

14 March 2024



Regulations on the Use of Social Security Benefits as Collateral for Home Mortgage Issued

- Members' application procedure stated
- Conditions for issuance of collateral provided
- Qualifications of eligible members inserted
- Application for approval by institution required
- Collateral amounts stated
- Mode of execution of collateral provided
- Dispute resolution mechanisms elucidated
- Totalisation of benefits considered

On 8 March 2024, the Minister for State, Prime Minister's Office, Labour, Youth, Employment and Persons with Disability issued the Social Security (Use of Members Benefit Entitlements as Collateral for Home Mortgage) Regulations (the Regulations) via Government Notice No. 141.

The Regulations allow members of the Social Security Fund (the Fund) to assign a portion of their benefits from the Fund to be used as a collateral for home mortgage granted or to be granted by a bank or financial institution (an institution) for purposes of construction of a residential house on their immovable property; purchase a residential house; and/or improve, alter or carry out repairs to their house.

The Regulations require a member who is interested in furnishing the collateral to submit a formal application to the Fund in the manner prescribed in the Fund's operations manual. The Fund will thereafter review the application for eligibility and communicate the decision to the member accordingly. Further, the portion available to a member as a collateral for the home mortgage should be an amount not exceeding 50% of the benefit entitlements available to an eligible member at the time of the application; or the purchase price of the property which should not exceed the market value of the property, whichever is less. It is important to note that an eligible member is defined as a member who has made at least 180 months (15 years) contributions of which 12 monthly contributions are made prior to the date of issuance of a collateral.

Regarding conditions for collateral to members, a member is eligible to access the collateral under the Fund if they are a Tanzanian citizen; have

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an adequate operational and internal control system for the purposes of structuring and operating a loan; and the validity of the collateral does not go beyond the member's compulsory retirement age.

Moreover, the Regulations oblige an institution that intends to advance a loan to apply in writing for approval from the division responsible for social security within the Ministry of social security matters (division). The said application should be accompanied with documents, such as a copy of the company's registration or incorporation documents, documents relating to operational activities, a copy of valid business licence, a copy of certificate of registration from the Bank of Tanzania and the current audited financial statements.

Despite the above, the Regulations make it clear that the Fund should not furnish a collateral for home mortgage unless the house to be constructed, purchased or repaired is made the first collateral in the member's mortgage arrangement with the institution and the member has furnished to the Fund the consent for the proportion of their entitled benefits to be assigned as a collateral for home mortgage.

It is also noteworthy that upon default by a member and prior to the enforcement of collateral issued by the Fund, the Regulations make it mandatory for an institution to provide adequate evidence that all recovery means, including the use of the first collateral (the house) subject to the terms of the agreement, have been fully and reasonably exhausted.

Insofar as dispute resolution is concerned, the Regulations mandate the Fund to act as a mediator where a dispute arises between the member and the institution regarding arrangements under the Regulations. However, if the dispute is between the Fund and the institution, the division should act as a mediator.

Lastly, the Regulations provide to the members who contribute to more than one fund a right of totalisation of benefits and periods of contributions in accordance with period of contributions guidelines for purposes of collateral for home mortgage.

To read the Social Security (Use of Members Benefit Entitlements as Collateral for Home Mortgage) Regulations, 2024 [click here](#)

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