

**CIRCULAR LETTER
CL13052021**

13 May 2021

**The Chief Executive Officers and Managing Directors
All Insurers**

Dear Sir/ Madam

GUIDELINES FOR MORTGAGE UNDERWRITING PRACTICES AND PROCEDURES

1. The Financial Services Commission, Mauritius (the “FSC”) refers to the ‘Guidelines for Mortgage Underwriting Practices and Procedures’ (the “Guidelines”) issued on 13 May 2021 under sections 7(1) (a) of the Financial Services Act and 130(2) of the Insurance Act.
2. The FSC issued, on 14 February 2020, the draft Guidelines for public consultation. Feedback and comments received have been assessed and incorporated in the Guidelines accordingly.
3. The objective of the Guidelines is to provide a regulatory framework in order to supervise mortgages underwritten by insurers. The Guidelines are applicable to all insurers that are engaged in mortgage underwriting.
4. Mortgage:
 - (a) is equivalent to “hypothèque” as established under the Code Napoléon; and
 - (b) includes any loan or syndicated loan that is secured by residential and/or commercial property for the purpose of acquisition or refinancing of land and/or construction of building.
5. The Guidelines require all insurers to adopt prudent and sound mortgage underwriting by virtue of the following five principles (detailed in the Guidelines):
 - (a) **Principle 1**: Insurers that are engaged in mortgage underwriting and/or the acquisition of mortgage loan assets should have a comprehensive Mortgage Underwriting Policy (“MUP”). Mortgage practices and procedures of insurers should comply with their established MUP.
 - (b) **Principle 2**: Insurers should perform reasonable due diligence to record and assess the borrower’s identity, background and willingness to service their debt obligations on a timely basis.

- (c) **Principle 3**: Insurers should adequately assess the borrower's capacity to service their debt obligations on a timely basis.
 - (d) **Principle 4**: Insurers should have sound collateral management and appraisal processes for the underlying mortgage properties.
 - (e) **Principle 5**: Insurers should have effective credit and counterparty risk management practices and procedures that support mortgage underwriting and mortgage portfolio management, including, as appropriate, mortgage insurance.
6. The Guidelines also embed internal control, monitoring and reporting mechanism by spelling out the role and responsibilities of the Board and of Senior Management of insurers.
 7. All insurers are informed that the Guidelines shall come into effect as from 01 July 2021.
 8. The Guidelines are available on the website of the FSC.

Signed by Mr Dhanesswurnath Thakoor, Chief Executive, on 13 May 2021

