

CLIENT ALERT

**USE OF PENSION FUNDS FOR  
MORTGAGE EQUITY CONTRIBUTION**



SEPTEMBER 2022

Retirement Saving Account (“RSA”) holders can now access 25% of their RSA balance towards making equity contribution for residential mortgages in Nigeria. This was contained in a statement released by Nigeria’s pensions regulator, the National Pension Commission (“PENCOM” or the “Commission”) on September 23, 2022 (the “Press Release”).

By the Press Release, the Commission informed the investing public of its approval for the issuance and immediate implementation of Guidelines on Accessing Retirement Savings Account Balances for payment of equity contribution for residential mortgages. This approval was made pursuant to the Pension Reform Act, 2014 wherein s. 89(2) allows RSA holders to use a portion of their RSA balances to make equity payment for residential mortgages.

This is not open to everyone. To be eligible, the RSA holder must (a) be in active employment, (b) not be due for retirement within 3 years, (c) have both employer and employee mandatory contribution for 60 months (5 years), and (d) have a valid and verifiable offer for the purchase of the property.

Contributors under Micro Pension Plans are also eligible. Married couples, who individually meet the eligibility requirements, can also make a joint application. You can only make an application in person and not by proxy.

The maximum amount accessible is 25% of the total mandatory RSA balance as at the date of application.

Mortgage lenders would also need to satisfy eligibility requirements. To qualify, mortgage lenders must (x) be licensed by the Central Bank of Nigeria, (y) comply with the Contributory Pensions Scheme, and (z) have valid Pensions Clearance Certificates.

Given the housing deficit in Nigeria, this development will assist in providing access to funding for real estate investments, and assist in reducing the housing deficit in Nigeria. RSA holders will no longer need to wait until retirement or loss of work to access funds in their RSAs. The situation is even better for employees who are contributors to the National Housing Fund. These employees can now access funds from two independent sources to finance their own homes.

\*Please contact us for any advice in relation to the operation of the guidelines.

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