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INTRODUCTION

This legal opinion analyses the statutory requirements and legal implications of the Mortgage Refinance Institutions Act, 2026 ("the Act") on the operations of commercial banks in Uganda. The Act establishes a legal and regulatory framework for Mortgage Refinance Institutions (MRIs), which are specialized entities mandated to provide liquidity to primary mortgage lenders through refinancing and pre-financing arrangements. Although enacted, the Act is yet to commence pending operationalization by the Bank of Uganda through regulations and implementation mechanisms.

This opinion addresses:

1. The legal framework and objectives of the Act;
2. Requirements for obtaining a licence;
3. Grounds for refusal, suspension, or revocation of a licence;
4. Legal implications for commercial banks; and
5. Conclusion.

LEGAL FRAMEWORK AND OBJECTIVES OF THE ACT.

Section 2 defines Mortgage Refinance Business as the refinancing of mortgages originated by primary lenders and the pre-financing of such lenders for mortgage issuance.

Mortgage Refinance Institutions are not commercial banks; rather, they are specialized liquidity providers that support mortgage lenders through long-term funding. The Act also permits Islamic mortgage refinance business subject to approval by the Bank of Uganda.The Act aims to regulate mortgage refinance business, establish the supervisory powers of the Bank of Uganda over MRIs, facilitate refinancing and pre-financing of mortgage lenders, regulate the conduct of mortgage refinance activities, and provide mechanisms for corrective action, supervision, enforcement, and liquidation.

REQUIREMENTS FOR LICENSING.

Section 5(1) prohibits any person from conducting mortgage refinance business without a licence issued by the Bank of Uganda.

According to Sections 7 and 8, an applicant must be a company limited by shares incorporated in Uganda, maintain minimum paid-up capital of 1,750,000 currency points (UGX 35 billion) invested in liquid assets, have fit and proper shareholders, directors, and management, employ competent personnel, provide full and accurate disclosure during the application process, obtain approval for Islamic mortgage refinance business where applicable; and comply with any additional requirements prescribed by the Bank of Uganda. Licenses are subject to annual renewal upon payment of the prescribed fees.

REFUSAL, REVOCATION, OFFENCES AND PENALTIES.

Section 11 empowers the Bank of Uganda to revoke a licence where an institution fails to commence business within twelve months of licensing, ceases operations, fails to maintain minimum capital requirements, becomes insolvent, submits false information, obtains a licence fraudulently, breaches licence conditions, or conducts Islamic mortgage refinance business contrary to Shariah principles.Where a licence is refused or revoked, the Bank of Uganda must notify the applicant in writing, stating the reasons. Revocation may be published in a newspaper of wide circulation or other approved media, and may be followed by liquidation proceedings in accordance with applicable law.

The Act criminalizes the conduct of mortgage refinance business without a valid licence. An individual convicted is liable to a fine of UGX 10 million, imprisonment not exceeding seven years, or both. A body corporate is liable to a fine of UGX 140 million. Additional penalties apply for failure to renew licenses or pay annual licence fees.

LEGAL IMPLICATIONS FOR COMMERCIAL BANKS.

The Act creates both opportunities and compliance obligations for commercial banks.

1. Access to Long-Term Funding.

Banks may enter refinancing arrangements with licensed MRIs, enabling them to access long-term liquidity and reduce funding mismatches associated with mortgage lending.

2. Enhanced Portfolio Quality Requirements.

Since MRIs cannot refinance non-performing mortgages, banks must strengthen credit appraisal, borrower due diligence, valuation processes, and loan recovery mechanisms to maintain qualifying mortgage portfolios.

3. Regulatory Compliance and Supervision.

Banks seeking refinancing must demonstrate good standing, sound governance, and satisfactory financial performance. The Act also enhances the supervisory role of the Bank of Uganda through inspections, oversight, and enforcement powers.

4. Security and Documentation Standards.

Refinancing arrangements may require collateral over mortgage portfolios and cash deposits. Banks must therefore ensure legally enforceable mortgage documentation, perfected security interests, proper valuation practices, and effective enforcement procedures.

5. Increased Competition.

The availability of refinance facilities may encourage greater participation in mortgage lending by microfinance institutions and specialized lenders, increasing competition within the housing finance market.

6. Mortgage Pricing and Consumer Access.

Improved liquidity may lower funding costs and potentially reduce mortgage interest rates. Banks that fail to transfer these benefits to borrowers may face competitive disadvantages.

7. Opportunities for Islamic Finance.

The Act expressly recognizes Islamic mortgage refinance business. Banks operating Islamic finance windows may access Shariah-compliant refinancing structures, subject to compliance with future regulatory requirements.

CONCLUSION.

The Mortgage Refinance Institutions Act, 2026 establishes a regulated secondary mortgage funding framework intended to strengthen Uganda's housing finance sector. For commercial banks, the Act primarily creates opportunities to access long-term funding while requiring stronger mortgage underwriting, documentation, governance, and compliance standards.

If effectively implemented, the Act is likely to deepen the mortgage market, improve lender liquidity, reduce borrowing costs, stimulate housing development, and contribute to broader economic growth. Commercial banks that maintain high-quality mortgage portfolios and robust compliance systems will be best positioned to benefit from the opportunities created by the new regime.