

ALL YOU NEED TO KNOW ABOUT ACCESSING RETIREMENT SAVINGS ACCOUNT (RSA) BALANCE TOWARDS PAYMENT OF EQUITY CONTRIBUTION FOR RESIDENTIAL MORTGAGE BY RSA HOLDERS

Introduction

The National Pension Commission (PenCom) has approved the issuance and immediate implementation of the guidelines on accessing Retirement Savings Accounts (RSA) balance for payment of equity contribution for residential mortgages by RSA holders in line with Section 89 (2) of the Pension Reform Act 2014 (PRA 2014). This provision covers 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. The objective is to improve the standard of living of RSA holders under the CPS by facilitating their ownership of residential homes during their working life among others.

Eligibility Criteria

1. The RSA holder shall have an Offer Letter for the property duly signed by the property owner and verified by the Mortgage Lender.
2. The RSA holder or the applicant shall have both employer and employee's mandatory contributions for a cumulative minimum period of 60 months (five years) prior to the application for the RSA holder to access his/her RSA balance for the purpose of equity contribution for residential mortgage.
3. 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.
4. 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.
5. 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 (five years) prior to his/her application.
6. The applicant may utilize the contingent portion of his/her contribution, in line with the Guidelines for Micro Pension Plan
7. RSA Holders who had accessed their RSA balances due to loss of employment prior to the issuance of this 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 the first contribution.
8. RSA holders that have utilized 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.
9. 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.
10. 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.

Age Limit

- 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.

Access Limit

- An RSA holder can access his/her RSA only once for equity contribution for a residential mortgage.

Data Recapturing

- RSA holders, if registered before 1 July 2019, must have their records updated through the RSA data recapture exercise.

Consent Form

- Where an RSA holder had accessed his/her RSA balance for a residential mortgage, he/she shall sign a consent form with his/her PFA before accessing 25% due to loss of job.
- Where an RSA had accessed his/her RSA balance due to loss of job, he/she shall sign a consent form with his/her PFA before accessing his RSA balance for a residential mortgage.
- Where an RSA holder wishes to include his/her VC contingent portion, NSITF, and Pre-Scheme contribution as equity contribution he/she shall sign a consent form with his/her PFA to that effect.
- Where a Micro Pension Contributor wishes to include his/her contingency portion as equity contribution, he/she shall sign a consent form with his/her PFA to that effect.

Maximum Amount Allowed

- 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.
- 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.
- Where the value of 25% of the 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.
- 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.

Mortgage Lender

To qualify as a mortgage lender for this purpose,

- The company must be licensed by the Central Bank of Nigeria, comply with the Contributory Pension Scheme, and have a valid Pension Clearance Certificate, according to PenCom's guidelines.
- 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.
- The Mortgage Lender shall also comply with the provisions of Sections 2 and 4 (1) and (5) of PRA, 2014.
- 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.

Indemnify

- 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.

How to Apply

- Interested applicants shall obtain a property offer letter from the property owner or approved agent and approach a Mortgage Lender.
- Fill an application form for a mortgage, which shall be provided by the Mortgage Lender and attach the property offer letter.
- The Mortgage Lender shall review the application form and verify the genuineness of the property offer.
- The Mortgage Lender shall do its due diligence to ensure that the property has a valuation report.
- 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.
- In a joint application, each party shall apply to their respective PFAs with copies of the verified property offer letter.
- The PFA shall issue a duly endorsed RSA statement to the applicant, which the applicant shall forward to his/her Mortgage Lender.
- 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.
- Where 25% of the RSA balance is sufficient as equity contribution, the Mortgage Lender shall issue a mortgage offer letter to the applicant.
- 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).
- Upon confirmation of payment of supplementary equity contribution, the Mortgage Lender shall issue a mortgage offer to the applicant(s).

- 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 PFA of the applicant(s):
 - Copy of the mortgage application form
 - Verified property offer letter, which should contain, at the minimum, the value of the property, type of property, and address of the property
 - Loan amount
 - Equity contribution required
 - Bank account details of the applicant with the Mortgage Lender
 - Indemnity by the Mortgage Lender to the PFA on the use of the equity contribution.
 - Evidence of payment of difference where 25% of RSA cannot cover the equity required
- The applicant may after two working days of receiving his/her mortgage offer letter, approach his/her PFA to request payment of his/her Equity Contribution for Residential Mortgage.
- 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.
- In a joint application, each party shall apply to their respective PFA with a copy of the mortgage offer letter.
- The PFA shall review the application form and the supporting documents received from the Mortgage Lender for completeness.
- Upon successful completion of the documentation review, the PFA shall update the applicant's Mandate File within two working days.
- 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.
- The PFA shall compute and validate that the requested amount is not more than 25% of his/her RSA Balance.
- The PFA shall then process the application and forward same to the Commission within two working days of successful documentation review
- 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.

For more information on how to access your pension for the payment of equity contribution for residential mortgage, please contact us on 01-2803550 or email: contactcenter@vgpensions.com