

MORTGAGE BANKING SUB-SECTORS' APPROVED UNIFORM MORTGAGE UNDERWRITING STANDARDS FOR THE FORMAL 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.

Home Financing Criteria	
Purpose of Facility	The mortgage loan may be used to finance the purchase, as well as refinance, renovate and complete an existing home or refinance an existing mortgage loan.
Type of Property Eligible	An eligible borrower may use the proceeds of this facility for either a single-family home or an apartment in a multi-unit building.
Eligible Borrower	Only natural persons are eligible to take the facility. The Borrower must either be a civil servant or salaried employee. Corporations are not eligible borrower under this product.
Credit Bureau Report	The Mortgage Lender 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-borrowers	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 Loan Amount	The minimum amount that may be borrowed is ₦1.5m								
Maximum Loan Amount	The maximum amount that may be borrowed is ₦50m								
Loan Term/Length	The mortgage loan must be at least 5 years in term with a maximum of 20 years.								
Borrower Age	Minimum – Age of legal contact – 21 years Maximum – 10years to the legal retirement age								
PENCOM Compliance	The Borrower should maintain an active Retirement Savings Account (RSA) with a PENCOM approved Pension Fund Administrator								
The Currency in which the Loan is Denominated	Funds will be disbursed and payments by the borrower(s) will be made in Naira.								
Interest Rate Structure	The interest rate will be fixed for the period								
Minimum Down-payment and Source of Funds	<p>The borrower(s) must provide a down-payment 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 mortgage is underwritten. This down-payment requirement may not be fulfilled through a loan from a third party. A letter signed by the borrower in respect of this is required.</p> <table border="1"> <thead> <tr> <th>Property Value (N'000)</th> <th>Required Down payment</th> </tr> </thead> <tbody> <tr> <td>40,001 – 50,000</td> <td>30%</td> </tr> <tr> <td>20,001 – 40,000</td> <td>25%</td> </tr> <tr> <td>Less than 20,000</td> <td>20%</td> </tr> </tbody> </table>	Property Value (N'000)	Required Down payment	40,001 – 50,000	30%	20,001 – 40,000	25%	Less than 20,000	20%
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<p>Maximum Permissible Housing-Expense and Total-Debt Ratios</p>	<p>A borrower(s)'s monthly housing expense consists of the monthly mortgage payment plus other recurring housing related costs, including real estate taxes and insurance. This is commonly referred as the Payment to Income or PTI ratio. This ratio may not exceed the percentages presented in the table below of the borrower(s)'s net monthly income at the time that the mortgage is made.</p> <p>A borrower(s)'s 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 borrower(s)'s net monthly income at the time that the mortgage is made.</p> <table border="1" data-bbox="682 562 1425 909"> <thead> <tr> <th>Monthly Income Band (N'000)</th> <th>Maximum Housing Expense to Income Ratio</th> <th>Maximum Debt to Income Ratio</th> </tr> </thead> <tbody> <tr> <td>2,000 and above</td> <td>35%</td> <td>50%</td> </tr> <tr> <td>501-1,999</td> <td>25%</td> <td>40%</td> </tr> <tr> <td>Less than 500</td> <td>20%</td> <td>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 Mortgage Payment</p>	<p>Payments must be made by a deduction from income at source by the employer and the borrower should leave a direct debit order to cover any ancillary fees. Payments can also be through the use of BVN to link with Borrower's other accounts</p>												
<p>Amortisation Structure</p>	<p>Loan repayments are structured such that the loan 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 loan is outstanding. (No Negative Amortisation) Default interest can be charged but not added to principal – General computation of Default Interest TBA</p>												
<p>Prepayment of Mortgage Loan</p>	<p>The borrower(s) may repay the remaining unpaid principal balance of the loan at any time that it is outstanding but the ML may charge a penalty fee. Where an ML's product line includes a penalty fee, the information on all charges MUST be made available to the borrower before closing. Such charges should be a nominal fee and not to be designed to achieve yield maintenance</p>												
<p>Origination Fee</p>	<p>Any applicable Origination Fee MUST be added to the mortgage interest rate and together advertised by the ML as the APR% to be paid by the borrower on a monthly basis</p>												

Servicing Fee	The borrower will also pay to ML on an annual basis a fee not exceeding fifty basis points (0.5%) of the outstanding balance of the loan. The fee MUST be added to the mortgage interest rate and origination fee and together advertised by the ML as the APR% and paid on a monthly frequency
Late Fees	Payments that are received more than seven (7) days after they are due will be subject to a late charge. All information on late charges MUST be made available to the borrower before closing and borrower consent obtained
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 an 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 be used for computation of the Mortgage Loan</p>
Tenure of Property	Full ownership. Leasehold with a minimum of 40 years from the date the loan is originated or legal maximum, if higher.
Property Title	Good legal title free from encumbrance.
Security Required	First rank legal perfected mortgage over the property for the amount of the mortgage plus interest. This mortgage right must be assignable to a third party (together with the mortgage loan), and where required by law, with the consent obtained at the signing of the offer letter or the mortgage loan agreement.
Insurance	Property insurance in the name of the borrower to cover the replacement or reinstatement cost of the property. This policy is to be index-based, if available. The borrower MUST have life and disability insurance in the joint names of the ML and borrower or the Insurance is assigned to the ML for a minimum of the outstanding principal of the mortgage loan. All insurance policies must note the ML as the first loss payee.
Title Perfection Duration Insurance	Where a fully perfected Title is not readily available, ML will accept Title perfection duration Insurance cover from ML’s approved insurance companies. Such Title cover may however NOT exceed 18 months from closure of the mortgage.

Consumer Protection	Information provided to borrower is in compliance with the relevant consumer protection and disclosure regulations and as prescribed by the Consumer Protection Department of the CBN.
Mortgage Counseling	The ML must during mortgage application process, ensure that the borrower is clearly educated and informed as to the responsibilities he is taking on.
Dispute Resolution	Contractual Arbitration.

JUNE 11, 2019