

MORTGAGE BANKING SUB-SECTORS' APPROVED UNIFORM UNDERWRITING STANDARDS FOR THE NON-INTEREST HOUSING FINANCE SECTOR OF THE ECONOMY

The goal of the Uniform Underwriting Standards is to: (i) promulgate mortgage lending standards and procedures within the Nigerian mortgage market, thereby facilitating improved access to housing finance; and (ii) develop and promulgate criteria for acceptable mortgage loans, including payment performance, financial terms, legal contract terms, mortgage loan product designs, mortgage loan underwriting criteria, and the contents of mortgage loan documents.

Lending standards promote efficiency and mitigate the legal and operational risks inherent in mortgage lending by ensuring quality collateral, adequate property title, proper registration, enforcement of legal mortgages, and maintenance of efficient collection processes.

Such standards balance the requirements of responsible finance with lenders' needs to enforce loan contracts.

The Uniform Underwriting Standards will act as industry standards for granting home mortgage loans to borrowers, thereby promoting efficiency and mitigating the mortgage financing risks in the markets well as lead to more affordable home ownership in Nigeria.

This document will be updated from time to time subject to prevailing market conditions and applicable developments in the mortgage industry.

NIB Contracts	
Murabaha (Mark-up Sale)	Under 'Cost plus mark-up', the bank buys the asset and resells to the customer at an agreed mark-up on deferred payment basis.
Ijarah (Lease ending with Ownership)	This is a form of leasing contract which includes a promise by the lessor to transfer the ownership in leased property to lessee, either at the end of term of the lease period or by stages during the term of the contract.
Diminishing Musharakah (Diminishing Co-ownership)	This is a case where the Bank will be the co-owner of the property under joint ownership by executing diminishing partnership along with a specified contribution at a pre-agreed capital ratio. Bank as co-owner is entitled to profit via rental service by leasing its share of property to another co-owner (customer).

All terms and conditions related to non-interest finance contracts will be fully applicable

Home Financing Criteria

Purpose of Facility	The home financing may be used to finance home ownership by purchase and resell (Murabaha), as well as replace (refinance), lease to own (Ijarah) and diminishing partnership (Musharakah).
Type of Property Eligible	An eligible buyer/co-owner/lessee may use the proceeds of this facility for either a single-family home or an apartment in a multi-unit building.
Eligible Buyer/Co-owner/Lessee	Only natural persons are eligible to take the facility. The Buyer/Co-owner/Lessee must either be a civil servant or salaried employee. Corporations are not eligible Buyer/Co-Owner/Lessee under this product.
Credit Bureau Report	The Home Finance Buyer/Co-Owner/Lessee must obtain a credit report from 2 independent credit bureau agencies licensed by CBN showing a credit score that translates to a minimum of satisfactory and above.
Limitations on Co-owners/ co-buyers / Co-Lessee	A married couple may serve as co-owners of the facility. Where a couple is acting as co-owners, the income and debt obligations of both people will apply in determining whether the couple qualifies for the facility. If a spouse does not serve as a co-obligor, that person must execute a separate notarized agreement waiving any right to block foreclosure in the event the obligor defaults on the facility.

Minimum Facility Amount	The minimum amount that may be availed for the facility is ₦1.5m	
Maximum Facility Amount	The maximum amount that may be availed for the facility is ₦50m	
Buyer/Co-Owner/Lessee Age	Minimum – 21years Maximum – 10years to the legal retirement age	
PENCOM Compliance	The Obligor should maintain an active Retirement Savings Account (RSA) with a PENCOM approved Pension Fund Administrator	
The Currency in which the facility is Denominated	Funds will be disbursed and payments by the Obligor(s) will be made in Naira.	
Profit/Lease Rental Rate Structure	The profit/lease rate will be fixed for the period	
Minimum Equity/Security Deposit and Source of Funds	The Buyer/Co-Owner/Lessee) must provide an equity/security deposit from his or her own funds equal to no less than the amount specified in the table below for the value of the property, as determined at the time that the home finance is underwritten. This equity/security deposit requirement may not be fulfilled through a loan/facility from a third party. A letter signed by the Buyer/Co-Owner/Lessee in respect of this is required.	
	Property Value (N'000)	Required Equity/Security Deposit
	40,001 – 50,000	30%
	20,001 – 40,000	25%
	Less than 20,000	20%

<p>Maximum Permissible Housing-Expense and Total-Debt Ratios</p>	<p>The Buyer/Co-Owner/Lessee's monthly housing expense consists of the monthly re-payment plus other recurring housing relate costs, including real estate taxes and takaful (insurance) (Depending on the contract used). This is commonly referred to as the Payment to Income or PTI ratio. This ratio may not exceed the percentages presented in the table below of the obligor(s)'s net monthly income at the time that the mortgage is made.</p> <p>The Buyer/Co-Owner/Lessee debt to income or DTI ratio also includes other payment obligations such as car loans, personal loans, etc. The borrower(s)'s DTI should not exceed the ratios presented below of the obligor(s)'s net monthly income at the time that the facility is made.</p> <table border="1" data-bbox="672 569 1396 898"> <thead> <tr> <th data-bbox="672 569 922 730"> Monthly Income Band (N'000) </th> <th data-bbox="922 569 1167 730"> Maximum Housing Expense to Income Ratio </th> <th data-bbox="1167 569 1396 730"> Maximum Debt to Income Ratio </th> </tr> </thead> <tbody> <tr> <td data-bbox="672 730 922 789">2,000 and above</td> <td data-bbox="922 730 1167 789">35%</td> <td data-bbox="1167 730 1396 789">50%</td> </tr> <tr> <td data-bbox="672 789 922 835">501-1,999</td> <td data-bbox="922 789 1167 835">25%</td> <td data-bbox="1167 789 1396 835">40%</td> </tr> <tr> <td data-bbox="672 835 922 898">Less than 500</td> <td data-bbox="922 835 1167 898">20%</td> <td data-bbox="1167 835 1396 898">33.3%</td> </tr> </tbody> </table>	Monthly Income Band (N'000)	Maximum Housing Expense to Income Ratio	Maximum Debt to Income Ratio	2,000 and above	35%	50%	501-1,999	25%	40%	Less than 500	20%	33.3%
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<p>Form of Home Finance Payment</p>	<p>Payments must be made by a deduction from income at source by the employer and the Buyer/Co-Owner/Lessee should leave a direct debit order to cover any ancillary fees. Payments can also be through the use of BVN to link with other Buyer/Co-Owner/Lessee's accounts</p>												
<p>Rental/ Amortization Schedule</p>	<p>Facility repayments are structured such that the facility will be fully repaid by the end of the period for which it is written. In no case, may the remaining principal amount that is owed increase during the time that the facility is outstanding.</p>												
<p>Prepayment of Home Finance</p>	<p>The Buyer/Co-Owner/Lessee may pay the outstanding balance of the facility at any time, the information on all charges MUST be made available to the Buyer/Co-Owner/Lessee before closing.</p>												
<p>Transaction Fee</p>	<p>Any applicable transaction fee will be paid as agreed.</p>												

Servicing Fee	The Buyer/Co-Owner/Lessee will also pay service fee as agreed with the NIFI.
Late Fees	Payments that are received more than seven (7) days after they are due will be subject to a late charge.
Treatment of Late charges	Late charges will be given to charity
Property Valuation	<p>Should be carried out by a licensed, independent valuer who is a member in good standing with the Nigerian Institution of Estate Surveyors & Valuers (NIESV) and must carry Professional Indemnity Insurance with takaful (insurance company licensed and in good standing with NAICOM)</p> <p>Prequalified independent valuers should:</p> <ul style="list-style-type: none"> (i) adopt international appraisal standards and methods; (ii) meet certain minimum requirements; and (iii) adopt uniform appraisal process/systems <p>The lower of the Purchase Price and Open Market Value (“OMV”) of the property to be acquired will used for computation of the Home financing.</p>
Tenure of Property	Full ownership. Leasehold with a minimum of 40 years from the date the facility is originated or legal maximum, if higher.
Property Title	Good legal title free from encumbrance.
Security Required	<p>Murabaha: First rank legal perfected mortgage over the property for the amount of the home finance facility plus profit</p> <p>Musharaka: First rank legal perfected mortgage over the property for the amount of the customer’s contribution to the home finance facility plus profit.</p> <p>Ijarah: Asset ownership resides with the Non-Interest Financial Institution.</p>
Takaful	Property takaful in the name of the Buyer/Co-Owner/Lessee to cover the replacement or reinstatement cost of the property. This policy is to be index-based, if available. The Buyer/Co-Owner/Lessee MUST have life and disability takaful in the joint names of the NIFI and Buyer/Co-Owner/Lessee or the Takaful is assigned to the NIFI for a minimum of the outstanding principal of the home financing. All takaful policies must note the NIFI as the first loss payee.

Title Perfection Duration Takaful	Where a fully perfected title is not readily available, NIFI will accept Title Perfection Duration Insurance cover from NIFI's approved insurance companies. Such title cover may however NOT exceed 18 months from closure of the mortgage.
Consumer Protection	Information provided to Buyer/Co-Owner/Lessee is in compliance with the relevant consumer protection and disclosure regulations and as prescribed by the Consumer Protection Department of the CBN.
NIFI Counseling	The NIFI must during facility application process, ensure that the obligor is clearly educated and informed as to the responsibilities he is taking on.
Dispute Resolution	Contractual Arbitration. CBN Financial Regulation Advisory Council of Experts (FRACE)

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