



## REPUBLIC OF KENYA

### THE NATIONAL TREASURY

# GUIDELINES FOR APPLICATION OF STATE OFFICERS HOUSE MORTGAGE SCHEME FUND

## **I Introduction**

The State Officers House Mortgage Scheme Fund (SOHMSF) was established vide Legal Notice 23 of 6<sup>th</sup> March 2015 under the Public Finance Management Act (No. 18 of 2012). The objective of and purpose of which the SOHMSF is established shall be to provide a loan scheme for the purchase or development of property by State Officers.

## **II Terms and conditions of Granting a Mortgage Loan**

The terms and conditions of the Fund shall include;

1. The applicant (borrower) must be a serving State Officer in the National Government (excluding Judiciary and Parliament).
2. Where a borrower ceases to be a State Officer before repayment in full he/she will continue repaying for the mortgage loan as stipulated in the regulations
3. The borrower will take and maintain a mandatory life insurance policy and a fire insurance policy.
4. The applicant (borrower) must demonstrate their ability to repay the loan.
5. The plot or house being purchased should be in Kenya.
6. The title deed of the property being financed must be surrendered to the Administrator of the SOHMSF for charging and safe keeping until the loan is paid in full.
7. The applicant (borrower) shall provide an official search of the title to the property intended to be purchased or developed.

8. The applicant (borrower) shall provide a certified copy of the Sale Agreement relating to the property being purchased.
9. The applicant (borrower) shall provide current valuation report on the property being financed from a registered valuer.
10. For a construction loan, the applicant (borrower) must do the following:-
  - i) Have a title deed to the plot being developed free of any encumbrances.
  - ii) Provide evidence that the remaining lease period for the property to be financed is not be less than forty five (45) years.
  - iii) Make an application to the officer administering the Fund which shall be accompanied by:-
    - a) Approved Copies of the designs of the proposed residential property duly approved by the County Authority within whose area it is to be situated.
    - b) Priced Bills of Quantities in respect of the proposed development prepared by a registered Quantity Surveyor.
  - iv) Undertake to have the construction to be supervised at his/her cost by relevant Professionals appointed by the Administrator of SOHMSF
  - v) Allow access to SOHMSF technical staff or their agents to verify the quality and level of Construction.
11. The development loan will be released to the applicant (borrower) in installments based on the levels of construction.
12. A maximum of 25% of the cost of construction will be advanced as the first installment. Subsequent disbursements shall be based on the rate of completion of the various phases of development as certified by a registered Valuer.
13. The applicant (borrower) will be required to pay 10% of the purchase price or cost of development or values of improvement or the approved thresholds in form of RTGS notification or a deposit slip in the designated bank account of the Fund.
14. The SOHMSF will grant Mortgage loans based on approved thresholds.
15. The mortgage loan applications for State Officers will be processed on first come first served basis upon return of the duly completed application form.

### **III Application Procedure**

#### **(a) Application to the Administrator of SOHMSF**

It is only Serving State Officers who are eligible to apply for the loans. The application procedure will include:-

- 1) The Administrator of SOHMSF will certify the eligibility of the applicant (borrower (s)) before issuing a serialized application form to the interested applicant (borrower (s)).
- 2) Interested applicant will pay a non-refundable application fees of Kenya Shillings one thousand (Ksh.1000.00) only in the designated account of the Fund.
- 3) Interested applicant (borrower (s)) to apply by filling an application form for the loan and return it to the Administrator of SOHMSF with proof of payment of the ten per cent (10%) of the selling price or cost of development or value of improvement or the approved thresholds in form of RTGS notification or a deposit slip in the designated bank account of the Fund.
- 4) The administrator of the SOHMSF will receive and serialize duly completed application forms with all the required attachment from the eligible applicants on first come first served basis for further evaluation.
- 5) The Administrator of the SOHMSF will undertake an evaluation of the applications to ascertain if they meet all the requirements for financing.
- 6) The list of eligible applicant (borrower) will be forwarded with recommendations to the mortgage Finance Institutions.

#### **(b) Application to the Mortgage Finance Institution.**

- 1) The recommended applicant (borrower) will formally apply for the loan with the mortgage finance institution.
- 2) The application will be subjected to the appraisal criteria among other normal lending requirements by the mortgage finance institution.
- 3) On approval of the application, the applicant (borrower) will be informed accordingly as the funds are disbursed to him/her.
- 4) Rejected applications will be returned to the Administrator of the SOHMSF with reasons for their rejection.

#### **IV Responsibilities of the State Officer**

- 1) Submit application form duly filled in b (i) above to the Mortgage Finance Institution.
- 2) Provide all the necessary documents required.
- 3) Identify property and negotiate the sale price with the owner.
- 4) Sign Sale Agreement.
- 5) Pay 10% deposit to the Mortgage Finance Institution or property owner.
- 6) Sign Acceptance letter.
- 7) Execute the charge documents.
- 8) Pay all fees and charges.
- 9) Open a special Mortgage related account with the Mortgage Provider.
- 10) Ensure that the monthly mortgage/loan repayment is made not later than the 10<sup>th</sup> day of the following month to avoid penalty charges for late remittances.
- 11) Meet any other requirements of the Administrator of the Fund as agreed with the Mortgage Finance Institution.

#### **v Costs to be met by the State Officer**

These are some of the costs that will be met by the State Officer;

- 1) Insurance for Mortgage protection
- 2) Insurance against fire and related perils
- 3) Ledger fees
- 4) Penalties on late remittances
- 5) Interest arrears
- 6) Appraisal fee
- 7) Legal fees
- 8) Valuation fees
- 9) Building Approval fees
- 10) 10% contribution by Applicant (borrower)
- 11) Stamp Duty
- 12) Land Rates
- 13) Ground Rent

- 14)Registration Fees
- 15)Architectural Fees
- 16)Quantity Surveyor Fees
- 17)Any other costs

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