr. Joe Gibson.

21    COMM. BOGLE:           Okay, thank you Mr. Rudd.

22                   As I said earlier that in view of the  
23                   fact that we got the submission rather  
24                   late yesterday, or the revised  
25                   submission -- I see

1 Mrs. Minott-Phillips, her eyebrows went  
2 up - the revised submission yesterday  
3 afternoon late. We have taken the  
4 decision that at this point we will  
5 adjourn and we will return -- you will  
6 be informed. I know that we will be  
7 returning on 30th of May. Mr. Downer  
8 will be here but thereafter the  
9 secretariat will inform all concerned of  
10 the schedule when JRF again come back  
11 for cross-examination.

12 So at this time, unless there are any  
13 questions from any of the attorneys, any  
14 particular concern.

15 MRS. PHILLIPS: Just to say through you to the  
16 Secretariat, Commissioner, that we would  
17 want it to be obviously a date that is  
18 convenient to us.

19 COMM. BOGLE: Yes, it will be. I am sure by now you  
20 know that usually the Secretariat will  
21 do whatever it can to work with all the  
22 attorneys, so that all persons involved,  
23 all interested persons are adequately  
24 represented. Therefore - Mr. Levy?

25 MR. LEVY: Mr. Chairman, I just handed the

1 Secretary a copy of a letter which I had  
2 sent to the Secretary by e-mail last  
3 night dealing with disclosures by Dr.  
4 Blythe. Dr. Blythe was a Minister of  
5 Government during the financial melt  
6 down and ask that he be invited to  
7 attend the Commission and give the  
8 evidence that he as a member of the  
9 Government at the time can give, which  
10 is totally contrary to that given by the  
11 Minister of Finance.

12 COMM. BOGLE: The Commission will discuss and make a  
13 decision on that.

14 MR. LEVY: Well, I think that Dr Blythe, sir, will  
15 have a lot to offer to you from his own  
16 knowledge, personal, intimate knowledge  
17 of the situation that existed as a  
18 member of the Cabinet at the time. He  
19 seems to be the only politician, former  
20 politician as he says, who is prepared  
21 to come and tell the truth.

22 COMM. BOGLE: Your comments are noted. As I said the  
23 Commission will review and make a  
24 decision on in a matter.  
25 Okay. Therefore at this time this

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Enquiry is now adjourned until the 30th of  
May.

Thank you very much Mr. Rudd.

MR. RUDD:

Thank you.

Adjournment taken