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**THE BANKING AND FINANCIAL INSTITUTIONS ACT  
(CAP 342)**

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**REGULATIONS**

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Made under section 71

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THE BANKING AND FINANCIAL INSTITUTIONS  
(MORTGAGE FINANCE) REGULATIONS, 2011

**ARRANGEMENT OF REGULATIONS**

**PART 1  
PRELIMINARY PROVISIONS**

1. Short Title
2. Application
3. Interpretation
4. Principles for regulating mortgage finance

**PART II  
LICENSING REQUIREMENTS**

5. Eligibility for Licensing
6. Incorporation
7. Proof of Source of Capital
8. Application for licence
9. Application Letter
10. Application Fees
11. Document
12. Legal Opinion
13. Principal Contact
14. Granting of licence

15. Commencement of business

PART III  
SUPERVISION BY THE BANK

16. Inspections, Compliance and Reports

PART IV  
ORGANISATION, OWNERSHIP AND MINIMUM CAPITAL

17. Board Membership  
18. Vetting of Senior Management  
19. Undertaking by Board  
20. Board Responsibility  
21. Minimum Capital  
22. Deposit of Paid up Capital  
23. Additional Capital Requirements  
24. Transfer of ownership  
25. Capital Adequacy Ratios

PART V  
ACCOUNTS AND RECORDS AND PRUDENTIAL LIMITS

26. Proper Business Environment  
27. Debt to Equity Ratio  
28. Prudential Limits  
29. Operating Conditions  
30. Significant policies and their content

PART VI  
INSIDER DEALINGS AND SINGLE BORROWER'S LIMIT

31. Monitoring Mortgage Accommodations to Insiders  
32. Transactions with Insiders  
33. Mortgage Accommodation to Insiders  
34. Mortgage finance Limit to Single Insider  
35. Aggregate Mortgage Limit to Insiders  
36. Single Borrower's Limit

PART VII

CLASSIFICATION AND PROVISIONING OF MORTGAGE LOANS

- 37. Classification categories
- 38. Classification by quantitative criteria
- 39. Classification by qualitative criteria
- 40. Current classification
- 41. Especially mentioned classification
- 42. Substandard classification
- 43. Doubtful classification
- 44. Loss classification
- 45. Multiple mortgage accommodations
- 46. Security consideration
- 47. Classification of other property and assets
- 48. Classification of receivables
- 49. Special non-distributable reserve
- 50. Minimum provisions
- 51. Valuation of other assets
- 52. Review by Bank
- 53. Accrual of Interest
- 54. Approval for annual provisions

PART VIII

REPORTING AND DISCLOSURE REQUIREMENTS

- 55. Reports to be Submitted to the Bank
- 56. Publication of Audited Financial Statements

PART IX

INTERNAL AND EXTERNAL AUDITORS REQUIREMENTS

- 57. Internal Audit
- 58. Appointment of Independent Auditors

PART X

MISCELLANEOUS PROVISIONS

- 59. Prohibited Activities
- 60. Sanctions
- 61. Extension of Period for Compliance

—————  
SCHEDULES  
—————

PART 1  
PRELIMINARY PROVISIONS

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|----------------|---|
| Short Title    | 1. These Regulations may be cited as the Banking and Financial Institutions (Mortgage Finance) Regulations, 2011.   |
| Application    | 2. These regulations shall apply to any person engaged in mortgage finance operations.  |
| Interpretation | 3. In these regulations unless the context requires otherwise:  |
| Cap.342        | “Act” means the Banking and Financial Institutions Act;<br>“affiliate” means a person who directly or indirectly controls, or is under common control with, a Housing Finance Company;<br>“Bank ” means the Bank of Tanzania;<br>“banking business” has the meaning ascribed to it under the Act;<br>“conflict of interest” means a situation in which someone in a position of trust has competing professional, business or personal interest making it difficult to fulfil his duties impartially;<br>“core capital” has the meaning ascribed to it under the Act;<br>“director” has the meaning ascribed to it under the Act;<br>“disclosed reserves” has the meaning ascribed to it under the Act;<br>“entity” means corporation, partnership, trust, association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, or any other form of undertaking that is not specifically listed herein but that is commonly recognized as an entity; and includes any Government or government agency or instrumentality;<br>“financial intermediation” has the meaning ascribed to it under the Act;<br>“fit and proper person” means a person with the attributes required of a member of the Board of Directors and management of a Housing Finance Company as per the criteria set out in the First Schedule to these Regulations;<br>“Housing Finance Company” has a meaning ascribed to it under the Act<br>“insider” means directors, officers or significant shareholders of a Housing Finance Company and their related parties;<br>“mortgage” means a loan granted to a borrower for the purposes of acquiring, improving or constructing a residential property and is secured by the acquired, improved or |

constructed residential property:

“mortgage agreement” means an agreement between a person engaging in mortgage finance operation and the borrower during mortgage finance operations;

“mortgage finance operations” means operations which involve mortgage;

“officer” has the meaning ascribed to it under the Act;

“own funds or shareholder funds” means paid-up capital plus free reserves, net of:

(i) losses that is, accumulated balance of loss carried on income statement; and

(ii) unprovided for depreciation or diminution of the value of assets;

“person” has the meaning ascribed to it under the Act;

“recovery” means collection of the past due amount;

“related party”:

(a) in relation to or other body corporate means -

(i) its holding company or its subsidiary;

(ii) a subsidiary of its holding company;

(iii) a holding company of its associates; or

(iv) any person who controls the company or body corporate whether alone or with his related party or with other related parties of it;

(b) in relation to an individual means -

(i) any member of the family;

(ii) any company or other body corporate controlled directly or indirectly by an individual whether alone or with his related parties; and

(iii) any related party of his related parties;

“significant interest” has the meaning ascribed to it under the Act;

“subsidiary” has the meaning ascribed to it under the Act;

“total capital” has the meaning ascribed to it under the Act.

Principles for  
regulating  
mortgage  
finance

4. The regulation of mortgage finance shall adhere to the principles of:

(a) the promotion of sustainable mortgage finance operation companies;

(b) instilling good corporate governance and

- accountability by shareholders, directors and managers;
- (c) putting in place safeguards against money laundering, corrupt activities for promotion and protection of integrity of financial systems;
- (d) setting standards for mortgage granting and risk management; and
- (e) fostering efficient flow of information and transparency

## PART II LICENSING REQUIREMENTS

Eligibility for  
licensing

5.-(1) A person shall not be eligible to engage in or deal in mortgage finance operation, unless that person has a licence issued by the Bank in accordance with the provisions of these Regulations.

(2) Banks and financial institutions licensed by the Bank shall be allowed to engage in or deal in mortgage finance operations subject to prior approval of a specific business plan in line with general guidelines in the manner provided for in the Second Schedule to these Regulations.

Incorporation

6. Every Housing Finance Company shall be incorporated as a company limited by shares under the laws of Tanzania.

Proof of  
source of  
capital

7. In proving sources of capital, a shareholder and any subscriber of a Housing Finance Company shall be required to provide-

- (a) a written proof of sources of funds; and
- (b) a written confirmation that the proposed paid up capital shall be fully paid up before the commencement of the operations.

Application  
for licence

8. Application for licence shall be accompanied at minimum by the following-

- (a) certified legal documents or board resolution authorizing the signatory;
- (b) description of accounting system and information and communication technology in use or to be used in the operations of the Housing Finance Company and

proposed future investment;

- (c) number of employees;
- (d) job descriptions of senior management positions and an organization chart;
- (e) description of internal control procedures;
- (f) narrative description of shareholders, board members and senior management and strategy for the successful operation of the Housing Finance Company;
- (g) business plan and financial projections prepared in accordance with the guidelines as provided in the Second Schedule to these Regulations; and
- (h) policies and procedural manuals which shall ensure that the Housing Finance Company operates in a manner consistent with international best practice.

Application letter                    9. Every applicant shall submit to the Bank a request for licensing in a manner as prescribed in the Third Schedule to these Regulations.

Application fees                    10. The applicant shall, on requesting for application, submit banker's cheque of three million Tanzanian Shillings or any other amount as may be determined by the Bank, payable to the Bank as non-refundable application fee.

Documents                            11. An application made under regulation 8 shall be accompanied with one copy of which of documents listed in the Fourth Schedule to these Regulations.

Legal opinion                         12. The Bank may require an applicant to submit a legal opinion on any issue related to the Housing Finance Company as it may determine.

Principal contact                    13. Every applicant shall designate and inform the Bank its principal contact and spokesperson of the company.

Granting or denial of a licence                    14.-(1) The Bank shall, within ninety days after receipt of a complete application, or where further information has been

required, after receipt of such information, grant a licence or reject the application;

(2) Where an application is rejected, the Bank shall provide in writing to the applicant a written explanation of the ground upon which the rejection is based;

(3) An applicant whose application has been rejected may re-apply, if the deficiencies that formed the basis for rejection of the initial application or subsequent review have been corrected or otherwise addressed.

Commence-  
ment of  
business

15.-(1) A Housing Finance Company shall commence operations within twelve months from the date on which the licence was granted, unless such period is extended in writing by the Bank.

(2) A licensed Housing Finance Company shall not commence business until the business premises, security facilities, communication facilities, processing equipment, accounting and internal control systems are in place and have been inspected or reviewed by the Bank.

### PART III SUPERVISION BY THE BANK

Inspections,  
compliance  
and reports

16. The Bank shall, at such times and in such manner as it may consider necessary-

- (a) carry out inspections over the operations of a Housing Finance Company in accordance with the provisions of the Act;
- (b) require any Housing Finance Company within such time as it may stipulate, to furnish any information or to comply with any order, directive or determination issued or made by the Bank; and
- (c) require any Housing Finance Company to provide periodical written reports at such times and in such manner as may be prescribed by the Bank.

### PART IV ORGANIZATION, OWNERSHIP AND MINIMUM CAPITAL

Board  
membership

17.-(1) The Board of Directors of Housing Finance Company shall have a membership of not less than five, two of whom shall have mortgage finance or related experience



and, majority of whom shall be non-executive.

(2) The Chairman of the Housing Finance Company shall be a non-executive member of the Board;

Vetting of  
senior  
management

18. Every Housing Finance Company shall ensure that senior management staff and Board members are vetted by the Bank.

Undertaking by  
Board

19.-(1) Every member of the Board of Directors of a Housing Finance Company shall execute a legally binding undertaking to fulfil his obligations towards maintaining a safe, sound and profitable company.

Cap.342

(2) Without prejudice to the provision of sub-regulation (1), a Board member shall be required to comply with the provisions of the Act, the Bank of Tanzania Act and any other written laws, Regulations, policies, circulars, orders, directives and instructions made thereunder.

Board  
responsibility

20. The Board of Directors of any Housing Finance Company shall ensure that appropriate policies on risk management systems are in place and shall be fully responsible and accountable for the execution of such policies and systems.

Minimum  
capital

21.-(1) Every Housing Finance Company shall commence its operations and maintain at all times at least a core capital of seven billion five hundred million Tanzanian shillings or such higher amount as the Bank may prescribe.

(2) Where capital is remitted in foreign currency, it shall be reflected in the books of the Housing Finance Company in Tanzanian shillings using exchange rate prevailing on the date of remittance.

Deposit of paid  
up capital

22. A Housing Finance Company shall deposit its paid up capital and other funds either in Tanzanian shillings or in foreign currency in a Tanzanian registered bank or financial institution or in Treasury Bills or other government securities within a period not exceeding 364

days.

Additional  
capital  
requirements

23. The Bank may prescribe additional capital requirements based on the risk profile of a Housing Finance Company.

Transfer of  
ownership

24. A Housing Finance Company shall not transfer ownership of significant interest, merge with, acquire or take over any other Housing Finance Company unless it has obtained prior approval of the Bank

Capital  
adequacy ratios

25. Every Housing Finance Company shall maintain at all times a minimum core capital and total capital equivalent to ten percent and twelve percent respectively of its total risk-weighted assets and off balance sheet exposures.

#### PART V

#### ACCOUNTS, RECORDS AND PRUDENTIAL LIMITS

Proper business  
environment

26. A Housing Finance Company shall, at all times ensure that the business premises, communication facilities, processing, accounting and internal control systems are in order.

Debt to equity  
ratio

27. A Housing Finance Company shall at all times ensure that debt to equity ratio does not exceed 15:1.

Prudential  
limits

28.-(1) Every person engaged in mortgage finance operations shall observe that:

- (a) loan to value ratio does not exceed eighty percent;
- (b) aggregate debt servicing to income ratio per borrower not exceeding forty percent; and
- (c) maximum tenure of any mortgage accommodation does not exceed twenty years.

(2) For the purposes of sub-regulation (1), the value of the mortgage property shall be the Forced Sale Value as determined by a registered valuer.

Operating  
conditions

29. Every person engaged in mortgage finance operations shall, at all times, operate in accordance with the following conditions-

- (a) maintain accounts in accordance with the International Accounting Standards;
- (b) follow the prevailing laws, regulations and guidelines made for the purposes of safeguarding against involvement in money laundering activities and other unlawful trades; and
- (c) grant a mortgage loan denominated in foreign currency when the applicant can evidence adequate and stable revenues in the currency concerned to meet his repayment obligations.

Significant  
policies and  
their contents

30.-(1) Every person engaged in mortgage operations shall prepare and submit to the Bank for review, its significant policies, including-

- (a) mortgage policy;
- (b) risk management policy;
- (c) operational policy;
- (d) liquidity policy; and
- (e) accounting policy.

(2) The mortgage policy under sub-regulation (1)(a) shall describe the mortgage products that may be offered and shall include –

- (a) the terms and conditions for issuing advances;
- (b) setting forth the standards that shall be used to manage mortgage risk in the products.
- (3) The mortgage policy shall, at a minimum:
  - (i) specify the underwriting criteria to be applied in evaluating applications for advances;
  - (ii) specify the levels of collateralization and valuation of collateral;
  - (iii) specify the standards and criteria for, and

- timing of, periodic assessments of the creditworthiness of borrowers, obligors, or other counterparties, and for the establishment of credit limits;
- (iv) specify risk acceptance policies and adequate risk management procedures over its mortgage lending activity, in line with the Risk Management Guidelines issued by the Bank;
  - (v) set mechanism to monitor conditions in mortgage market to ensure policies are aligned to current market conditions; and
  - (vi) discuss the standards and criteria for pricing products, including differential pricing of advances.

## PART VI

### INSIDER DEALINGS AND SINGLE BORROWER'S LIMIT

Monitoring of mortgage accommodation to insiders

31. Every person engaged in mortgage finance operations shall put in place systems that would enable to identify and monitor mortgage finance accommodation to its insiders.

Transactions with insiders

32. Every person engaged in mortgage finance operations is obliged to ensure that all transactions with its insiders are in such terms that are not more favorable than they may be available to others.

Mortgage Accommodation to Insiders

33.-(1) Every person engaged in mortgage finance operations shall not grant directly or indirectly any mortgage accommodation to any of its insiders unless the mortgage accommodation is unanimously approved by all members of the Board of Directors.

(2) For purposes of sub-regulation (1), the director or alternative director who stands to benefit from the mortgage accommodation shall not be given an opportunity to approve the mortgage accommodation.

(3) Where a person engaged in mortgage finance

operations grants a mortgage accommodation to an insider in accordance with provisions of subregulation (1), that person shall, within seven days from the date it grants the accommodation, notify the Bank.

Mortgage  
finance limit to  
single insider

34. The total amount of mortgage accommodation which a person engaged in mortgage finance operations may grant directly or indirectly to a single insider shall not exceed ten percent of its core capital.

Aggregate  
mortgage limit  
to insiders

35. The aggregate amount of mortgage accommodations which a person engaged in mortgage finance operations other than a bank or financial institution may grant directly or indirectly to its insiders or an insider who has ceased to be as such, shall not exceed twenty five percent of its core capital.

Single  
borrower's  
limit

36. The total amount of mortgage accommodation which a person engaged in mortgage finance operations may grant directly or indirectly to any person and his related parties other than insiders, shall not exceed twenty five percent of its core capital.

## PART VII

### CLASSIFICATION AND PROVISIONING OF MORTGAGE LOANS

Classification  
categories

37.-(1) Mortgage accommodations shall be classified into the following categories-

- (a) current;
- (b) especially mentioned;
- (c) substandard;
- (d) doubtful; and
- (e) loss.

(3) Non-performing mortgage accommodation shall include substandard, doubtful and loss categories and shall be classified according to the criteria prescribed in these Regulations.

(2) Every person engaged in mortgage finance operations shall apply both qualitative and quantitative criteria to all mortgage accommodations.

Classification  
by quantitative  
criteria

38. An outstanding mortgage accommodations reviewed by quantitative approach shall be classified in the manner specified in the Fifth Schedule.

Classification  
by qualitative  
criteria

39. Notwithstanding the provision of regulation 38, every person engaged in mortgage finance operations shall review qualitatively and classify such credit accommodations into current, especially mentioned, substandard, doubtful or loss.

Current  
classification

40. Current mortgage accommodations are those which do not have a greater than normal risk and do not possess the characteristics and weaknesses of classified mortgage accommodations as described in these Regulations.

Especially  
mentioned  
classification

41. Especially mentioned mortgage accommodations are those that are superior in quality to those classified as substandard, but which are potentially weak and thus require closer management supervision and include-

- (a) mortgage accommodations with technical defects and collateral exceptions such as:
  - (i) un-located collateral file and documents including but not limited to title papers and deeds, mortgage instruments and promissory notes;
  - (ii) unregistered mortgage instruments;
  - (iii) Collateral not covered by appraisal reports or appraisal whose reports are unallocated;
  - (iv) Mortgage accommodations where corresponding promissory notes or mortgage agreements where signed by a person other than the authorized officer of the borrowing firm;
  - (v) Mortgage accommodation secured by property the title to which bears an uncancelled lien or encumbrance;

- (vi) Collateral not insured or with inadequate or expired insurance coverage; and
- (b) Mortgage accommodations without credit investigation or analysis reports or updated credit information independently verified by the lender;
- (c) Mortgage accommodations that need the attention of management for special or corrective action or both. This group includes:
  - (i) Mortgage accommodations where efforts to collect are not evident or are deemed inadequate;
  - (ii) Mortgage accommodations granted beyond the discretionary limit of the approving authority;
  - (iii) Mortgage accommodations to borrower who frequently fails to respond to calls, visits or demand notices to pay.

Substandard classification

42. The basic characteristics of mortgage accommodations under substandard classification shall be:
- (a) mortgage accommodations which are non-performing;
  - (b) mortgage accommodations which possess the technical defects and weakness of mortgage accommodation categorized as especially mentioned and which have remained uncorrected for ninety days or more since the occurrence of deficiency; and
  - (c) mortgage accommodations, whether current or past due, which have become unsound due to absence of favorable track record showing borrower's financial responsibility.

Doubtful  
classification

43. Mortgage accommodations shall be classified as doubtful if they consist of the following characteristics:

- (a) mortgage accommodations classified as substandard in the last quarterly review without any significant improvement since then in terms of full payment of interest due among other things;
- (b) past due mortgage accommodations secured by mortgage title to which property is subject to an adverse claim rendering settlement of the debt through foreclosure doubtful or unviable; and
- (c) mortgage accommodations whose possibility of loss is extremely high but for certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until a more exact status is determined.

Loss  
classification

44. A Mortgage accommodation shall be classified as loss if they consist of the following characteristics:

- (a) mortgage accommodation classified as doubtful in the last quarterly review without any significant improvement for a long period;
- (b) mortgage accommodation to borrowers whose whereabouts are unknown, deceased or whose earning power is permanently impaired; and
- (c) mortgage accommodation considered as absolutely uncollectible.

Multiple  
mortgage  
accommodat  
ions

45. Where a person engaged in mortgage finance operations has granted more than one mortgage accommodation to a borrower or group of related parties, all such mortgage accommodations shall be assigned the least favorable classification given to any one of those mortgage accommodations.



|   |   |
|---|---|
| Security consideration                      | 46. The criteria for classifying mortgage accommodations shall apply without considering the type of security involved.   |
| Classification of other property and assets | 47. The classification of other property and assets owned or acquired in settlement of mortgage accommodations previously contracted, shall be classified as substandard, except the following which shall be classified as loss -<br>(a) the excess of the book value of the asset over the fair market value determined by independent professional valuation;<br>(b) the entire book value of an asset or property whose title is being contested in court or is definitely lost to another party;<br>(c) the entire book value of an asset or property which is not saleable;<br>(d) the entire book value of an asset or property which remains unsold after one year or more in the case of personal or movable property or three years or more, in the case of real property;<br>(e) the entire book value of an asset or property which a Housing Finance Company is deprived of actual possession or beneficial ownership or over which the Housing Finance Company is unable to exercise the usufructuary right; and<br>(f) the amount of accrued interest and collection expenses which were capitalized to form part of the value of the asset. |
| Classification of receivables               | 48.-(1) The classification of receivables shall, except for accrued interest receivable, be classified in the manner specified in the Sixth Schedule.<br>(2) Sundry debts and other accounts receivable arising from loans shall have the same classification as their respective loan accounts.  |
| Special non-distributable reserve           | 49.-(1) Notwithstanding the International Financial Reporting Standards, every person engaged in mortgage finance operations shall classify mortgage accommodations and other assets and establish specific provisions not less than those specified in these Regulations.<br>(2) Where the provisions computed in accordance with the International Financial Reporting Standards are less than those required under these Regulations, a special non-   |

distributable reserve shall be created through an appropriation of distributable reserves to eliminate the shortfall.

Minimum provisions

50.-(1) Every person engaged in mortgage finance operations shall maintain specific provisions for all mortgage accommodations and other risk assets which shall not be less than the following percentages of the outstanding balance consisting of principal, interest and any other charge and fee which have been capitalized in the following manner:

- |                          |                 |
|--------------------------|-----------------|
| (a) especially mentioned | five percent    |
| (b) substandard          | ten percent     |
| (c) doubtful             | fifty percent   |
| (d) loss                 | hundred percent |

(2) Every person engaged in mortgage finance operations shall establish adequate provisions to cover expected losses where they exceed the provisions established by the minimum percentages under sub-regulation (1).

Valuation of other assets

51. Every Housing Finance Company shall value and establish the necessary impairment in value all types of assets not specifically mentioned in these Regulations in accordance with International Financial Reporting Standards.

Review by Bank

52.-(1) The Bank shall periodically review the amount of allowance for probable losses.

(2) Where the amount of the allowance for probable losses established by a Housing Finance Company is found to be inadequate, the Housing Finance Company shall be required to increase that amount as directed by the Bank and furnish evidence thereto.

Accrual of Interest

53.-(1) Every person engaged in mortgage finance operations shall place on a non-accrual basis mortgage accommodations which are classified as substandard, doubtful or loss.

(2) Accrued but uncollected interest on mortgage accommodations placed on non-accrual basis shall be reversed and placed in suspense.

(3) Any mortgage accommodation placed on a non-accrual basis may be restored to an accrual basis upon full settlement of all delinquent principal and interest out of funds drawn from sources other than the Housing Finance Company.

Approval for  
annual  
provisions

54.-(1) Every Housing Finance Company shall seek prior approval of the Bank of its proposed annual provisions for probable losses before finalization of the annual accounts.

(2) The Housing Finance Company shall submit to the Bank the draft balance sheet, profit and loss account, including a detailed account of the provisions made when seeking approval under sub-regulation (1).

## PART VIII

### REPORTING AND DISCLOSURE REQUIREMENTS

Reports to be  
submitted to  
the Bank

55. Every person engaged in mortgage finance operations shall submit returns and reports to the Bank in the format and frequency prescribed by the Bank.

Publication of  
audited  
financial  
statements

56.-(1) The Housing Finance Company shall publish its annual audited financial statements at least once in every year in the newspapers of wide circulation in Tanzania in addition to its transmittal to the Bank.

(2) The annual audited financial statements shall be published within fifteen days after approval of the Board of Directors of the Housing Finance Company but not later than one hundred and five days after the end of the financial year.

(3) For purpose of this Regulation, financial year means calendar year.

## PART IX

### INTERNAL AND EXTERNAL AUDITORS REQUIREMENTS

Internal audit

57. Every Housing Finance Company shall have an Internal Audit Function whose head shall report directly to the Board of Directors through the audit committee.

Appointment  
of external  
auditors

58.-(1) Every Housing Finance Company shall, on annual basis, appoint an external auditor who is registered by the National Board of Accountants and Auditors and has no conflict of interest in the Housing Finance Company and shall notify the Bank within seven days of such appointment.

(2) Where a Housing Finance Company fails to appoint an external auditor under sub-regulation (1), or to fill any vacancy for an external auditor as required by may arise, the Bank may appoint, on behalf of the Housing Finance Company an external auditor and fix his remuneration which shall be paid by the Housing Finance Company.

(3) A Housing Finance Company shall, within ninety days from the date the position of external auditor falls vacant, appoint an external auditor to fill in the vacant position.

(4) An external auditor shall not audit the same Housing Finance Company for a continuous period that exceeds four years.

## PART X

### MISCELLANEOUS PROVISIONS

Prohibited activities

59. A Housing Finance Company shall not engage in any of the activities which-

- (a) attract or accept any deposit, or any account that is similar to a current account that can be debited by the customer by writing a cheque or requesting a payment order;
- (b) attract or accept any savings deposits;
- (c) attract or accept time or fixed deposit with a maturity of less than twenty four months; or
- (d) grant to any person any type of credit or loan other than mortgage finance as provided in these Regulations.

Sanctions

60. Without prejudice to any other penalty or sanction prescribed by the Act, the Bank may impose one or more of the following sanctions where any of the provisions herein are contravened-

- (i) money penalty on the Housing Finance Company and directors or officers or employees responsible for non-compliance in such amounts as may be determined by the Bank;
- (ii) prohibition from declaring or paying dividends;
- (iii) suspension of extension of new mortgage accommodations;
- (iv) suspension of capital expenditure;
- (v) suspension of the defaulting director, officer or employee from office;
- (vi) disqualification from holding any position or office in any institution under supervision of the Bank; and
- (viii) suspension from carrying out mortgage finance operations in Tanzania.

Extension  
period for  
compliance

61. Where, on the effective date of these Regulations, any person engaged in mortgage finance business is not in compliance with any provisions of these Regulations, the Bank may, where it considers necessary, extend the period for compliance with any of such Regulations.

FIRST SCHEDULE

[Regulation 3]

CRITERIA FOR DETERMINING THE CHARACTER AND EXPERIENCE REQUIRED FOR A MEMBER OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT OF A HOUSING FINANCE COMPANY

- 1 In order to determine, for the purpose of these Regulations, the character and moral suitability of persons proposed to be members of the Board or senior management, the Bank shall have regard to the following qualities, in so far as they are reasonably determinable, of the person concerned:-
  - (a) adequate education background;
  - (b) general character;
  - (c) professional skills, competence and soundness of judgment for the fulfilment of the responsibilities of the office in question; and
  - (d) the diligence with which the person concerned is likely to fulfil those responsibilities.
  
- 2 For the purpose of and without prejudice to the generality of the provisions of paragraph 1, the Bank may have regard to the previous conduct and activities of the person concerned in the business or financial matters and, in particular to evidence that such person-
  - (a) has committed any act of bankruptcy;
  - (b) was a director or in a senior management position of a company that has been liquidated or is under liquidation or statutory management;
  - (c) has committed or been convicted of the offence of fraud or any other offence of which dishonesty is an element;
  - (d) has contravened the provision of any law designated for the protection of members of the public against financial loss due to the dishonesty or incompetence of, or malpractices by, persons engaged in the provision of mortgage financing, banking, insurance, investment or other financial services.
  
- 3 Any other criteria, which the Bank may prescribe, from time to time.
  
- 4 The following documents shall be submitted to the Bank with respect to each proposed director and senior management team, together with other documents the Bank may require-
  - (a) detailed curriculum vitae;
  - (b) certified copies of academic and professional certificates;
  - (c) Photocopy of the pages of the passport which contain personal information including photograph, nationality, date and place of birth and issuer of the passport;
  - (d) two certified passport size photographs; and
  - (e) references from two persons who are not relatives, vouching for good moral character, integrity and performance.

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SECOND SCHEDULE

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(Regulations 5 and 8)

GENERAL GUIDELINES FOR PREPARATION OF BUSINESS PLAN

1. The business plan shall be prepared by the promoters and shall be reviewed by the Bank to determine whether approval shall be given to operate a mortgage finance business. The plan shall identify the company's markets, its proposed services, management capabilities, growth plan, and strategies for profitability.
2. The business plan shall present data, which accurately reflect the economic condition of the delineated market and address statutory and regulatory changes, which may affect the operations of the company. Proposal should reflect the realities of the market place.
3. A business plan shall contain sufficient information to demonstrate that the company has reasonable likelihood of success. In this regard a detailed listing of all assumptions such as used in preparing the business plan shall be attached to the submission (e.g. a margin analysis and cost of funds). Therefore, organizers shall ensure that the business plan projections are well supported and goals and objectives are properly defined on initial submission.

Market Analysis

4. Analyse the market to be served. Describe the market in which you expect to provide services in terms of economic characteristics for example size, income and industry patterns. Include anticipated changes in the market, the factors influencing those changes, and the effect they will have on the proposed company. To the extent necessary for making business decision, describe differences in the product market to be served for example, differences in the depository, credit and mortgage market. Analysis shall be based on use of the most current economic data available. Sources of information used are reviewed for credibility and are important in reviewing the data.
5. Analyse the competition. List the competitors inside the market to be served, those outside who might affect the markets served and any potential competition. Give your perception and analysis of the market strategies and expected results in terms of relative strength, market shares and prices.
6. Explain the strategies you shall follow to capture a share of each product market and the results you expect to achieve. Use a sample format to present a summary of your expectations.

Plans and Objectives

7. Review major planning assumptions used in the analysis and in setting the plans and objectives for a new company. Include at least the following market growth, interest rates, cost of funds and competition.
8. Projections shall show the expected asset and liability mix, volume for each type of services, fixed asset investments and officer and staff remuneration. Projections shall be based on the planning assumptions which shall be submitted as part of the application, market analysis, and strategies discussed above. Discuss the advantages and disadvantages of the proposed asset

and liabilities mix, including a net interest margin analysis, and any actions which may be taken to reduce major risks through appropriate funds management techniques and systems.

9. Discuss the formula or basis used to arrive at the proposed capital structure and an explanation of why the promoters believe the proposed amount is sufficient in light of given market factors, strategies, and expenses. Promoters are expected to raise an amount sufficient to effectively compete in the market and adequately support planned operations in addition to all organizational expenses. The Bank may require a higher amount to maintain capital adequacy to support operations projected through the end of the company's fourth year.
10. Discuss plans for raising capital initially and to finance growth within the first four years.

#### Policy and Procedures

11. Policies are a set of broad statements establishing the concept and objective parameters for type, limits for maturities, pricing criteria and standards to be fulfilled by lessees, aggregate and individual concentration limits, and authority and procedures for collection and charge-offs.
12. Manual must be prepared comprising of detailed guidelines for implementing the stated policies. The manual generally may address proper lessee's financial information; files maintenance; enforcement of repayment schedules; and periodic review and other reports to be generated and distributed.
13. Policies and manuals need to cover all the steps of administration which include initiation, investigation and analysis, procedures for approval, renewals and extensions, documentation and procedures for re-possession.
14. The structure shall in principle reflect the nature and scope of the intended activities of the company and the mechanism by which the management envisages to govern the company and to monitor as to what extent the objectives of the company are achieved.
15. The structure shall show the relationships between the board and management. It should also show the composition of various departments of the company. The structure should also indicate the number of staff envisaged for each unit. Units such as internal audit, legal services and others shall be indicated.
16. The promoters shall be able to show the names of specific persons that are envisaged to take certain key positions in the company. If the actual persons cannot yet be identified, promoters shall indicate the requirement clearly in terms of training, experience and personal characteristics.
17. Promoters are required to disclose how the proposed a Housing Finance Company will develop the professional and technical skills of their staff and Tanzanians will be employed, trained and occupy positions of senior or managerial ranks in the company. All future plans shall be indicated.

#### Financial Projections

18. Promoters shall prepare projected balance sheets, income statements and cash flow statements. Promoters shall submit statements that reflect their assets, liabilities, and capital projections for the number of years projected to reach profitability; however, a minimum of four years shall be displayed.



THIRD SCHEDULE

(Regulation 9]

The Governor  
Bank of Tanzania  
P.O. Box 2939  
Dar es Salaam  
TANZANIA

Re: Application for a Licence to carry out Mortgage Finance business

Sir,

We, the undersigned, hereby apply for a License to carry out Mortgage Finance business in Tanzania to be known as \_\_\_\_\_ with principal place of business at \_\_\_\_\_

The proposed Housing Finance Company shall have an authorized share capital of \_\_\_\_\_ Tanzanian shillings and paid up capital of \_\_\_\_\_ Tanzanian shillings which shall be contributed by the following subscribers:

Subscribed Shares

|     | Name of Subscriber | Number | Amount | Amount Paid-up | Percentage of Ownership |
|-----|--------------------|--------|--------|----------------|-------------------------|
| 1.  | _____              | _____  | _____  | _____          | _____                   |
| 2.  | _____              | _____  | _____  | _____          | _____                   |
| 3.  | _____              | _____  | _____  | _____          | _____                   |
| 4.  | _____              | _____  | _____  | _____          | _____                   |
| 5.  | _____              | _____  | _____  | _____          | _____                   |
| 6.  | _____              | _____  | _____  | _____          | _____                   |
| 7.  | _____              | _____  | _____  | _____          | _____                   |
| 8.  | _____              | _____  | _____  | _____          | _____                   |
| 9.  | _____              | _____  | _____  | _____          | _____                   |
| 10. | _____              | _____  | _____  | _____          | _____                   |
| 11. | _____              | _____  | _____  | _____          | _____                   |
| 12. | _____              | _____  | _____  | _____          | _____                   |
| 13. | _____              | _____  | _____  | _____          | _____                   |
| 14. | _____              | _____  | _____  | _____          | _____                   |
| 15. | _____              | _____  | _____  | _____          | _____                   |
| 16. | _____              | _____  | _____  | _____          | _____                   |
| 17. | _____              | _____  | _____  | _____          | _____                   |
| 18. | _____              | _____  | _____  | _____          | _____                   |
| 19. | _____              | _____  | _____  | _____          | _____                   |
| 20. | _____              | _____  | _____  | _____          | _____                   |
|     | Total              |        |        |                |                         |

We jointly and severally make a firm commitment to deposit the total amount of paid up capital for the proposed Housing Finance Company with any bank registered in Tanzania such deposit to be made not later than thirty days after grant of this application.

In support of this application, we submit herewith the documents listed in the accompanying checklist. We certify the correctness of all the information indicated in such documents to the best of our knowledge and belief.

We hereby authorize the Bank of Tanzania and any of its authorized agents or staff members to make an enquiry or obtain any information from any source for the purpose of determining the correctness of all the representations made in connection with this application or of assessing its merits.

To facilitate communication between us, we have authorized ..... to represent all of us in regard to this application. It is understood that any notice to him shall constitute sufficient notice to all of us.

Enclosed is a cheque for three million Tanzanian Shillings being payment of our application fee.

Yours faithfully,

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

—————  
FOURTH SCHEDULE  
—————

[Regulation 11]

CHECKLIST OF DOCUMENTS

1. Letter of application in the prescribed form.
2. Proposed Memorandum and Articles of Association.
3. Proof of source and availability of funds for investment as capital of the proposed company.
4. List of subscribers and proposed members of board of directors and Chief Executive Officer.
5. Proof of citizenship of every subscriber and every proposed director and senior management officer. This includes detailed curriculum vitae, photocopy of the pages of the passport which contain personal information and two recent passport size photographs.
6. Audited balance sheet, income statement and cash flow for the last three years, of every subscriber who owns five per cent or more of the share capital of the proposed Housing Finance Company
7. Certified copies of annual returns of every subscriber who owns five per cent or more of the share capital of the proposed company and every proposed member of the board of directors and Chief Executive Officer together with accompanying schedules or financial statements filed during the last three years with relevant Authority.
8. Certified copies of tax returns of every subscriber who owns five per cent or more of the share capital of the proposed company and every proposed member of the board of directors and Chief Executive Officer together with accompanying schedules or financial statements filed during the last three years with relevant Tax authorities together with respective tax clearance certificates.
9. Statements from two persons who are not relatives vouching for the good moral character and financial responsibility of the subscribers who own five per cent or more of the share capital of the proposed company and the proposed directors and Chief Executive Officer.
10. Declaration that the funds to be invested have not been obtained criminally or associated with any criminal activity.
11. Business plan for the first four years of operations including the strategy for growth, branch expansion plans, dividend payout policy, career development programme for the staff and budget for the first year.
12. Projected annual balance sheets, annual income statements and annual cash flow statements for the first four years of operation.
13. Brief description of economic benefits to be derived by Tanzania and the community from the proposed company.

FIFTH SCHEDULE

(Regulation 38)

| <b>Days Past Due</b> | <b>Classification</b> |
|----------------------|-----------------------|
| 91-180               | Substandard           |
| 181-270              | Doubtful              |
| 271 and more         | Loss                  |

SIX SCHEDULE

(Regulation 48)

| <b>Days Past Due</b> | <b>Classification</b> |
|----------------------|-----------------------|
| 31-60                | Especially mentioned  |
| 61-90                | Substandard           |
| 91-180               | Doubtful              |
| 181 or more          | Loss                  |

Dar es Salaam  
..... April, 2011

BENNO J. NDULU,  
*Governor*