



**Guidelines on Accessing Retirement
Savings Account (RSA) Balance Towards Payment
of Equity Contribution For Residential Mortgage
By RSA Holders (PENCOM GUIDE 2022)**



Section 89 (2) of the Pension Reform Act (PRA 2014), allows RSA holders or their pension fund administrators on their behalf 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 National Pension Commission. (PENCOM)

Following this section, the Guidelines on Accessing Retirement Savings Account Balances for Payment of Equity Contribution for Residential Mortgages were approved by the National Pension Commission (PENCOM), which was announced in a press release on the 23rd of September 2022.

Investing in real estate is one of the most popular, profitable, and stable investment choice(s). Accessing the RSA to secure residential mortgage will be beneficial to employees in Nigeria, considering that investment of pension funds is not subject to tax and as such the investment would be tax-free. Also taking into account the rate of inflation, it is in the employees' advantage to access the fund in the RSA as inflation may affect its purchasing power in future.

This article will discuss the guideline issued by the commission for the investment of a fraction of the RSA as equity contribution for the purpose of securing residential mortgages.

What Is RSA.

In the Pension Reform Act 2014, a Retirement Savings Account (RSA), is a pool of funds created by section 11 of the Act. It is mandatory for every employee in the public service of the federation, FCT, state, and local government and those employed in the private sector to maintain employee savings account with a licensed Pension Fund Administrator (PFA) under the act.

The joint reading of Section 7 and Section 16(2)(5) of the PRA 2014 informs that generally, employees are prohibited from accessing funds or making withdrawals from the RSA if they have not attained the age of 50 (fifty) years. However, persons who voluntarily retire, disengage, or are disengaged from employment before the age of 50 years and are unable to secure any other employment after 4 months are allowed to access 25% of the amount in their RSA.



In this guideline, according to National Pension Commission of Nigeria (PENCOM), it has collaborated with stakeholders in the housing development and mortgage financing sectors as well as the Pension Industry to produce the procedures and criteria for using part of the retirement savings as equity contribution for the purpose of securing residential mortgages

Maximum Amount for Equity Contributions.

Only 25% percent of the retirement savings account can be applied towards equity contribution for residential mortgage. However, where the value of the equity contribution is less than 25%, the RSA holder can only access a percentage equal to the equity contribution required by the mortgage lender. Additionally, where the value of the equity contribution is more than 25% the RSA holder must have deposited the makeup balance before they can access 25% of their RSA balance.

Rules of General Application

To access the fund, the RSA holder generally;

a) must be in an active salaried employment or be self-employed.

b) for persons who registered for RSA before 1 July 2019 they must ensure to update their record through the RSA data recapture exercise.

c) all application under this guideline is to be made personally and not by proxy.

d) 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.

e) the RSA holder can access 25% of his RSA for job loss as provided in section 16(2) and (5) of the PRA and for equity contribution for residence mortgage.

f) an RSA holder must have the consent of their PFA before accessing their RSA again if they have previously accessed it for either job loss or equity contribution for residence mortgage.

g) upon retirement such RSA holder who has accessed their RSA for both loss of job and equity contribution for residence mortgage is entitled to withdraw a lump sum from the total amount credited to their retirement savings account provided that the amount left after the lump sum withdrawal shall be sufficient to procure a programmed fund withdrawal or annuity for life and in a case that it is not, only a programmed fund withdrawal on the basis of expected life plan or an annuity for life in line with the guideline of the National Insurance Commission (NICOM).



Eligibility Criteria for RSA Holders.

The following persons qualify to access their funds for equity contribution for residential mortgage under the guidelines;

- a) The RSA holder must have an offer letter for the property duly signed by the property owner and verified by the mortgage lender.
- b) The RSA account must have received employer and employees' mandatory contributions for a cumulative minimum period of 60 months prior to the application for use part of the money in the account for equity contribution for residential mortgage.
- c) 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 contributory pension scheme, so long as such Voluntary contributions has been made by them for at least 60 months prior to the application.
- d) Contributions made to National Social Insurance Trust Fund, and pre-scheme contribution may form part of the balance of RSA in calculating and determining the 25% of the equity contribution.
- e) When an RSA holder wishes to include a contingent part of their voluntary contribution, National Social Insurance Trust Fund and Pre-Scheme contribution as equity contribution they must obtain consent from their PFA.
- f) A Micro Pension Contributor can access their RSA balance towards the payment of equity contribution for residential mortgage if they have made contributions for a minimum of 60 months prior to their application.
- g) The applicant can also access the contingent part of his/her contribution, in line with the guidelines for Micro Pension Plan, after meeting the provision if they have made their own part of the contribution for at least 60 months prior to the application with the consent of their PFA
- h) The RSA holder shall provide documents/information as required under the guidelines and other additional documentation that may be specified by the Commission from time to time.
- i) 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.
- j) RSA holders that have used 25% of their RSA balance for equity contribution for residential mortgage shall be eligible to still access 25% of their RSA for loss of job in line with the provision of Section 7(2) of PRA 2014.
- k) RSA Holders that have less than 3 years to retirement are not eligible to use a part of their RSA balances as equity contribution for residential mortgage.
- l) Existing Retirees on Compulsory Payment Scheme and exempted persons under the PRA 2014 are not eligible to use their RSA balances for payment of equity contribution for Residential Mortgage.
- m) Married couples, who are RSA holders, are eligible to make a joint application, subject to individually meeting the eligibility criteria set out in the Guidelines.



Eligibility Criteria for Mortgage Lender.

For a mortgage lender to qualify to accept a quota of a person's RSA towards equity contribution for residential mortgage under the PENCOM guidelines;

- a) The mortgage lender must be licensed by the Central Bank of Nigeria (CBN) to provide residential mortgage and shall have met the minimum capital requirement as prescribed by the CBN from time to time.
- b) It is a requirement to always be in good financial standing and to 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.
- c) The mortgage lender must have a contributory pension scheme for its employees
- d) It must be compliant and up to date in making its own part of the contribution under the contributory pension scheme (minimum of 10% of the employee monthly emoluments)
- e) All mortgage lenders who wish to accept funds from the RSA must maintain a group life insurance policy.
- f) Without a valid Pension Clearance Certificate issued by the PENCOM in line with the PRA, 2014 a mortgage lender is not qualified under the guideline.
- g) PENCOM shall consult with the CBN on an annual basis to determine that the Mortgage Lenders meet the stipulated minimum requirements of these Guidelines and other conditions as may be specified by the CBN from time to time.
- h) PENCOM shall publish on its website on a half- yearly basis the names of mortgage lenders who have met the eligibility criteria and the names of any new CBN licensees to this effect.

Conclusion.

Seeing that investing in real estate and developing a property requires significant amount of money and most persons are often unable to get funds. The guidelines are useful to qualified employees. Employees who are eager to make plans towards getting residential buildings and have fallen short due to lack of funds may be rescued by this opportunity.

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