



HOW TO OBTAIN A MORTGAGE BANK LICENSE IN NIGERIA

Description

Obtaining a primary mortgage bank (PMB) license in Nigeria is governed exclusively by the Central Bank of Nigeria (CBN) under its Mortgage Banking Guidelines (CBN/NG/MBG/01/2019) and the Banks and Other Financial Institutions Act (BOFIA) 2020. Applicants must incorporate as a public company, satisfy stringent corporate-governance and fit-and-proper criteria, escrow substantial capital (₦8 billion for national, ₦5 billion for state PMBs), and submit a detailed feasibility study, business plan, compliance manuals, and directors' credentials. Non-refundable fees include ₦1 million application and ₦2 million licensing fees. The CBN conducts due diligence within 90 days for Approval-in-Principle (AIP), followed by a compliance check before final license issuance, total process: 6–9 months. Applicants must also budget for stamp duties (0.375% of secured amount) and legal/consultancy fees. Common misconceptions include underestimating capital requirements and confusing PMBs with commercial banks.

License Category	Minimum Paid-up Capital	Application Fee	Licensing Fee	Total CBN Fees
National PMB (multi-state)	₦8,000,000,000	₦1,000,000	₦2,000,000	₦3,000,000
State PMB (single state/FCT)	₦5,000,000,000	₦1,000,000	₦2,000,000	₦3,000,000

1. Regulatory Framework

1.1 Governing Laws

- **Banks and Other Financial Institutions Act (BOFIA) 2020** empowers CBN to license and supervise mortgage banks.
- **CBN Mortgage Banking Guidelines (CBN/NG/MBG/01/2019)** detail licensing, capital, governance, and operational requirements.

1.2 Responsible Agency

The **Central Bank of Nigeria (CBN)**, through its Banking Supervision Department, is the sole MDA for issuing PMB licenses, conducting due diligence, and enforcing post-license conditions.

2. Eligibility & Corporate Requirements

2.1 Corporate Structure

- Incorporate as a **public limited company** under the Companies and Allied Matters Act (CAMA).
- Minimum **seven (7)** and maximum **twelve (12)** directors; non-executives must outnumber executives.
- Board must include a **Managing Director** and **Finance Director**, each satisfying CBN's fit-and-proper criteria.

2.2 Capital Requirements

Category	Minimum Paid-up Capital	Source
National PMB	₦8,000,000,000	CBN/NG/MBG/01/2019
State PMB	₦5,000,000,000	CBN/NG/MBG/01/2019

- Capital must be **escrowed** with CBN via NIBSS and will be released (20%) for pre-operational expenses post-AIP.

3. Step-by-Step Application Procedure

3.1 Pre-application Preparation

1. Engage Legal & Technical Consultants to draft:

- Feasibility report & five-year financial projections
- Compliance/manual of operations
- Corporate governance framework.

2. **Board Resolution** approving application and delegated signatories.

3.2 Submission for Approval-in-Principle (AIP)

- **Address:** Governor, Central Bank of Nigeria, Banking Supervision Department.
- **Form MBG-01:** Completed application form (downloadable from CBN website).
- **Non-refundable Application Fee:** ₦1,000,000 payable by bank draft to CBN.
- **Attach:** See Section 4 documentation.

3.3 CBN Review & AIP Issuance

- **Timeline:** CBN communicates AIP status within **90 days** of receipt.
- **Conditions:** AIP letter stipulates conditions (e.g., finalising incorporation, meeting capital escrow).

3.4 Post-AIP Actions & Final License

1. **Incorporate** with CAC only after AIP; submit AIP copy to CAC .
2. **Submit** final documents (share certificates, audited statement of affairs, employment letters).
3. **Pay Non-refundable Licensing Fee:** ₦2,000,000.
4. **CBN Compliance Check & Inspection;** final license granted within **1-2 months** after full compliance.

4. Required Documentation

Document	Authority/Source	Notes
AIP application form (MBG-01)	CBN website	Duly signed
Feasibility report & five-year projections	External consultant	Detailed assumptions
Memorandum & Articles of Association (draft)	CAC	Certified true copy
Board resolution	Company Secretary	Authorising application
Shareholders' register & share certificates	CAC	CTCs and originals
Evidence of capital escrow (NIBSS)	CBN	Bank statements

Document	Authority/Source	Notes
Manual of operations & compliance manual	Internal compliance	
Directors' CVs, IDs, BVNs, credit-bureau reports	Company	Two credit reports per director
Tax clearance certificates (3 years)	FIRS	
Auditor's report on paid-up capital	External auditor	Covering 6 months before & 3 months after deposit

5. Fees & Other Costs

Cost Item	Amount (₦)	Authority/Calculation
Application Fee	1,000,000	CBN Mortgage Guidelines
Licensing Fee	2,000,000	CBN Mortgage Guidelines
Escrowed Capital (National)	8,000,000,000	CBN Mortgage Guidelines
Escrowed Capital (State)	5,000,000,000	CBN Mortgage Guidelines
Stamp Duty on Security Documents (0.375%)	30,000,000–45,000,000	Stamp Duties Act; ad valorem on capital escrow
CAC Filing & Incorporation Fees	85,000 for 1st Million–30,000 for subsequent Millions	CAC schedule
Legal & Consultancy Fees	50,000,000–150,000,000	Market estimate
Tax Clearance Processing	50,000	FIRS
Total Estimated Outlay	≈₦8.05 billion (state) / ≈₦13.2 billion (national)	Includes all fees & escrowed capital

6. Expected Timeline

Stage	Duration
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Preparation of documents	1–2 months
Submission & AIP review	3 months
Incorporation & final documentation	1 month
Final CBN compliance inspection	1–2 months
Total	6–9 months

7. Common Misconceptions

Misconception	Reality
“PMB license = commercial bank license”	PMBs cannot operate current or savings accounts; they only grant long-term mortgage loans.
“Capital requirement is ₦2 billion”	Updated CBN guidelines require ₦8 billion (national) or ₦5 billion (state).
“Application fee covers all costs”	₦1 million fee is only for AIP; licensing, capital escrow, stamp duties, and consultancy are separate.
“Can start operations immediately after AIP”	Must incorporate, satisfy post-AIP conditions, pay licensing fee, and pass compliance inspection before operations.
“No stamp duty required for capital escrow”	Security and share instruments attract 0.375% ad valorem stamp duty under Stamp Duties Act.

8. Frequently Asked Questions

Q1: What is Approval-in-Principle (AIP)?

A: AIP is CBN’s conditional go-ahead, issued within 90 days of application, allowing incorporation and partial capital release.

Q2: Can foreign investors hold equity in a PMB?

A: Yes, subject to CBN’s foreign-exchange regulations. Foreign shareholding must comply with BOFIA limits and capital requirements.

Q3: Are PMBs allowed to accept deposits?

A: No. PMBs fund mortgage loans through term borrowings, NHF funds, and shareholders’ equity, not demand deposits.

Q4: What collateral is required for capital escrow?

A: Funds must be deposited in CBN's escrow account via NIBSS; no other collateral accepted.

Q5: How soon can I access National Housing Fund (NHF)?

A: After final license and separate CBN clearance, PMBs may apply to Federal Mortgage Bank of Nigeria for NHF disbursement.

9. Conclusion

Securing a mortgage bank license in Nigeria is a capital-intensive, documentation-driven process strictly regulated by the CBN under BOFIA 2020 and the Mortgage Banking Guidelines (CBN/NG/MBG/01/2019). Prospective operators must escrow substantial capital, comply with corporate-governance and fit-and-proper criteria, and budget for fees and stamp duties. By following the detailed steps; preparing robust feasibility studies, timely submissions, and adherence to post-AIP conditions, applicants can navigate the 6–9-month process successfully, contributing to Nigeria's housing finance ecosystem.

Category

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