

Retirement Benefits Mortgage Loan

Members of pension schemes can now utilise 40% of their accrued pension benefits to purchase a residential house following the enactment of the Retirement Benefits (Mortgage Loans) Act, Regulations amendment 2020 that was assented to by the President on April 25th 2020.

Pension scheme members can utilize 40% of their retirement benefits to purchase a house in full, or as a down payment for a house whose selling price is higher than their pension benefits. **The Retirement Benefits Mortgage Loan** is targeted at pension scheme members whose 40% of their pension benefits cannot cover the full cost of the house.

A pension scheme member can purchase a developed property anywhere in Kenya with a ready title deed or certificate of lease, provided that the house is a residential property for the member's own occupation. The application can be done by an individual pension scheme member or jointly with a spouse thereby consolidating their pension benefits to access a higher amount.

How to access the product:

To access the product, a pension scheme member will follow the steps below:

- Start off by determining the accrued pension benefits from their pension scheme and the 40% that can be accessed to facilitate home ownership.
- Proceed to identify a house, and where the pension benefits cannot cover the full cost of the house, visit the nearest Co-opBank branch to apply for the Retirement Benefits Mortgage Loan
- With the loan approved and property valued, officially apply to their pension scheme to access their 40% of accrued pension benefits, and where approved, the pension scheme will undertake to the seller and the bank to pay the same.
- The Bank will then progress with transfer of property and registration of charge on the property as security, after which the pension scheme will register a secondary charge on the property to facilitate disbursement of both the 40% of pension benefits and the Bank's mortgage amount to the seller.

Loan application requirements:

THE CO-OPERATIVE BANK OF KENYA LTD.
MORTGAGE FINANCE DEPARTMENT

9/7/2021

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10. Can I use my 40% of accrued benefits to offset a residential mortgage currently in place?

Ans: This product cannot be applied to offset an existing facility.

11. Can I apply for this product just before retiring then I repay the loan from my monthly pension upon retiring? No. This product is applicable for members still in active employment and yet to attain retirement age, since the 40% of accrued pension benefits is released as a down payment for a house to be paid for in cash or paid as a mortgage over the remaining number of years to retirement.

12. Am I eligible for this product if I am about to retire?

Yes. Any member below the retirement age is eligible for this product as long as the 40% of accrued benefits is sufficient to cover the entire purchase price.

However, for members whose 40% of accrued benefits is not sufficient, the approval will be based on the ability to repay and time to retire.

13. What are the costs associated with the mortgage?

- Commitment fees for the mortgage.
- Stamp Duty for transfer of property - 4% of property value for urban areas like Nairobi, Mombasa and Kisumu and 2% of property value for upcountry and rural areas.
- Stamp duty for registration of charge - 0.1% of the loan amount.
- Legal Fees - between 1.5% and 2% of the loan amount.
- Valuation fees - approximately 0.25% of the Property Value.
- Insurance fees - for life cover over the applicant's life and for fire (and other perils) over the property taken as security for the mortgage.

14. Does the 40% of pension benefits also cater for 'other processing costs' associated with the mortgage?

Ans: No. other processing are to be catered for separately by the member.

15. What type of properties can I buy under this product?

Ans: Any residential property with valid ownership documents, that befits your style, income and meets your need for a home. This could be a bungalow, maisonette, town house or apartment.

16. What is the maximum term for the available mortgage loans?

Ans: Up to 20 years for employed, subject to retirement age

17. What happens after valuation of the property if the value differs from the sale price?

Ans: The Bank would finance the lower of the value or the sale price.

18. What would happen if interest rate changes during the life of the mortgage?



Ans: Interest rate on this mortgage product is variable but computed on reducing balance. One is free to prepay the mortgage by making lumpsum payments or redeeming the balance as there are no penalties for this.

19. Can I buy a property outside Nairobi with this product?

Ans: Yes, provided the property is within a municipal and has a title deed/certificate of lease as proof of ownership.

20. Does my credit history play a part in my mortgage qualification?

Ans: Yes; Your past credit history plays a major part, as negative credit listings may affect your chances of getting a loan approval from the Bank.

21. What would happen if I got retrenched from my current job while still servicing the mortgage?

Ans: One of the covers we have in place for the mortgage is the life cover, which carries a retrenchment rider, such that in the event of retrenchment, Insurance steps in to make the monthly mortgage instalments for 6 months.

22. What would happen if the house under purchase is destroyed by fire, flooding etc?

Ans: In the event the property is destroyed by a fire, Insurance will come in to restore the property to its former self.

23. What would happen if I die while the loan is still unpaid?

Ans: In the event of death while still servicing the mortgage, insurance comes in to redeem the mortgage by clearing any outstanding mortgage balance. This would in effect mean that the property under purchase would be discharged to the next of kin.

24. What happens if the product was a joint application by 2 spouses and one dies?

Ans: Depending on the structure, Insurance will either redeem the whole or part of the loan

25. Should I continue paying land rates and rents upon taking up a mortgage facility under this product?

Ans: Where the rates and rents are applicable, you should continue paying them to the respective jurisdictions as they are payable by the property owner. Remember, with a mortgage, the property is registered in your name but charged to the Bank as collateral for the mortgage.

26. What is the maximum mortgage loan amount I can get under this product?

Ans: The maximum amount you can qualify for is dependent on your ability to repay based on the pay slip, existing rental income or existing business income.

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