



NMRC ELIGIBILITY CRITERIA

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THIS DOCUMENT IS INTENDED TO OUTLINE THE UNIFORM STANDARDS UNDER WHICH A MORTGAGE LOAN UNDERWRITTEN BY A MEMBER MORTGAGE LENDING INSTITUTION WILL BE ELIGIBLE FOR REFINANCING BY NMRC.

The goal of the NMRC 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. NMRC's goal is to act as a catalytic and focused advocate to address the issues of standardization and effective risk management.

The Uniform Underwriting Standards developed by NMRC will act as industry standards for granting home mortgage loans to borrowers that will qualify for NMRC refinancing facility, thereby promoting efficiency and mitigating the mortgage financing risks in the market as well as lead to more affordable home ownership in Nigeria.

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

Mortgage Loan Criteria	
Purpose of Loan	The mortgage loan may be used to finance the purchase of an existing home or refinance an existing mortgage loan.
Type of Property Eligible	An eligible borrower may use the proceeds of this loan to purchase either a single-family home or an apartment in a multi-unit building. The property acquired must be owner-occupied
Eligible Borrowers	Only natural persons are eligible to borrow. Borrowers must either be civil servants, self-employed persons or salaried employees. Corporations are not eligible borrowers 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-borrowers on the loan. Where a couple is acting as co-borrowers, the income and debt obligations of both people will apply in determining whether the couple qualifies for the loan. If a spouse does not serve as a co-borrower, that person must execute a separate agreement waiving any right to block foreclosure in the event the borrower defaults on the loan.

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 at time of refinance with a maximum of 20 years.														
Borrower Age	Minimum – age of legal contract – 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 a minimum period equivalent to the corresponding refinance.														
Rollover at End of Review Period	The ML shall have the option to renew the NMRC refinance at the prevailing rate at the end of the review 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.</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>0 – 20,000</td> <td>20%</td> </tr> </tbody> </table> <p>For self-employed borrowers, the equity contribution will be higher and therefore as follows:</p> <table border="1"> <tbody> <tr> <td>0 – 20,000</td> <td>30%</td> </tr> <tr> <td>20,001 – 40,000</td> <td>40%</td> </tr> <tr> <td>40,001 – 50,000</td> <td>50%</td> </tr> </tbody> </table>	Property Value (N'000)	Required Down payment	40,001 – 50,000	30%	20,001 – 40,000	25%	0 – 20,000	20%	0 – 20,000	30%	20,001 – 40,000	40%	40,001 – 50,000	50%
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Maximum Permissible Housing-Expense and Total-Debt Ratios	<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 PII 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="680 562 1414 911"> <thead> <tr> <th data-bbox="680 562 930 720">Monthly Income Band (N'000)</th> <th data-bbox="930 562 1175 720">Maximum Housing Expense to Income Ratio</th> <th data-bbox="1175 562 1414 720">Maximum Debt to Income Ratio</th> </tr> </thead> <tbody> <tr> <td data-bbox="680 720 930 779">2,000 and above</td> <td data-bbox="930 720 1175 779">35%</td> <td data-bbox="1175 720 1414 779">50%</td> </tr> <tr> <td data-bbox="680 779 930 842">501-1,999</td> <td data-bbox="930 779 1175 842">25%</td> <td data-bbox="1175 779 1414 842">40%</td> </tr> <tr> <td data-bbox="680 842 930 911">0-500</td> <td data-bbox="930 842 1175 911">20%</td> <td data-bbox="1175 842 1414 911">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%	0-500	20%	33.3%
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Form of Mortgage Payment	<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.</p>												
Amortisation Structure	<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>												
Prepayment of Mortgage Loan	<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>												
Seasoning	<p>All mortgage loans submitted for refinance must be at least – six months aged from date of origination.</p>												
Delinquency	<p>All mortgage loans submitted for refinance must be current in payments and must have had no delinquencies.</p>												
Origination Fee	<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	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 Prequalified independent valuers should: (i) adopt international appraisal standards and methods; (ii) meet certain minimum requirements; and (iii) adopt uniform appraisal process/systems 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
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, NMRC will accept Title perfection duration Insurance cover from NMRC approved insurance companies. Such Title cover may however NOT exceed 18 months from closure of the mortgage. In the event it exceeds, the ML will either have to substitute the mortgage loan with an equivalent loan with title or post acceptable collateral
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.
Lender Eligibility Criteria	
Equity Investment	Minimum equity investment of ₦100 million.
Licensed Institutions	The ML must be licensed by the Central Bank of Nigeria as either a Primary Mortgage Bank (PMB) or Deposit Money Bank (DMB); together the Mortgage Lenders (ML)
Good Financial Standing	Credit policy, Asset Liability Management Policy, Arrears Management and Repossession Policy, Basel II, IFRS financial statements, liquidity, leverage, capital adequacy, overall asset quality, profitability and other criteria as may be determined by the board of NMRC from time to time.
Execution of Master Refinance & Servicing Agreement (MRSA)	The ML must execute NMRC's Master Refinance, Purchase & Servicing Agreement (MRPSA) on annual basis as applicable.
Credit and Servicer Ratings for Institution	Acceptable credit and servicer rating for the ML will be minimum Investment grade ratings for both credit and servicer All MLs are expected to comply with this requirement no later than 18months from the date of Final Publication of this Criteria
Management Information System with Reporting Capability	Be a licensed subscriber to NMRC's main system from NMRC's sub system to be located with the ML for originating and servicing NMRC conforming loans
NMRC Summary Refinancing Criteria	
Assignment of Beneficial Interest with Recourse	In consideration of the Refinancing Amount Purchase Price, the ML shall transfer, assign, and otherwise convey to NMRC (LESS of the ML's Monthly Spread), with credit recourse, all the right, title and interest of the ML in and to the Mortgage Loans identified in the applicable Schedules including without limitation, the right to all distributions of principal and interest and all prepayments received on or with respect to the Mortgage Loans on and after the Refinancing Date, together with all of the ML's right, title and interest in and to each related account and all amounts from time to time credited to and the proceeds of such account, the Seller's rights under any Insurance Policies relating to the Mortgage Loans, the Seller's security interest in any collateral pledged to secure the Mortgage Loans, including the Mortgaged Properties, and any proceeds of the foregoing.

Eligible Assets	Eligible Assets for the refinanced loan will include eligible mortgage loans as defined above, Nigerian sovereign or guaranteed bonds, treasury bills/notes that provide a yield equivalent to that of the mortgage(s) replaced.
Monthly Spread	The interest rate on the Mortgage Loans (“Gross Yield”) LESS the Purchase Rate on the Refinancing Amount (“Minimum Yield”)
Pledge of Mortgage Loans	<p>Mortgage loans are secured by way of a specific debenture charge in favour of NMRC according to the terms of the Security Deed, the value of which shall be no less than 125% of the value, at the point of the refinance.</p> <p>The mortgage loans will be secured under a tripartite deed of legal mortgage (“Tripartite Deed”) between the ML, the Home Owner, and the Security Trustee.</p>
Conditions Precedent	<ol style="list-style-type: none"> 1. The obligations of NMRC to the ML is on the condition that NMRC shall have received all of the documents, items, and evidence specified in the form and substance, satisfactory to NMRC 2. The ML shall have been accorded an investment grade credit rating and servicer rating by a Rating Agency registered and in good standing with Securities & Exchange Commission (“SEC”) 3. In making the application for the refinancing, the ML shall provide a certified extract of a board resolution authoring the ML to borrow and to charge a minimum of 125% of the value of the mortgage loan portfolio in favour of NMRC 4. The ML shall on-lend the proceeds from NMRC ONLY towards long/medium, term mortgage loans to home buyers
Disbursement	Disbursement of the Refinancing Amount/Purchase Price will be based on satisfactory review of the disbursement request by the ML
Remittance of Collections	Monthly remittance of scheduled principal and interest payments including any prepayments (excluding ML’s Monthly Spread)
Representations & Warranties	Standard and customary representations and warranties of the ML and in relation to the Individual Mortgage Loans as specified in the Agreement
Mortgage Lenders Covenants	<ol style="list-style-type: none"> 1. Promptly inform NMRC of the occurrence of any Default, any breach of any of the covenants to the MRPSA, any material adverse change in the financial condition of the ML 2. So long as the financing from NMRC subsists, not sell, transfer, sub-let or part with the possession of the assets charged without the prior consent of NMRC 3. So long as the financing from NMRC subsists, comply with all servicing guidelines issued by the NMRC in relation to the mortgage loan portfolio 4. Have a minimum investment grade servicer rating from a SEC approved rating agency 5. Have a minimum investment grade credit rating from a SEC approved rating agency

Events of Default	At the option of NMRC, the financing will become immediately repayable upon the occurrence of any event of default
Mortgage Loan Substitution	<p>The parties agree that the value of the collateral to the financing from NMRC shall remain at a minimum of 125% in line with CBN regulations and NMRC's credit policy</p> <p>The ML shall notify the NMRC within 5 business days of becoming aware that:</p> <ol style="list-style-type: none"> 1. A representation or warranty made by a home buyer in relation to any mortgage loan or related mortgage property is materially incorrect or 2. The required documentation in respect of the mortgage loan and related mortgage is incomplete or 3. The credit quality of the underlying mortgage property falls below the standards prescribed by these standards/ MRPSA or 4. The mortgage loan has matured, prepaid, is in default or becomes delinquent =>90 days
Audit of the Mortgage Loan Portfolio	The mortgage loan portfolio will be audited by an auditor(s) appointed by NMRC or a security trustee, subject to any approval requirements of the CBN on a frequency TBA in relation to the aggregate loan portfolio's compliance with its obligations under the MRPSA
Negative Pledge	The ML shall not create or permit any security over the Mortgage Loans without the prior consent in writing of NMRC
Ratings Downgrade	If at any time during the term of the refinancing, the ML does not have the required rating from the rating agency, the ML must within 30 days take such steps to ensure that there is no adverse effect on the financing it has received from NMRC as a result of the downgrade
Set-Off	The ML will authorize NMRC to apply any amounts due to the ML as a shareholder of NMRC as set-off against their outstanding mortgage loan amounts to NMRC
Notification of changes to mortgage loan portfolio	The ML shall notify NMRC on a frequency TBA of any changes to the mortgage loan portfolio charged in favour of NMRC
Further Assurances	<p>The ML agrees to abide by the principles of NMRC on ensuring socially responsible and affordable lending to home buyers and the elimination of excessive charges in relation to mortgage loans</p> <p>The ML also agrees to duly implement its environmental and social management systems in a manner consistent with the guidance that is provided in the environmental and social risk management operations manual (ESOM) issued by the CBN</p>
Collateral Quality Maintenance	All mortgages submitted as collateral for the NMRC refinancing must be current (less than 30 days delinquent) or shall be replaced immediately with other eligible collateral.