
## THE USE OF PENSION FUND MEMBERS' BENEFIT ENTITLEMENTS AS COLLATERAL FOR HOME MORTGAGES

The Social Security (Use of Members Benefit Entitlements as Collateral for Home Mortgage) Regulations GN. No.141 published on 8th March, 2024 allow members to use their benefit entitlements as collateral for home mortgages.

**Key areas to note:**

- Members to a Pension Fund may use a portion of their contributions as collateral for home mortgages.
- Eligibility criteria defined.
- Transfer of a mortgaged collateral from one fund to another scheme under a different fund allowed.

**Introduction:** The Social Security Act, under the Regulations outlined in the said Government Notice, allows members to assign a portion of their benefit entitlements as collateral for home mortgages. These Regulations aim to provide guidelines for the assignment of benefits, conditions for collateral to members and institutions, the amount and requirements of the collateral, redemption of the collateral, and transfer from one fund to another. These conditions are stipulated under Regulation 3(1).

**Assignment of Benefits as Collateral:** Regulation 4 allows the application of assigned funds to be used as collateral for home mortgages, including constructing, purchasing or improving residential houses. The Pension Fund shall review applications for eligibility and may issue collaterals accordingly, with limitations on the amount that can be assigned.

**Conditions of the Collateral:** Members must meet specific criteria to access their pension funds for use as collateral. They must be Tanzanian citizens, with a record of a minimum contribution history and the validity of the collateral should not exceed the member's compulsory retirement age (Regulation 5). Institutions seeking collateral for member loans must obtain approval from the Division responsible for social security within the appropriate Ministry, maintain operational controls and provide necessary documentation for review.

**Amount and Requirement of the Collateral:** The portion available to a member as collateral for a home mortgage is limited to an amount not exceeding fifty percent (50%) of the benefit entitlement to an eligible member at the time of the application or the purchase price of the property, whichever is less (Regulation 9). Furthermore, it important to note that the validity of the collateral should not exceed the member's compulsory retirement age. Dispute resolution mechanisms are in place for any issues related to the collateral as provided for under Regulation 13 of the said Regulations.

**Transfer from One Fund to Another:** Provisions are made for the transfer of collaterals from one fund to another, ensuring seamless processes for members. By adhering to these Regulations, as seen under Regulation 15 both members and institutions can benefit from the security and financial support offered through the assignment of benefit entitlements for home mortgages.

**Conclusion:** The Regulations under the Social Security Act regarding the use of members' benefit entitlements as collateral for home mortgages provide a framework for members and institutions to access and utilize their pension contributions as collaterals in a structured and compliant manner. This is a welcome innovation allowing Members to acquire housing rather than waiting for retirement and applying the entire pension for that purpose, ending up in poverty.

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