

LOAN ASSISTANCE GUIDELINES



Content



- 1.0** Key Principles
- 2.0** Borrowers Eligibility and Requirements
- 3.0** Project Eligibility and Requirements
- 4.0** Financial Terms and Conditions Procedure for making loans
- 5.0** Procedure for making loans
- 6.0** List of supporting documents
- 7.0** Contact information

1.0 KEY PRINCIPLES

The following key principles govern FHFL Loan Financing:



Eligible Entities: FHFL may only provide loan to registered corporate entities (public or private) whose Memorandum and Article of Association permit it to carry out housebuilding business and who meet FHFL's eligibility criteria.



Eligible Projects: FHFL will only finance social housing projects which meet set out eligibility criteria, particularly in relation to target beneficiaries, costs, environmental and social impact and risk rating;



Partnership: FHFL financing decision will be made within the context of a partnership with the developers. This implies recognition and commitment to the goals and objective of the Fund particularly our focus on housing people on low income and job creation;



Distribution: FHFL seeks to complete projects in every state of the federation.



Viability: FHFL will only support projects which are financially viable. Projects must reasonably demonstrate that receipts from the project will be sufficient to pay any loans advanced by FHFL.

2.0 BORROWERS ELIGIBILITY AND REQUIREMENTS

2.1 Eligible Borrowers

Subject to meeting other requirements, FHFL will consider financing projects promoted by eligible borrowers. Eligible borrowers are in 2 categories:

a) *Public Sector Borrower* – defined as:

- The Federal Government, any of the 36 State Governments and the Federal Capital Territory of the Republic of Nigeria;

- An appropriate agency of the Federal Government, any of the 36 State Governments and the Federal Capital Territory of the Republic of Nigeria;

- Co-Operatives and or associations representing public sector workers except where its operations and decision making are entirely independent.

b) *Private Sector Borrower* - defined as any other entity incorporated in the Federal Republic of Nigeria including corporations, developers, non-governmental organisations, joint venture partnerships etc;

2.2 Borrower Requirements

All borrowers are required to meet the following eligibility requirements:

a) Be registered with the Corporate Affairs Commission to carry out housing development and related business or in the case of public sector borrowers, possess appropriate authorization and or approval to enter into a loan agreement. This may be legislative approvals, specific executive authority/decisions or indicated in relevant instruments;

b) Have previous experience of or demonstrate capacity required to execute a housing development project of the nature and scale being contemplated;

c) Have and show proof of own financial capacity to meet project costs not covered by FHFL financing particularly pre-development, pre-sale and statutory approval costs;

d) Have project land which meet FHFL Site Selection Criteria and is transferrable to FHFL simultaneously on completion of a Loan Agreement;

e) Where necessary, have evidence of compliance with relevant statutory requirements including tax returns;

f) Meet FHFL Know your Customer (KYC) requirements.

3.0**PROJECT ELIGIBILITY AND REQUIREMENTS****3.1 Project Eligibility**

To be eligible for financing by FHFL, project proposals must meet the following requirements:

3.1.1 Project Beneficiaries/Target

Beneficiaries of the project or aspects of it requiring FHFL financing must be predominantly on low to medium income. FHFL will publish Target Cost Indicators (TCIs) periodically to provide guidance. FHFL will generally not provide financial support for projects exceeding current Target Cost Indicators.

3.1.2 Project Scope

Project Proposals must be for a minimum of 250 homes including all necessary service infrastructure and social amenities required for a sustainable community, including but not limited to roads, electricity, water.

3.1.3 Project Site

a) The project site must comply with FHFL's site selection criteria, evidence of detailed site assessment by suitably qualified professional should be provided. The Site Selection Criteria is available on our website. (www.fhfl.com.ng)

b) Project Proposals should provide evidence of legal ownership and/or control of the project site including willingness to transfer same to FHFL as collateral for its financing;

c) Evidence that the project site has received or is eligible to receive planning and other statutory approvals for the type of project proposed should be provided;

3.1.4 Technical Requirements and Standards

Projects must comply with FHFL Project Development Standards as published and or revised from time to time except where waivers are obtained in writing. FHFL Independent Project Managers will certify compliance. A copy of the Standards is available on our website.

3.1.5 Social and Environment Considerations

Projects must comply with FHFL's Social and Environmental Management Policy as published from time to time. Specifically, and for emphasis, all projects funded by FHFL shall:

To be eligible, projects must comply
or have potential to comply with
FHFLs Social & Environmental
Management Policy as published
from time to time

a) Comply with relevant statutory requirements and achieve prior to disbursement of any funds, written approval by the relevant authorities;

b) Ensure the safety of workers involved in the construction works including but not limited to provision of protective clothing, safety equipment and gadgets, sanitation facilities, appropriate insurance etc;

c) Comply with local labour laws and ensure that no worker employed receives below the minimum wage as prescribed from time to time by the Government of Nigeria and child labour is not employed under any circumstances;

d) Promote equal opportunities for all, irrespective of gender, race or other considerations with regard to employment of workers and sale/lease of completed homes;

e) Exclude land that has been expropriated without compensation or where there has been forceful eviction;

f) Demonstrate potential to create jobs and demonstrate preference for locally manufactured inputs.

3.1.6 Eligible Costs

a) Only the following project costs will be eligible for financing from FHFL:

- Building Construction works
- Associated Infrastructure including Estate Roads, Water, Sewage and Power.

b) FHFL will not generally provide finance for:

- Third party land acquisition and associated costs.
- Third party professional Fees

3.1.7 Financial Viability

Eligible projects should provide information on financial viability.

3.1.8 Project Exit

Eligible project proposals must provide confirmed exit strategies. For housing projects for sale, proposals must pre-identify target purchasers, proof of eligibility, home financing undertakings and proof of affordability.

3.1.8 Project Timescale

FHFL lending is generally disposed to projects (or agreed phases) which can be exited (start to completion of last unit sale) within a maximum of 36months.

4.0**FINANCIAL TERMS
AND CONDITIONS**

The terms and conditions of a FHFL Loan through the Affordable Housing Fund will be appropriate to the project structure with a view towards preserving FHFL's resources and portfolio quality.

4.1 General Principles

The project must be financially sound and achieve impact in accordance with the Social and Environmental Management Objectives. Also demonstrate the ability of borrower and guarantor to meet their obligations under the loan agreement.

4.2 Maturities

4.2.1 FHFL may offer maturities up to 3 years depending on individual project requirements.

4.2.2 Grace periods for principal repayments are negotiable but should cover the anticipated project construction phase.

4.3 Currency

All FHFL financial assistance to borrowers shall be contracted in Nigerian Naira (N)

4.4 Fees

4.4.1 Interest on outstanding balances will be accrued and payable on completion of project construction and sales phase.

4.4.2 Appraisal Fee - FHFL will charge a nominal fee to cover pre-financing review of loan requests.

4.4.3 FHFL may charge other fees as may be deemed appropriate by the Board of Directors from time to time.

All loans made by FHFL must offer a demonstrable and reasonable assurance of repayment

4.5 Demonstrable and Reasonable Assurance of Repayment

All loans made by FHFL must offer a demonstrable and reasonable assurance of repayment, that the borrower will be able to repay the loan in accordance with the loan repayment schedule. Indicative capacity of the project to generate sufficient revenues through Sales to service its debt.

4.6 Security

4.6.1 Loans from FHFL must be secured with project cash flows including earnings from the sale of completed homes or other project earnings.

4.6.2 FHFL may also require borrowers to secure their loan with other project assets, including the following;

- a) A mortgage on fixed assets (land, plant, and other buildings),
- b) A mortgage on or security interest in movable assets (equipment, other business assets)
- c) A pledge of a project sponsor's share in the project, and the assignment of the sponsor's insurance policies and other contractual benefits.

The value of the security must at all times be greater than the FHFL loan outstanding. In order to ensure that the value of project security is properly maintained, FHFL will inspect the security as frequently as it deems necessary.

4.7 Other Guaranties

4.7.1 FHFL must be protected against project performance and completion risks through appropriate guaranties. FHFL may require limited or general guaranties or bonds from project sponsors, borrowers, equity investors, contractors, suppliers, operators or other relevant parties to guarantee technical, operational, or financial performance and completion of a project.

4.8 Use of Loan Proceeds

Proceeds of any loans made by FHFL are to be used only for the purposes for which the loan was granted with due attention to considerations of economy and efficiency.

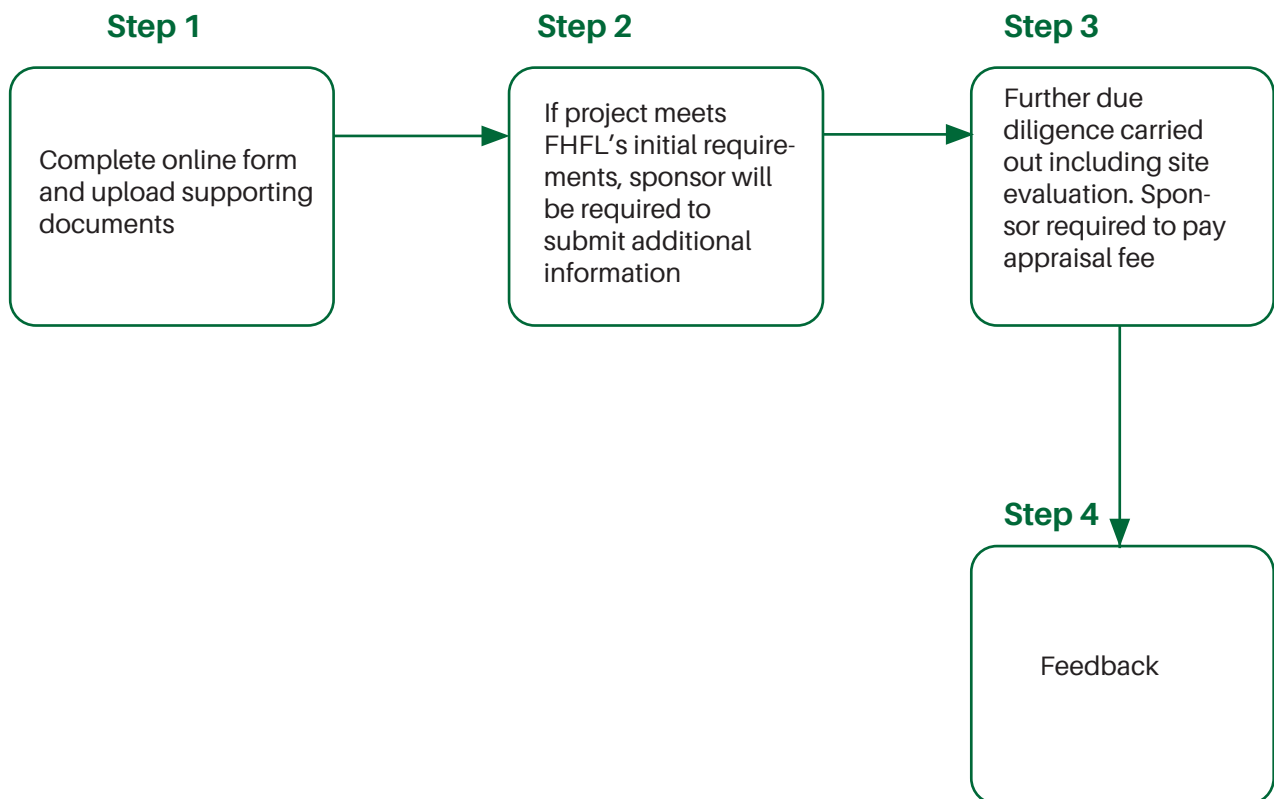
4.9 Other terms and Conditions

In making loans, FHFL shall have the power to determine any other terms and conditions it deems necessary to ensure a demonstrable and reasonable assurance of repayment of such loans.

5.0 PROCEDURE FOR MAKING LOANS

Once a project sponsor has determined that their project is eligible for a FHFL loan and that it is appropriate for them, they may apply for project financing. FHFL will work on a cooperative basis with the project sponsor to ensure that all requirements for financing are addressed in a timely manner.

5.1 Application Process



Once a project sponsor has determined that their project is eligible for a FHFL loan and that it is appropriate for them, they may apply for project financing.



6.0 LIST OF SUPPORTING DOCUMENTS

- Copy of Title Documentation
- Preliminary drawing
- Preliminary development cost (funding requirement summary)
- Development agreement (where applicable)
- Company Profile detailing;
 - List of directors and beneficial owners
 - Company registration details
 - Records of experience of executing similar projects, personnel etc
 - Tax information
 - Evidence of Statutory contribution (Pension, ITF, etc)
- Proposed marketing strategy with necessary evidence



7.0 CUSTOMER SERVICES

FHFL is committed to offering the highest standards of customer service. In that regard, we aim towards achieving financial close on loan requests within 90 working days of receipt of a full set of documentation.

FHFL operates a Complaints Policy. If you have a complaint about how we have managed your request, please write:

**The Managing Director
Family Homes Funds Ltd**
3rd Floor Sinoki House,
Samuel Ademulegun Avenue,
opp. Fed. Min. of Transport,
Central Business District - Abuja

www.fhfl.com.ng
info@fhfl.com.ng

0906 000 8043



500,000 HOMES
1.5 MILLION JOBS
**CHANGING
LIVES**

FOR MORE INFORMATION

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