



GUIDELINES ON ACCESSING RETIREMENT SAVINGS ACCOUNT (RSA) BALANCE TOWARDS PAYMENT OF EQUITY CONTRIBUTION FOR RESIDENTIAL MORTGAGE BY RSA HOLDERS

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## **1.0 INTRODUCTION**

### **1.1 Preamble**

- 1.1.1 The Guidelines on Accessing Retirement Savings Account (RSA) Balance towards Payment of Equity Contribution for Residential Mortgage by RSA Holders (The Guidelines) is in line with the provisions of Section 89 (2) of the Pension Reform Act (PRA 2014), which allow RSA holders to utilize part of their retirement savings as equity contribution for the purpose of securing Residential Mortgage, subject to guidelines to be issued by the Commission.
- 1.1.2 To give effect to Section 89(2) of the PRA 2014, the National Pension Commission (the Commission) engaged stakeholders in the housing development and mortgage financing sectors as well as the Pension Industry for the development of these Guidelines that would allow eligible RSA holders to utilise a portion of their RSA balance as equity contribution for Residential Mortgage.

### **1.2 Objectives of the Guidelines**

The objectives of the Guidelines are to:

- 1.2.1 Set eligibility criteria for allowing RSA holders utilise part of their RSA balance for the payment of equity contribution towards securing a residential mortgage.
- 1.2.2 Establish documentation standards and implementation modalities for Pension Operators to process requests from RSA holders to access part of their RSA balances as equity for residential mortgage.
- 1.2.3 Provide access to equity finance for RSA holders in the Contributory Pension Scheme (CPS).
- 1.2.4 Improve the standard of living of RSA holders under the CPS by facilitating their ownership of residential homes during their working life.
- 1.2.5 Improve enrolment in the CPS by providing incentives to employees who are yet to open RSAs.

- 1.2.6 Provide a sustainable source of long-term finance to the mortgage sector and spur development in the housing sector.

## 2.0 Definition of Terms

SN	TERM	DEFINITION
1	Applicant(s)	RSA holder (s) that are eligible to apply for a part of their RSA savings as equity contribution for residential mortgage
2	Consent	A letter from an RSA holder which clearly defined the implication or impact that such withdrawal may have on his/her retirement benefits at retirement.
3	Contributory Pension Scheme (CPS)	A scheme established under the PRA 2014 for the payment of retirement benefits to employees to whom the scheme applies under the Act
4	Equity Contribution	Amount of capital paid by an RSA holder to a Mortgage Lender for the purpose of acquiring a mortgage.
5	Joint Application	Application by a married couple, who wish to access their RSAs and combine the funds as equity for a single residential mortgage.
6	Micro Pension Contributor	A person who is registered under Micro Pension Plan
7	Mortgage Lender	Primary Mortgage Bank or a commercial bank licensed by the Central Bank of Nigeria (CBN) which has residential and commercial mortgage lending as a permissible activity, and meet the eligibility criteria specified in these guidelines
8	Mortgage Offer Letter	A letter given by a Mortgage Lender to an RSA holder to buy a property at a particular price and specified terms & conditions.
9	Pension Fund Administrator (PFA)	Anybody corporate licensed by the Commission to administer pension funds and assets
10	Pension Fund Custodian (PFC)	A company licensed by PenCom for the sole purpose of holding all pension funds and assets in trust for employees as well as beneficiaries of the RSA and other retirement benefit schemes
11	Pension Reform Act, 2014	An Act of the National Assembly that established the Contributory Pension Scheme and makes provisions for its uniform implementation for Public and Private Sector in Nigeria and Related Matters.
12	Property Offer Letter	A letter given by a Property Owner to an RSA holder to buy a property at a particular price and

SN	TERM	DEFINITION
		specified terms & conditions.
13	Property Owner	The person who owns the property and any liens on it.
14	PIN	Personal Identification Number
15	PRA, 2014	Pension Reform Act, 2014
16	RSA	Retirement Savings Account
17	RSA Contributors	Employees in active service that are making monthly pension contributions into registered Retirement Savings Account (RSA) in Funds I, II, III, V or Active Fund VI with a licensed PFA
18	RSA Holder	Holder of an account opened with a PFA as specified in Section 11 of the PRA, 2014
19	Residential Mortgage	A loan designed to provide access to finance for individuals to purchase a dwelling house
20	The CBN	The Central Bank of Nigeria
21	The Commission	National Pension Commission

## 1.4 Legal Framework

- 1.4.1 To issue these Guidelines, the Commission draws authority from Section 89(2) of the PRA 2014, which provides that “a Pension Fund Administrator may, subject to guidelines issued by the Commission, apply a percentage of the pension assets in the retirement savings account towards payment of equity contribution for payment of residential mortgage by a holder of Retirement Savings Account”.
- 1.4.2 The Commission also relies on the provision of Section 11(1) of PRA 2014 which stipulates that “Every employee to whom the Act applies shall maintain an RSA in his/her name with any PFA of his choice” and section 16(2)(d) of the 1999 Constitution (as amended) which stipulates that “the State shall direct its policy towards ensuring that suitable and adequate shelter are provided for all citizens in line with the fundamental objectives and directive principles of State Policy”.

## 1.5 Coverage

The provisions of the Guidelines cover:

- 1.5.1 Employees in active service or self-employed persons who are making monthly/periodic contributions to either RSA Funds I, II, III, V or Active Fund VI, registered with a licensed PFA and meets the eligibility criteria in Section 4.0 below.
- 1.5.2 Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs) Licensed by the Commission to manage and keep custody of pension assets respectively.
- 1.5.3 Mortgage lenders licensed by the Central Bank of Nigeria (CBN) to provide mortgage financial services.

## **1.6 Form and Content**

The Guidelines are divided into eleven Sections.

- 1.6.1 Section One is the introduction and it provides a background on the imperative for using a portion of RSA balance to facilitate residential mortgage as well as the objectives of the Guidelines. Section Two deals with Authorised Limit for equity contribution.
- 1.6.2 Section Three discusses the Rules of General Application while Section Four outlines the Eligibility Criteria for RSA holders and Mortgage Lenders.
- 1.6.3 Section Five covers the Application and Documentation processes while Section Six deals with the Approval of Equity Contribution and Notification Process.
- 1.6.4 Section Seven deals with the procedure for Remittance of Equity Contribution while Section Eight establishes the Termination of Application and Refund of Equity Contribution.
- 1.6.5 Section Nine deals with Returns Rendition processes, Section Ten deals with the Administrative Sanctions while Section Eleven covers the Review and Enquiries processes.
- 1.6.6 The requirements of these Guidelines are consistent with the provisions of the PRA 2014.

## **2.0 AUTHORISED LIMIT FOR EQUITY CONTRIBUTION**

- 2.1 The maximum amount to be applied as equity contribution for residential mortgage shall be 25% of the total RSA balance as at the date of application irrespective of the percentage of equity contribution required by the Mortgage Lender.
- 2.2 Notwithstanding 2.1 above, where the value of 25% of RSA balance is more than the required equity contribution, the RSA holder can only access an amount equivalent to the equity contribution required by the Mortgage Lender.
- 2.3 Where the value of 25% of the RSA is lower than the equity contribution required by the Mortgage Lender, the RSA holder shall deposit the difference with the Mortgage Lender before 25% of his/her RSA balance can be applied as equity contribution.

## **3.0 RULES OF GENERAL APPLICATION**

- 3.1 The RSA holder shall be in active employment, either as a salaried employee or as a self-employed person.
- 3.2 The RSA holder if registered before 1 July 2019, must have updated his/her records through the RSA data recapture exercise.
- 3.3 Application for equity contribution for residential mortgage shall be in person and not by proxy.
- 3.4 For the purpose of equity contribution for residential mortgage, an RSA holder can only access his/her RSA once.
- 3.5 The RSA holder and the Mortgage Lender shall indemnify the PFA on the exclusive use of the funds released from the RSA for payment of equity contribution.

- 3.6 Where an RSA holder had accessed his/her RSA balance for residential mortgage and 25% due to loss of job, he/she shall access lump sum at retirement in line with section 7(1)(a) of the PRA, 2014 subject to guidelines issued by the Commission.
- 3.7 Where an RSA holder had accessed his/her RSA balance for residential mortgage, he/she shall sign a consent with his/her PFA before accessing 25% due to loss of job.
- 3.8 Where an RSA had accessed his/her RSA balance due to loss of job, he/she shall sign a consent with his/her PFA before accessing his RSA balance for residential mortgage.
- 3.9 The PFA shall ensure that all applications for Equity contribution by RSA holders meet the requirement of these Guidelines.
- 3.10 The PFA shall maintain a Record of Applications received from RSA holders for payment of equity Contribution from RSA for residential mortgage.

#### **4.0 ELIGIBILITY CRITERIA**

##### **4.1 Eligibility Criteria for RSA Holders**

- 4.1.1 The RSA holder shall have an Offer Letter for the property duly signed by the property owner and verified by the Mortgage Lender.
- 4.1.2 The RSA of the applicant shall have both employer and employee's mandatory contributions for a cumulative minimum period of 60 months prior to the application for the RSA holder to access his/her RSA balance for the purpose of equity contribution for residential mortgage.
- 4.1.3 In addition to 4.1.2 above, the applicant may utilize the contingent portion of his/her Voluntary Contribution (VC) for equity contribution, in line with the Voluntary Contribution Guidelines under the CPS, after meeting the provision in Section 4.1.2.
- 4.1.4 Notwithstanding 4.1.2 above, NSITF and Pre-Scheme contributions in respect of an active RSA contributor may form part of the RSA balance in



determining the 25% of equity contribution subject to the applicant meeting the provision of 4.1.2.

- 4.1.5 Where an RSA holder who wishes to include his/her VC contingent portion, NSITF and Pre-Scheme contribution as equity contribution he/she shall sign a consent with his/her PFA to that effect.
- 4.1.6 A Micro Pension Contributor shall be eligible to access his/her RSA balance towards the payment of equity contribution for residential mortgage provided he/she has made contributions for a minimum of 60 months prior to his/her application.
- 4.1.7 In addition to 4.1.6 above, the applicant may utilize the contingent portion of his/her contribution, in line with the Guidelines for Micro Pension Plan, after meeting the provision in Section 4.1.6.
- 4.1.8 Where a Micro Pension Contributor wishes to include his/her contingency portion as equity contribution, he/she shall sign a consent with his/her PFA to that effect.
- 4.1.9 The RSA holder shall provide documents/information as required under Section 5.0 of these Guidelines and other additional documentation that may be specified by the Commission from time to time.
- 4.1.10 RSA Holders who had accessed their RSA balances due to loss of employment prior to the issuance of these Guidelines shall be eligible to access their RSAs for equity contribution, provided their RSAs had received employer and employee contributions for a minimum of 60 months from the date of first contribution.
- 4.1.11 RSA holders that have utilised 25% of their RSA balance for equity contribution for residential mortgage shall be eligible for payment of 25% of their RSA for loss of job in line with the provision of Section 7(2) of PRA 2014.

- 4.1.12 RSA Holders that have less than 3 years to retirement shall not be eligible to use a portion of their RSA balances as equity contribution for residential mortgage.
- 4.1.13 Existing Retirees on CPS and exempted persons under the PRA 2014 shall not be eligible to use their RSA balances for payment of equity contribution for Residential Mortgage.
- 4.1.14 Married couples, who are RSA holders, shall be eligible to make a joint application, subject to individually satisfying the eligibility requirements set out in these Guidelines.

#### **4.2 Eligibility Criteria for Mortgage Lender**

- 4.2.1 The Mortgage Lender shall be licensed by the CBN to provide residential mortgage and shall have met the minimum capital requirement as prescribed by the CBN from time to time.
- 4.2.2 The Mortgage Lender shall be in good financial standing at all times and shall satisfy the minimum requirements of the CBN, in terms of industry uniform underwriting standards, assets/liabilities management policy, foreclosure procedure, liquidity, capital adequacy, overall asset quality, profitability and any other requirement, as may be prescribed by the CBN from time to time.
- 4.2.3 The Mortgage Lender shall also comply with the provisions of Sections 2 and 4 (1) and (5) of PRA, 2014.
- 4.2.4 The Mortgage Lender shall have a valid Pension Clearance Certificate issued by the Commission in line with the PRA, 2014.
- 4.2.5 The Commission shall liaise with the CBN on an annual basis to determine the Mortgage Lenders that meet the stipulated minimum requirements of these Guidelines and other conditions as may be specified by the CBN from time to time.

4.2.6 The names of Mortgage Lenders that meet the eligibility criteria of these Guidelines shall be published on the Commission's website on a bi-annual basis or when any new license is issued by the CBN.

## **5.0 APPLICATION AND DOCUMENTATION PROCESS**

5.1.0 The application and documentation process shall be as follows:

5.1.1 The applicant shall obtain a property offer letter from the property owner or approved agent and approach a Mortgage Lender.

5.1.2 The applicant shall fill an application for mortgage, which shall be provided by the Mortgage Lender and attach the property offer letter.

5.1.3 The application form shall contain the following minimum information:

- I. Full name of the RSA holder
- II. PIN of the RSA holder
- III. Name of the Mortgage Lender
- IV. Value of the property
- V. Name of his/her spouse (if it is a joint mortgage)
- VI. Evidence of marriage (If it is a joint mortgage)
- VII. PIN of his/her spouse (If it is a joint mortgage)
- VIII. PFA of his/her spouse (If it is a joint mortgage)
- IX. Amount of equity payable by each applicant in a joint application

5.1.4 The Mortgage Lender shall review the application form and verify the genuineness of the property offer.

5.1.5 The Mortgage Lender shall do its due diligence to ensure that the property has a valuation report.

5.1.6 Upon confirmation of the property offer letter, the applicant shall approach his/her PFA and request for his/her RSA Statement for the purpose of accessing the 25% of his/her RSA balance for payment of equity contribution.

- 5.1.7 In a joint application, each party shall apply to their respective PFA's with copies of the verified property offer letter.
- 5.1.8 The PFA shall issue a duly endorsed RSA statement to the applicant, which the applicant shall forward to his/her Mortgage Lender.
- 5.1.9 The PFA shall update record on Applications for Equity Contribution for Residential Mortgage upon issuing the RSA Statement to RSA holder.
- 5.1.10 Upon receipt of the duly endorsed RSA statement, the Mortgage Lender shall verify if the 25% of the applicant's RSA balance will be sufficient as equity contribution.
- 5.1.11 Where 25% of the RSA balance is sufficient as equity contribution, the Mortgage Lender shall issue a mortgage offer letter to the applicant.
- 5.1.12 Where 25% of the RSA balance(s) is not sufficient, the Mortgage Lender shall request for the payment of supplementary equity contribution from the applicant(s).
- 5.1.13 Upon confirmation of payment of supplementary equity contribution, the Mortgage Lender shall issue a mortgage offer to the applicant(s).
- 5.1.14 Within two working days of the issuance of the mortgage offer letter to the applicant(s), the Mortgage Lender shall forward a copy of the mortgage offer letter and the under listed documents/ additional information to the applicant(s) PFA:
- I. Copy of the mortgage application form
  - II. Verified property offer letter, which should contain, at the minimum, the value of property, type of property and address of the property
  - III. Loan amount
  - IV. Equity contribution required
  - V. Bank account details of the applicant with the Mortgage Lender
  - VI. Indemnity by the Mortgage Lender to the PFA on the use of the equity contribution.

VII. Evidence of payment of difference where 25% of RSA cannot cover the equity required

5.1.15 The applicant may after two working days of receiving his/her mortgage offer letter, approach his/her PFA to request for payment of his/her Equity Contribution for Residential Mortgage.

5.1.16 The applicant shall obtain and fill an Application Form, with indemnity to the PFA, for the payment of his/her Equity Contribution for Residential Mortgage.

5.1.17 In a joint application, each party shall apply to their respective PFA with a copy of the mortgage offer letter.

5.1.18 The application form shall contain the following minimum information:

- I. Full name of the RSA holder and RSA PIN
- II. Type of mortgage (single or joint mortgage)
- III. Full name and address of the Mortgage Lender
- IV. Name and address of the property
- V. The type of property e.g 1,2,3.... Bedrooms, Bungalow, Semi-detached or detached.
- VI. Total value of the property
- VII. Total value of RSA balance as at date of applying for RSA Statement
- VIII. Equity amount which shall be equal or less than 25% of the RSA balance
- IX. Name of the spouse and RSA PIN (for joint mortgage only)
- X. Name of the spouse's PFA (for joint mortgage only)
- XI. The amount of equity payable by each party in a joint application
- XII. Evidence of supplementary payment where 25% of the applicant's RSA balance is below the required equity contribution for his/her residential mortgage.

5.1.19 The PFA shall review the application form and the supporting documents received from the Mortgage Lender for completeness using a checklist of requirements stipulated in 5.1.14 above within two working days.

- 5.1.20 Upon successful completion of the documentation review, the PFA shall update the applicant's Mandate File within two working days.
- 5.1.21 If any exceptions or discrepancies are identified during the documentation review, the PFA shall communicate the exceptions to the Mortgage Lender within two working days of identifying such exceptions.
- 5.1.22 The PFA shall compute and validate that the requested amount is not more than 25% of his/her RSA Balance.
- 5.1.23 The PFA shall then process the application and forward same to the Commission within two working days of successful documentation review as in 5.1.20 above.

## **6.0 APPROVAL OF EQUITY CONTRIBUTION AND NOTIFICATION**

- 6.1.0 The approval process shall be done within five working days of the receipt of such request from the PFA as follows:
- 6.1.1 Upon receipt of the application from the PFA, The Commission shall review the request and confirm that the requested amount is not more than 25% of the RSA and grant approval or decline within three working days.
- 6.1.2 The Commission shall communicate approval or decline to the PFA within one working day that such approval or decline was granted.
- 6.1.3 The PFA shall notify the RSA holder within one working day of receiving approval or decline from the Commission.
- 6.1.4 Where a request is declined by the Commission, the PFA shall inform the Applicant, within one working day that the request has been declined, stating the reasons for the decline.
- 6.1.5 Upon receipt of the approval of the Commission, the PFA shall notify the Mortgage Lender of the approval of equity contribution and shall request for the true certified copies of the following documents:
- I. Confirmation of title of property
  - II. Confirmation of availability of the property

- III. Insurance policies to cover default, replacement or reinstatement cost of the property in case of any un-foreseen circumstances
- IV. The valuation of the property carried out by a licensed, independent Valuer who is a member of Nigerian Institute of Estate Surveyors & Valuers (NIESV)

6.1.6 Further to 6.1.5 above, the Mortgage Lender shall conduct its due diligence and thereafter issue a notification of readiness for disbursement to the PFA.

## **7.0 REMITTANCE OF APPROVED EQUITY CONTRIBUTION**

7.1.0 Upon receipt of the documents stated in 6.1.5 and notification of readiness for disbursement stated in 6.1.6 above, the PFA shall remit the approved equity contribution into the applicant's account with the Mortgage Lender within four working days as follows:

7.1.1 Upon receipt of the documents in 6.1.5 and 6.1.6 above, the PFA shall issue a payment instruction to its PFC to remit the approved amount to the Applicant's account with the Mortgage Lender within two working days.

7.1.2 The PFC shall remit the approved amount for equity contribution to the applicant's account with the Mortgage Lender within two working days upon receipt of the PFA's instruction.

7.1.3 For joint application, the PFA of each applicant shall issue a payment instruction to its PFC to remit the approved amount to the applicant's account with the Mortgage Lender within two working days.

7.1.4 Upon receipt of the equity contribution, the Mortgage Lender shall issue a confirmation letter to the PFA, confirming receipt of the equity contribution within one working day of the receipt of the equity contribution.

## **8.0 TERMINATION OF APPLICATION AND REFUND OF EQUITY CONTRIBUTION**

8.1 The Mortgage Lender shall notify the Commission in the event of foreclosure of the mortgage property.

8.2 In the event of death of any RSA holder in a joint application before the execution of the “Deed of Assignment”, the surviving partner shall have the following options:

- I. Proceed with the mortgage application until termination where cash flow is considered adequate
- II. Terminate the application where cash flow is considered inadequate
- III. Downscale the property to a smaller property that will accommodate the cash flow of the surviving partner. In this instance the applicant will start the application process afresh

8.3 Where the RSA holder or the Mortgage Lender could not continue with the mortgage for any reason before the mortgage loan is approved and disbursed, the party that decides not to continue shall notify the PFA within one working day of arriving at such decisions.

8.4 If the property that has been presented becomes unavailable before the mortgage is approved and disbursed, the Mortgage Lender shall notify the applicant and the PFA within one working day of determining the unavailability of the property.

8.5 Where the RSA holder or the Mortgage Lender could not continue with the mortgage for any reason before the execution of the “Deed of Assignment”, the Mortgage Lender shall refund the equity contribution to the PFC within two working days after which such decision was made.

## **9.0 RETURN RENDITION**

(a) The PFA and PFC shall forward details of payments made in respect of equity contribution for residential mortgage on monthly and annual basis to the Commission in a format to be provided.

(b) The PFA and PFC shall forward return on the records of rejected applications with reasons on monthly and annual basis to the Commission in a format to be provided.



- (c) The PFA and PFC shall forward return on the records of equity contribution refunded by the Mortgage Lender with reasons on monthly and annual basis to the Commission in a format to be provided.
- (d) The Commission shall reconcile its records on all approvals in respect of equity contribution for residential mortgage and the returns rendered by PFAs and PFCs on monthly and annual basis.

## **10.0 ADMINISTRATIVE SANCTIONS**

PFAs and PFCs shall be liable for administrative sanctions (monetary/non-monetary) as may be determined by the Commission from time to time for infractions/violations of the following provisions of these Guidelines:

- (i) Printing RSA statement for an RSA holder for the purpose of equity contributions for residential mortgage;
- (ii) Processing an RSA holder's request and forward same to the Commission within stipulated time frame;
- (iii) Giving it's PFC instruction to remit the approved value for equity contribution to the applicant's account opened with the Mortgage Lender upon receipt of approval from the Commission;
- (iv) Forwarding details of payments made on equity contribution for residential mortgage approvals on monthly and annual basis to the Commission in the format of the template to be provided;
- (v) Negligence by PFA and PFC in the approval process that leads to fraud and or loss to the RSA holder.

## **11.0 REVIEW AND ENQUIRIES**

- 11.1 These Guidelines shall be subject to review by the Commission from time to time.
- 11.2 All enquiries regarding these Guidelines shall be directed to:

The Director General

National Pension Commission

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