Nigeria

Housing Finance Ecosystem

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EXECUTIVE SUMMARY

According to UN Universal Declaration of Human Rights in 1948, Article 25.1 of the Universal Declaration of Human Rights thus proclaims that:

Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.

It follows that housing plays a major role in the socio-economic factor and the growth of a nation. The nature and condition of housing as a physical artefact, its spatial distribution, and the terms of its occupancy (physical, legal, financial), are affected by social structures and processes. The availability and affordability of housing could determine the access to decent accommodation for the citizens. The lack of stable affordable housing is the foundation of many of Nigeria's social problems, including poverty, homelessness, educational disparities, and health care.

This calls for the need to have a robust Housing Finance Ecosystem.

The housing finance ecosystem is premised on the goal of ensuring affordable housing for the populace. One of the underpinning factors is the housing policy that bothers on the government actions or interventions, including legislation, programme delivery and subsidies, which have a direct or indirect impact on its people's housing objectives, housing supply and demand, as well as housing standards and urban planning.

This report summarizes the results of the analytical work on housing finance ecosystem carried out by the FSS2020 and major stakeholders in the housing industry.

The Committee's work consists of four stages which are:

- Where are we? - This phase of the assignment analyzed the divergence on current Sector initiatives and provided a basket of inventory list of major housing finance initiatives in Nigeria.
- Where do we want to be? - In terms of the vision, mission and key areas of activities related to the structure we want to put in place.
- How do we get there? – developing the road map and converging/realigning all the initiatives as the building blocks for the new policy (how to get to where we want to be)
- Report: Finalize the report

Below is the summary of the sections and the status.

S/N	Initiatives	Status		
		2015	**2020**	**2025**
1	**Institutional Framework** – Housing policy and institutions for housing delivery	H	H	H
2	**Housing Needs** – Population, Housing needs and deficit, challenge of poverty and inequality, occupancy status	L	L	M

3	**Business Enabling Environment** – Ownership of land, Statutory right, land administration and registration	L	L	M
4	**Mortgage Framework** – Creation of mortgages, challenges of legal framework, foreclosure issues, cost of fund	L	M	H
5	**Construction Sector** – Economic importance, organizations, actors, cost of labour, quality of service	L	M	H
6	**The Financial Sector and the Lack of mortgages** in Nigeria – mortgage market (primary and secondary), mortgage affordability, high interest rates and inflation. SEC and PenCom to be actively engaged.	L	M	H
7	**Housing Microfinance** – rationale for housing microfinance, benefits, obstacles	L	L	M
8	**Governance**: Data, Housing Economic Model, Policy and Decision, Annual Monitoring and Evaluation with Key Performance Indicators	L	M	H

The report summarizes the housing demand; the institutional landscape, policy framework, and public and private sector actors involved in housing finance and focuses on the underlying reasons for the inadequate or lack of housing finance, particularly for lower-priced houses for the populace. The report also summarizes the housing supply; issues related to the construction industry and building materials, an understanding of which is key to developing transformative policies in the sector. Finally, the study report proposes the housing demand and supply matching with interventions; possible new approaches to housing finance in Nigeria, based on international best practices.

RECOMMENDATIONS

S/N	Recommendation	Timeline
1.	Develop NMRC to the next phase for mortgage market development. A solution would be to develop securitization or covered bonds; however, this approach would require a much more mature mortgage market with higher levels of origination, more data availability to allow for a historic track record, and more developed institutional investors.	▪ Short Term
2	Develop a proactive approach to deepening access to mortgage products for those with lower incomes. With NMRC fully in place, there should be a Mortgage Guarantee Company, MGC, to complement the efforts through ease of access to finance. The MGC should help in reducing the equity contribution or down payment for the purchase of a house. The affordability sensitivity analysis clearly shows the potential market that could be achieved under favorable conditions. Some of those conditions are dependent on the overall macroeconomic environment, while others can be affected by policy actions. For instance, one of the key affordability constraints is access to a deposit for purchasing a home. The cost of registering a title transfer, plus the cost of a mortgage loan, in addition to a down payment, can be prohibitive for many on low or modest	▪ Medium Term

	incomes. A possible solution is to allow slightly larger mortgage loans, extending to 90 percent loan-to-value (LTV), but with a risk-sharing mechanism in place to avoid creating excessive levels of risk for lenders. A mortgage insurance product could be introduced to cover some of this risk, allowing lenders to extend higher LTV products, but sharing some of the risks	
3	Further work is needed on the potential of inflation-proof mortgage products. It is not clear at present whether indexed mortgage products that effectively charge a real rate of interest would provide an effective solution in the Nigerian market. However, the recent issuance of inflation-linked bonds could provide a market for raising inflation-linked funding for mortgage loans. One of the other key obstacles is the reliability of data needed to index mortgage payments to a measure of earnings, and of consumer price data to index mortgage principal to inflation. If some of these hurdles can be overcome, an inflation- proof product could be a major step towards limiting the damaging impact of high inflation and macro volatility	▪ Medium Term
4	• CBN-States creation of mortgages for Residents. Average of N3B to blend interest rates for each state. All disbursements will be processed using MMS. • Mortgage Interest Drawback Program to be implemented. N100 B budget for this. All disbursements will be processed using MMS. • NMGC to be fully implemented within 12months. CBN to encourage Commercial Banks to invest. • EMARS - full implementation within 12 months • Annual project on Housing Finance Ecosystem (Study, Survey, Recommendations, etc). • Any excess payment will be recovered through Global Standing Instruction, GSI.	▪ Medium - Long Term
5	• Housing Demand: Allocate NGN 295B. Creation of Mortgages to be managed by NMRC in collaboration with States and Primary Mortgage Lenders. Each State will have access to an average of NGN 8B, with the condition that they pass the Model Mortgage and Foreclosure Law; and provide the off-takers that meet UUS conditions. • Housing Supply: Allocate NGN 200B. To be implemented by FHF in collaboration with States and Developers. • Matching Housing Demand and Supply: Allocate NGN 5B. Establish an SPV for Robust Housing Finance Ecosystem for Data collection, analysis, policy, and decision-making tools to be prepared and used annual basis.	▪ Medium - Long Term
6	• High interest rate a. Modify Fund 5 – Bring in depositors' savings in deposit money banks into the scheme	▪ Medium - Long Term
7	• Credit culture ○ Advocacy and communications plan by key institutions i.e. Nigeria Mortgage Refinance Company (NMRC), Mortgage Warehouse Funding Limited (MWFL), Mortgage Banking Association of Nigeria/Mortgage Banks, Central Bank of Nigeria (CBN) ○ Introduction of more non-interest products to target diverse beneficiaries	▪ Medium - Long Term
8	• Poor financial literacy/Lack of awareness on the concept of mortgage Affordability ○ Activation of the Mortgage Interest Drawback Program ○ Adoption of cheaper and more sustainable building technology	▪ Medium - Long Term
9	• Apathy of commercial banks towards mortgages ○ Fast track the establishment of the Nigeria Mortgage Guarantee Company PLC	▪ Medium - Long Term

10	• Duplication of Government Interventions ○ Harmonisation of several government efforts with the same objectives	▪
11	• Limited mortgage market ○ Extend NMRC's Cap from ₦50 million to ₦100 million	▪ Medium - Long Term
12	• Liquidity issues ○ Encourage the use of MWFL for mortgage origination	▪ Medium - Long Term
13	• Title transfer and perfection ○ Expedite actions on the outcome of engagements with Nigeria Governors' Forum	▪ Medium - Long Term

1. INTRODUCTION

This report summarizes the results of the analytical work on housing market finance carried out by the FSS2020 and major stakeholders in the housing industry. The purpose of the work was to inform the policy dialogue about how best to develop a sustainable housing finance market in Nigeria and improve the effectiveness of interventions aimed at stimulating the housing market and providing quality housing to the population. The work was funded by stakeholders and carried out over 2019 and 2020.

Experience has shown that an increase in housing production, especially at the lower reaches of the market, stimulates job creation, both skilled and unskilled; and that housing and other infrastructure investment is strongly linked to economic growth.[1] While the availability of housing finance is essential for increasing housing production, sustainable and equitable housing production also depends on (a) access to residential lands and basic services; (b) an efficient and transparent land administration; (c) legal protections; and (d) a macroeconomic environment that maintains low inflation and low interest rates. An essential part of making housing finance work for the populace is the availability of houses at lower prices in the market.

The report summarizes the housing demand; the institutional landscape, policy framework, and public and private sector actors involved in housing finance and focuses on the underlying reasons for the inadequate or lack of housing finance, particularly for lower-priced houses for the populace. The report also summarizes the housing supply; issues related to the construction industry and building materials, an understanding of which is key to developing transformative policies in the sector. Finally, the study report proposes the housing demand and supply matching with interventions; possible new approaches to housing finance in Nigeria, based on international best practices.

A. Methodology

The report is based on the study carried out by Housing Finance Ecosystem committee, the household survey conducted by the Nigeria Real Estate Data Collation and Management Programme (NREDCMP), Nigeria Mortgage Refinance Company (NMRC) and National Bureau of Statistics (NBS); the housing finance supply side surveys carried out under the project; review of existing reports; and extensive consultations with policymakers and stakeholders. The household data provided some insight into the housing demands in different income categories and urban areas.

The report draws on previous Central Bank of Nigeria projects such as Nigeria Housing Finance Programme (NHFP), both by NREDCMP; as well as studies carried out by NMRC; and others. The report also draws on studies carried out for various REDAN projects.

B. Summary of Findings

The housing market in Nigeria has the potential to generate a higher level of economic value and be a source of job growth at all skill levels, with the largest immediate benefit to unskilled labor.

The housing market requires a robust enabling environment with transparency and less costly. It follows that the financial markets need to provide more long-term lending, and the construction sector needs to be more cost-efficient with standardization.

The current National Housing Policy and institutional framework for the sector aims at providing housing for lower-income groups, with focus on social housing.

In addition, there is concerted effort in enhancing the land and legal frameworks to help in accelerating development of the housing and mortgage sectors. These are:

- Making broader use of state governors' power to grant consents to land transactions, including sales and mortgages.
- Improving administrative procedures, by reducing the number of steps required to register a property; digitalizing land registries; introducing electronic payments; and simplifying the overall process so that an individual is able to register a property without the need for a lawyer.
- Lowering the costs of land registration through, e.g., elimination of the consent fee and the use of flat fees, where applicable, rather than fees as a percentage of property value.

Based on an analysis of the housing survey, home ownership could be extended to more than 50 percent of the population if homes were built for those with an annual income of NGN ₦450,000, or about US$1,000. Incremental building, cooperatives, and other forms of housing could most likely meet the needs of another 25 percent of the market. The construction sector is currently unable to meet this demand due several weaknesses, such as lack of skills at all levels, weak organizational capacity, lack of access to finance, and lack of standardization of building plans and materials.

With the introduction of mortgage refinance market, Nigeria now has increased capacity to provide sustainable long-term loans to borrowers with access to long-term funds. However, we still face the challenge of foreclosure, housing supply, and the cost of title registration. With access to long term funds, lenders are willing or able to correct maturity mismatches on their balance sheets (the regulatory framework allows them to do so).

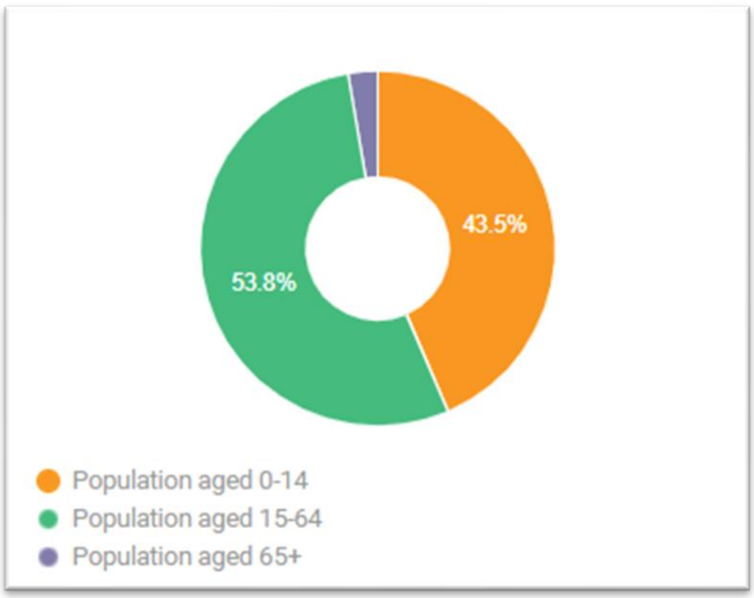
In addition to addressing access to long-term housing finance, the Government should support more innovative approaches, such as housing microfinance products. Some of the microfinance banks are pilots in housing microfinance and leading the innovation.

2. MACROECONOMIC DEVELOPMENTS

This chapter presents stylized facts on the Nigerian economy highlighting developments in demographics, output and price as follows:

1. Domestic Output:

a) As a key sub-regional player, Nigeria accounts for about half of West Africa's population with approximately 206 million people. The country has one of the largest youth populations in the world estimated at approximately 53.8 per cent (population aged 15 -64)[2]. Nigeria's population growth rate is estimated at an average annual rate of 2.6 per cent.



Source: United Nations Population Fund

Figure 1. Population, by age group, per cent

b) Nigeria's economic growth rate declined considerably below a 10-year average of 6.74 per cent (recorded between 2005 – 2014) to an average of 1.24 per cent (between 2015 to 2019). Real Gross Domestic Product (GDP) grew by 2.27 per cent in 2019 on a year-on-year basis. Domestic demand was constrained by stagnating private consumption and on the production side, growth in 2019 was primarily driven by services, particularly the telecoms sector. The Agricultural sector growth remained subdued below its potential due to ecological disasters (mainly floods), persistent issues of insecurity in the Northeast and ongoing farmers-herdsmen conflicts. Industrial performance during the period under review was mixed. Oil GDP and manufacturing production growth slowed in 2020 due to decline in global demand and a weaker power sector performance, respectively. Food and drink output are expected to increase, likely in response to import restrictions. Construction continues to perform positively, supported by ongoing megaprojects, higher public investment in the first half of the year, and import restrictions.

c) Real GDP contracted by 6.10 per cent in Q2 2020 against the corresponding quarter in 2019. This performance was recorded against the backdrop of significant global disruptions resulting from the COVID-

[2] United Nations Population Fund Website: https://www.unfpa.org/data/world-population/NG, 2020

19 public health crisis, a sharp fall in oil prices and restricted international trade. The performance recorded in Q2 2020 represents a drop of –8.22 per cent compared to Q2 2019 and -7.97 per cent compared to Q4 2019, reflecting the effects of the disruption on the economy.

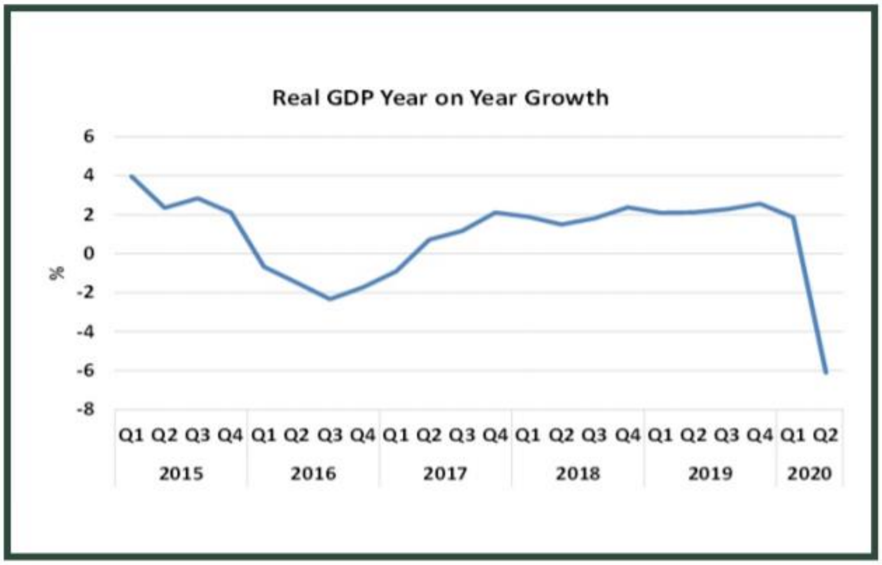


Figure 1: Real GDP Growth

Source: NBS - Nigerian Gross Domestic Product Report Q2 2020

d) An analysis of the prevailing economic conditions indicates that low growth and the current level of productivity impacts negatively on poverty alleviation. Prospects for the rural poor remain dampened due to fragilities in the agricultural sector which adversely affects the livelihood of such communities. Per capita income as a measure of the average income declined over the period from a peak of US$2563.90 in 2014 to US$ 2,386.87 in 2019. Job creation remained weak and insufficient against the backdrop of the current economic situation and a fat-growing labour force as only 13 activities recorded positive real growth. This has resulted in an increase in the unemployment rate which was 23 per cent in 2018 with 20 per cent of the labour force underemployed. Furthermore, the insecurity resulting in displacement of people contribute to the high incidence of poverty.

e) Without significant structural policy reforms, Nigeria’s medium-term growth is projected to remain significantly lower than the historical 10- year average. Given that the economy is expected to grow more slowly than the population, living standards are expected to worsen. Growth is constrained by a weak macroeconomic framework with high persistent inflation and low price of oil in the international market, multiple exchange rate windows and foreign exchange. External balances remain susceptible to capital flights and fiscal buffers are low, thus making Nigeria’s economy vulnerable to external shocks.

f) As a result of the impact of COVID-19 pandemic, the global economy witnessed a slowdown in the second half of the year, underpinned by weak economic activity, reduction in private consumption and elevated financial market pressures in Emerging Markets and Developing Economies. Furthermore, rising interest rates in several advanced economies triggered capital outflows from most developing economies, including Nigeria. However, various interventions in the domestic economy had moderated the negative impacts of these developments.

g) Potential risks to the stability of the banking system as a result of high exposure to the oil and gas sector, cyber-crimes, blockchain technology innovation and trade tensions remain a challenge. However, the CBN implemented appropriate policies and regulatory measures to significantly minimize the impact of such risks on the Nigerian financial system.

h) During the fourth quarter of 2020, average daily oil production of 1.81 million barrels per day (mbpd) was recorded, indicating a fall of 0.21 mbpd over the daily average production of 2.02 mbpd recorded in the same quarter of 2019. It was 0.26 mbpd lower than the production volume of 2.07 mbpd recorded in the first quarter of 2020 (Figure2).

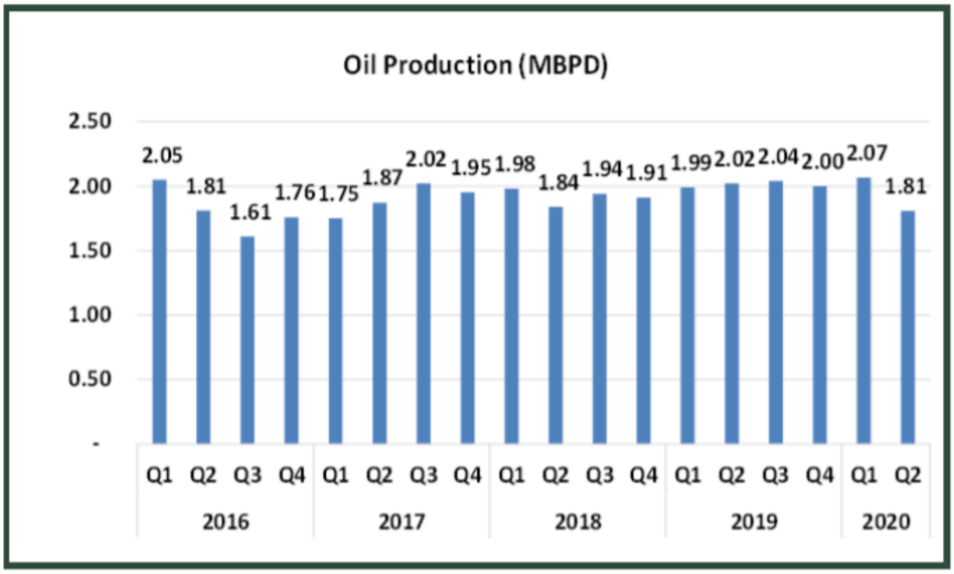


Figure 2: Crude Oil Output (MBPD)

Source: NBS - Nigerian Gross Domestic Product Report Q2 2020

i) The oil sector recorded a negative real growth rate of 6.63 per cent (year-on-year) in Q2 2020 indicating a decline of -13.80 per cent points compared to the corresponding quarter of 2019. Growth decreased by – 11.69 per cent points when compared to Q1 2020 which was 5.06 per cent. Quarter-on-quarter, the oil sector GDP fell by – 10.82 per cent in Q2 2020. The Oil sector contributed 8.93 per cent to aggregate real GDP in Q2 2020, down from figures recorded in the corresponding period of 2019 and the preceding quarter.

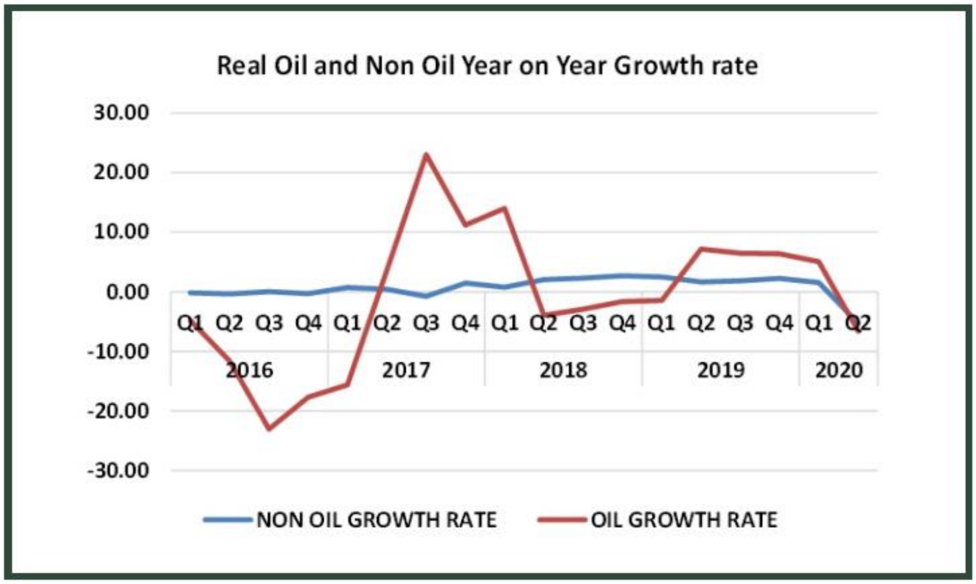
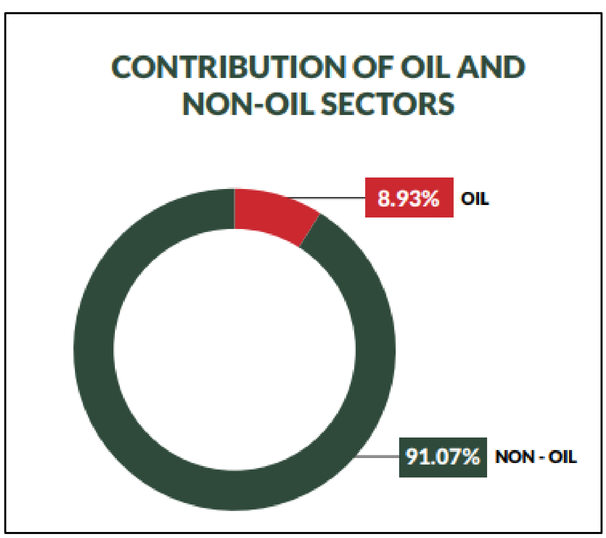


Figure 3: Crude Oil and Non-Oil Growth

Source: NBS - Nigerian Gross Domestic Product Report Q1 2020

j) The non-oil sector declined by – 6.05 per cent in real terms during the reference quarter (Q2 2020). It was the first decline in real non-oil GDP growth rate since Q3 2017. The recorded growth rate was –7.70 per cent points lower compared to the rate recorded during the same quarter of 2019, and –7.60% points compared to the first quarter of 2020. Nevertheless, non-oil sector output was driven by Financial and Insurance (Financial Institutions), Information and Communication (Telecommunications), Agriculture (Crop Production), and Public Administration, moderating the economy-wide decline. On the other hand, sectors which experienced the highest negative growth included Transport and Storage, Accommodation and Food Services, Construction, Education, Real estate and Trade among others. In real terms, the Non-Oil sector accounted for 91.07 per cent of aggregate GDP in the second quarter of 2020, slightly higher than the share recorded in the second quarter of 2019 (91.02 per cent) as well as the first quarter of 2020 (90.50 per cent).



k) The Construction sector output decreased by –3.20 per cent in nominal terms (year on year) in 2020 second quarter, a drop of –46.01 per cent points compared to the rate of 42.80 per cent recorded in the same quarter of 2019. This represents a fall of –47.46 per cent points when compared to the rate recorded in the preceding quarter. Nominal growth quarter on quarter was recorded at –17.89 per cent. Construction contributed 6.83 per cent to nominal GDP in the second quarter of 2020, lower than the 6.86 per cent it contributed a year earlier and lower than the 7.94 per cent contributed in the first quarter of 2020.

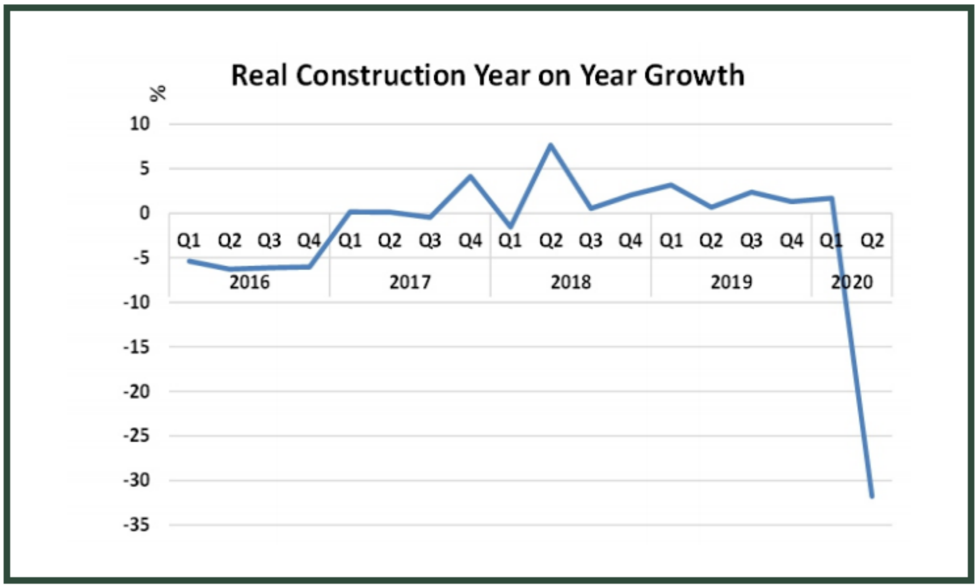
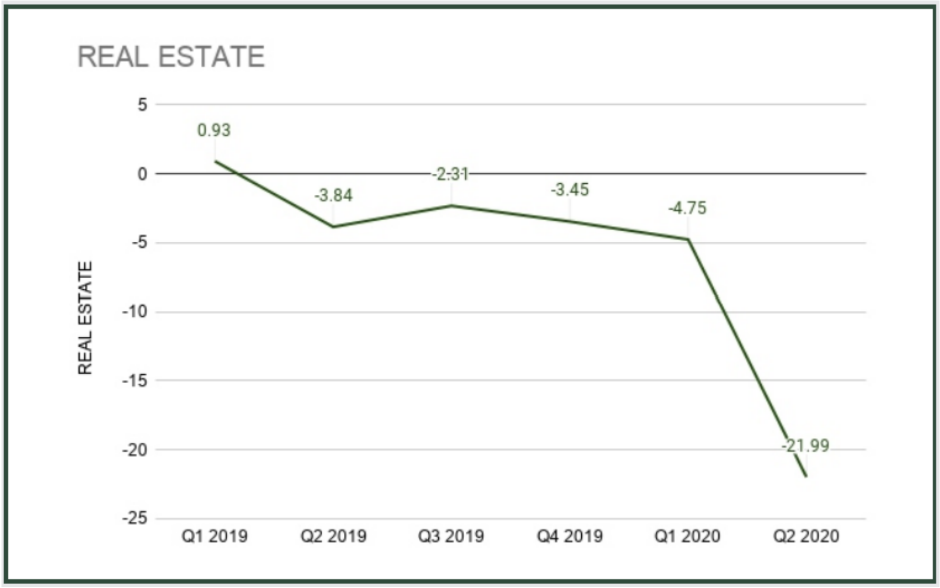


Figure 4: Construction real growth

l) Real Estate Services in the second quarter of 2020 declined by –17.18 per cent, or –19.27 per cent points lower than the growth rate reported for the same period in 2019 and lower by –18.31 per cent points compared to the preceding Quarter. Quarter-on-Quarter, the sector growth rate was –1.24%. The contribution to nominal GDP in Q2 2020 stood at 5.23 per cent as against 6.35 per cent recorded in Q2 2019 but same as the value in Q1 2020. Real GDP growth recorded in the sector in the second quarter of 2020 stood at -21.99 per cent, lower than the growth recorded in Q2 2019 by –18.15 per cent points, and –17.24 per cent points relative to Q1 2020. Quarter-on quarter, the sector declined by –2.71 per cent in the second quarter of 2020. It contributed 5.30 per cent to real GDP in Q2 2020, lower than the 6.43 per cent it recorded in the corresponding quarter of 2019.



m) The Finance and Insurance Sector consists of the two subsectors, Financial Institutions and Insurance, which accounted for 89.82% and 10.18% of the sector respectively in real terms in Q2 2020. Growth in this sector in real terms totaled 18.49%, higher by 20.73% points from the rate recorded in 2019 second quarter, but down by –2.30% points from the rate recorded in the preceding quarter. Quarter on Quarter growth in real terms stood at –0.16%. The contribution of Finance and Insurance to real GDP totaled 4.00%, higher than the contribution of 3.17% recorded in the second quarter of 2019 by 0.83% points, and higher than 3.81% recorded in Q1 2020 by 0.20% points.

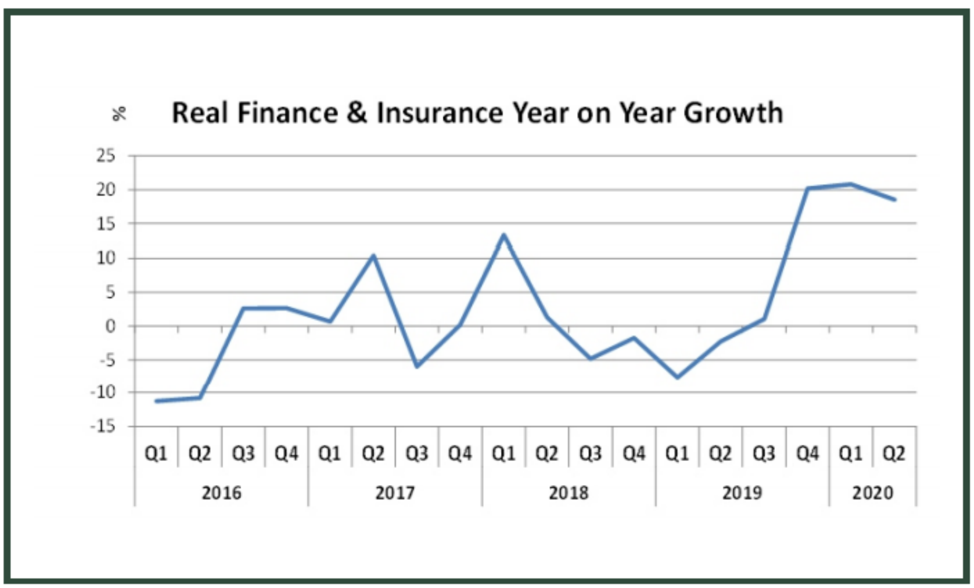


Figure 5: Finance and Insurance real growth

2. Nigeria Key Macroeconomic Performance Indicators:

According to a report from African Development Bank (AfDB), “Real GDP growth was estimated at 2.3 per cent in 2019, marginally higher than 1.9 per cent in 2018. Growth was mainly in transport, an improved oil sector, and information and communications technology. Agriculture was hurt by sporadic flooding and by conflicts between herdsmen and local farmers. Manufacturing continues to suffer from a lack of financing. Final household consumption was the key driver of growth in 2019, reinforcing its 1.1 per cent contribution to real GDP growth in 2018.

The effort to lower inflation to the 6 per cent – 9 per cent range faced structural and macroeconomic constraints, including rising food prices and arrears payments, resulting in a rate estimated at 11.3 per cent for 2019. With fiscal revenues below 7 per cent of GDP, increased public spending widened the deficit, financed mainly by borrowing. At the end of June 2019, total public debt was US$83.9 billion—14.6 per cent higher than the year before. That debt represented 20.1 per cent of GDP, up from 17.5 per cent in 2018. Domestic public debt amounted to US$56.7 billion, and external public debt US$27.2 billion. The share of bilateral debt in total debt was estimated at 12.1 per cent, and that of eurobonds at 40.8 per cent. High debt service payments, estimated at more than half of federally collected revenues, created fiscal risks. The current account surplus sharply declined due to increased imports, lower oil revenues, and a smaller than expected improvement in capital flows.

The poverty rate in over half Nigeria’s 36 states is above the national average of 69 per cent. High poverty reflects rising unemployment, estimated at 23.1 per cent in 2018, up from 14.2 per cent in 2016. Low skills limit opportunities for employment in the formal economy. Government social programs—N-Power and other youth empowerment schemes—are meant to address unemployment.”

Nigeria – Selected Key Macroeconomic Indicators

Figure 6: Interest Rates

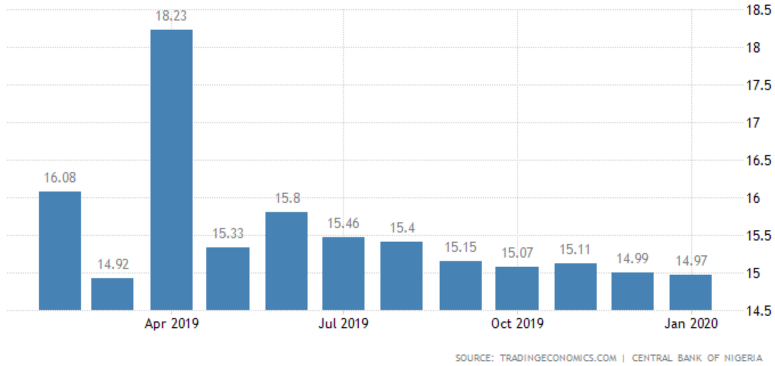


Figure 7: Lending Rate

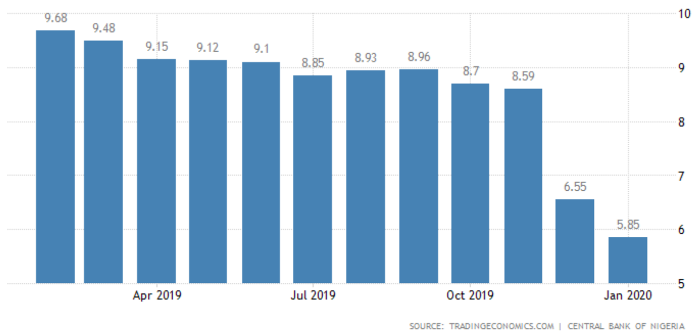


Figure 8: Deposit interest Rate

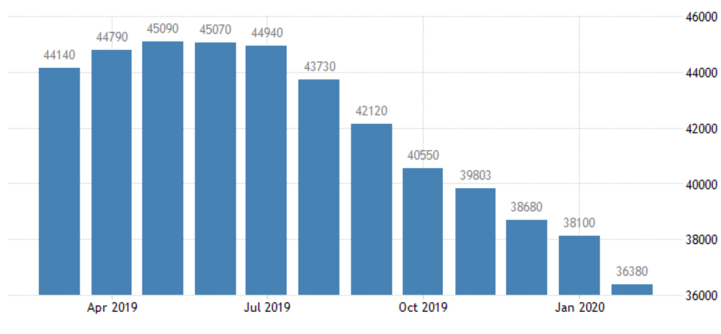


Figure 9: Foreign Exchange Reserves

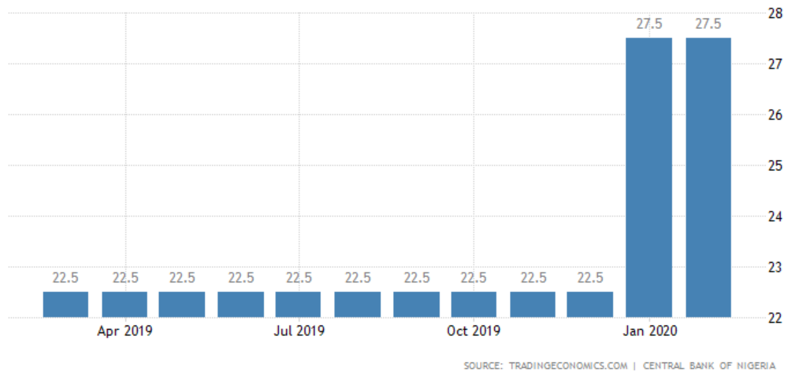


Figure 10: Cash Reserve Ratio

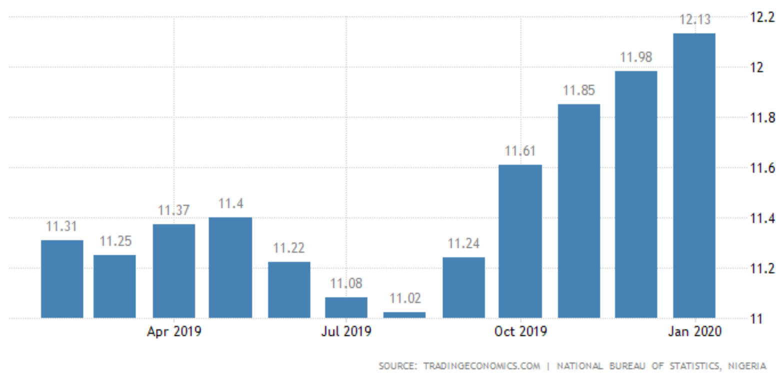


Figure 11: Inflation Rates

3. HOUSING INDUSTRY STRUCTURE

A. Housing Policies in Nigeria

a) **The Transformation Agenda and its implementation plan, Vision 20:2020, reflect the Government's policy objective of providing low-income housing**, although income segments are not clearly specified. The Transformation Agenda states that:

(i) "…….the Federal Ministry of Housing will provide Site and Services in all parts of the Country in collaboration with States and Local Governments. On their parts, States and Local Governments will provide Low Cost Housing units within the range of 100,000 - 200,000 housing units annually in major cities across the country. Local content such as bricks will be encouraged in the construction of housing while all inputs used in delivering housing will be obtained from the locality to create jobs and add value."

(ii) "Housing is also part of the critical infrastructure to accelerate economic development and forms a substantial part of the Gross Domestic Product of most developed countries. Nigeria with an estimated population of 150 million, requires at least additional 720,000 housing units per annum (based on an estimate of 9 dwelling units a year per 1,000 of population) not only to replenish decaying housing stock, but also to meet rising demand and avert a further housing crisis by 2020. Successive efforts to meet this target have failed as housing deficit now stands at over 17 million units in Nigeria. Consequently, at least N60 trillion is required to provide 17 million housing units at N3.5 million per unit."

b) **Vision 20:2020 states that**: *"…10 million new houses to the national housing stock should be added by building an average of 1 million new homes every year…at least 50 percent … in the urban centres."* The plan also encourages public-private partnerships (PPPs) in mass housing development.

c) **The importance of the housing sector is also acknowledged in various States' development programs.** For example, the Lagos State Development Plan 2012-2015 states that the housing and construction industries provide a large number of jobs, many of which are unskilled. "This provides important opportunities to many employable workers who might otherwise be unemployed or under-employed. On the other hand, it meets a crucial human need for shelter and also engages in many other vital building projects essential to good social living in an urban environment. Some of the key Targets for this sector are that 100 percent of citizens will have access to homes by the end of the Plan period and at least 25 percent of citizenry will own their home." To help implement this vision, Lagos State runs a program called Lagos HOMS (Home Ownership Mortgage Scheme). Based on information on the program's website, the eligibility criteria include: first-time buyer, resident in the State, tax registered and taxes fully paid, at least 21 years of age, and able to make a 30 percent down payment on the proposed loan. Pre-qualified applicants are then selected by a draw.

d) Similar housing programs exist in other States such as the States Housing Corporations, the adoption of Mortgages and Foreclosure Law. For example, Kaduna State has established the Mortgages and Foreclosure Authority to improve home affordability and access to finance for the residents of Kaduna State. Other states are beginning to follow this trend.

B. Formal Institutions in Housing Demand and Supply

There are several players at Public (Federal, State and Local Government), Professional and Private sectors such as:

i. **The Ministry of Works and Housing (FMWH)** was created in 2019 to ensure adequate and sustainable housing delivery and improve the living environment. FMWH is responsible for formulating policy, setting standards for the sector, establishing building and safety standards and codes, supporting the efforts of State governments to realize national housing goals, and collaborating with relevant professional bodies. The National Housing Policy (NHP), published by FMWH in 2012, states that the role of the Ministry is to *"ensure that all Nigerians own or have access to decent, safe and sanitary housing in a healthy environment, with infrastructure services at affordable cost, and with secure tenure."* To achieve this, the Ministry was given the following specific duties:

- implement Government policy on housing and urban development;
- provide and sustain an enabling and conducive environment for home ownership, through mortgage financing for all segments of the population (both urban and rural); and through the promotion and regulation of the activities of private sector real estate developers, housing corporations, and housing cooperatives related to mortgage financing;
- promote the modernization, computerization and human resources development of land registries throughout the country;
- set standards, regulate, supervise, monitor the development of all categories of building materials and housing types for both rural and urban areas in the country;
- collaborate with the Federal Ministry of Industries, the Nigerian Building and Roads Research Institute, and the Committee of Bankers in promoting the growth and development of small and medium-scale industries in the building materials sector in all parts of the Federation;
- seek bilateral and multilateral assistance for promoting housing and urban development;
- improve the regulatory bodies for professions in the building and construction industry.

The National Housing Policy, Urban Development Policy and Land Policy are been reviewed from time to time.

The Ministry has Departments that handle Green projects, land and urban development intervention projects

The Ministry educates private developers on how to build eco-friendly houses.

In addition, the Ministry has Special Project Units handling Sustainable Development Goals, SDGs

Housing intervention programs are handled in two aspects namely:

Mass houses built (by Public Building Department) around the Country from Budgetary allocation

PPP intervention to attract finance for private builders who have been given land over the years to build houses. The Ministry is currently working with:

- Shelter Afrique
- Federal Mortgage Bank of Nigeria (FMBN) – to enable them to create affordable housing
- Infrastructure Concessionary and Regulatory Commission (ICRC) – relationship for affordable housing

ii. **The Standards Organization of Nigeria (SON) is responsible for collaborating, through the National Planning Commission**,[3] with FMWH; professional bodies in the building professions; research institutes

[3] National Planning Commission, Housing and Urban Development in Nigeria, http://www.iuc.or.kr/board/pds/board/64/files/1cb3d002244b08d97bc8b4a46e59762a

such as the NBBRI and the Raw Materials Research and Development Council (RMRDC); the National Office for Technology Acquisition and Promotion (NOTAP); and regulatory bodies, to:

- set standards, and monitor and approve the quality of building materials and construction technology used in the country;
- protect the interests of local building materials manufacturers by ensuring that the country does not become a dumping ground for poor quality building materials and other components;
- promote the training of skilled manpower for the construction industry; and
- provide data on locally produced and imported materials.

iii. The Federal Housing Authority (FHA) is a wholly owned Federal Government agency supervised by the FMLHUD. It became partially commercialized in accordance with Decree No. 25 of 1988. The FHA is charged with (a) the preparation and submission of proposals for the National Housing Program; (b) making recommendations to the Government on aspects of urban and regional planning, transportation, communication, electric power, sewerage and water supply development as may be relevant to the successful execution of approved housing programs; and (c) and the execution of such programs. For the Authority to carry out its functions/mandate effectively, section 4 (1) of the FHA Act CAP 136 Laws of the Federation 1990 granted it the power to:

- acquire, hold and manage movable and immovable property;
- acquire, construct and maintain dwelling houses, schools, communal and commercial buildings and other structures;
- enter into contracts for the construction, maintenance, management or repair of any property;
- purchase or otherwise acquire any assets, business or other property where such purchase or acquisition is necessary for the proper discharge of its functions under this Act;
- sell, let, lease or otherwise dispose of any property vested in the Authority.
- These functions were further expanded in the 2006 National Housing Policy, which gave FHA responsibility for:
- developing and managing real estate on a commercial basis in all States of the Federation and the Federal Capital Territory;
- providing sites and services for all income groups, with special emphasis on low-income groups;
- providing low-income and rural housing in all States and the Federal Capital from funds provided by the Federal Government and other sources;
- execute such housing programs as may be approved by the Federal Government.

iv. The Federal Mortgage Bank of Nigeria (FMBN) was created by Act 82 (1993) to provide long-term credit funding to mortgage institutions and provide liquidity for the Housing Sector. As the apex mortgage institution in Nigeria, its functions are to:

1. Link the mortgage finance market with the capital market & develop a viable secondary mortgage market
2. Encourage the emergence & promote the growth of viable mortgage loan originators
3. Mobilize domestic and foreign funds into the housing finance sub-sector and;
4. Collect, administer and manage the National Housing Fund (NHF).

As a Government-Sponsored entity, FMBN's business focus targets affordable homeownership for the Low & Medium Income (LMI) market which accounts for more than 80% of the Nigerian population. Homeownership accessibility and affordability through affordable housing finance is a major focus of FMBN's business model, being delivered through FMBN's management of the National Housing Fund

[NHF] Scheme, a mandatory contributory scheme for workers intended to pool long-term funds.

FMBN addresses Nigeria's housing challenges on the supply and demand sides through various loan windows and products. It limits funded houses/loans to a maximum of N15 million ($33,333).

Its homeownership financing products are:

- NHF Mortgage Loan: a home purchase loan granted at 6% to contributors for a tenor of up to 30 years. The facility is provided as wholesale lending to participating Primary Mortgage Banks for on-lend to NHF contributors;
- Home Renovation Loan: a housing microfinance facility for home renovation of a maximum of N1 million ($2,222) granted at 6% for a tenor of 60 months;
- Rent to own: an easy pathway to homeownership based on a rental housing arrangement at 9% for a tenor of up to 30 years; and
- NHF Construction Loan: a self home construction facility at 7% for a tenor of 15 years.

FMBN's mass housing products to boost housing supply are:

- Estate Development Loan: a mass housing construction loan granted to public and private real estate developers at 10% for a 24-month tenor;
- Cooperative Housing Development Scheme: a construction facility granted to cooperative societies with membership from the formal and informal sectors at 9.9% for housing delivery to members;
- Ministerial Pilot Housing Scheme: a collaborative PPP arrangement with the Ministry of Housing to expedite affordable housing delivery across the country; and
- Bankable Off-takers Guarantee: a credit guarantee product for real estate developers to ease access for construction funding from other financial institutions. FMBN guarantees to provide mortgage financing for off-takers' purchase of houses to be constructed.

As at March 2020, FMBN has contributed to housing development in Nigeria by funding the construction of about 28,500 housing units, the origination of over 21,000 mortgages and funding of about 50,000 micro-housing loans."

v. The Nigeria Mortgage Refinance Company (NMRC) was created in 2013.

The Nigeria Mortgage Refinance Company (NMRC) was established in 2013 by a joint initiative of the Federal Government of Nigeria (FGN), Mortgage Banking Association of Nigeria (MBAN) and the World Bank as a Private Sector Company with Public Purpose. The business objectives of the NMRC include the following:

- To encourage financial institutions to increase their mortgage lending by providing them with long term finding;
- To increase the maturity structure of mortgage loans and assist to reduce mortgage rates;
- To increase the efficiency of mortgage lending by taking a lead role in proposing changes to the enabling environment for mortgage lending as well as by standardizing mortgage lending practices of financial institutions; and
- To introduce a new class of high-quality long-term assets to the pension funds and other investors.

As one of the major stakeholders in the housing finance sub-sector, NMRC has implemented the following broad-based initiative:

- Uniform Underwriting Standards (UUS) initiated by MBAN and approved by all stakeholders including CBN
- CBN – Regulatory matters, such as, single obligor limit and capital relief for refinanced loan
- Mortgage Interest Drawback Programme
- SEC: To reduce time to market (to allow frequent issuances)
- Model Mortgage and Foreclosure Law, MMFL: Advocacy to States including Kaduna, Lagos, Ogun, Edo, Nasarawa, Enugu, Akwa-Ibom, Delta, Cross Rivers, Kwara, Ekiti, etc
- Nigeria Mortgage Guaranty Company (NMGC): working with CBN, PenCom to address the issue of equity down payment for those who cannot get up to 20% of their equity down payment.
- NMRC is going to provide a form of protection for Banks in case of foreclosure so they are more willing to lend to the Industry.
- Actively working with CBN, SEC, MBAN, REDAN and all key stakeholders in the housing industry.
- Involved in opening up the demand and supply sides of the market using conventional and bespoke means.
- Housing Market System: MMS, HMIP, Land Titling System (with NIESV and States).
- eMARS – Electronic Mortgage Asset Registry System (with World Bank)
- HEVC – Housing Economic Value Chain: Data gathering, analysis and presentation in partnership with Centre for Affordable Housing Finance, CAHF

vi. The Family Homes Funds (FHF) was created in 2016.

The Family Homes Funds (NMRC) was founded in 2016 by the Federal Government. The business objectives of the FHF include the following:

- Affordable Housing Fund
- Help To Own Fund
- Rental Housing Fund
- Land Development Fund

Family Homes Funds is currently operating four funds namely:

a) **Affordable Housing Fund:** FHF partners with private and public sector developers by providing direct financing to finance projects that meet the agency's strategic objectives. The strategy is 60% public and 40% private. 50% of the current portfolio is in partnership with state Government by providing long term funding between 8-10 years for an agreed housing project typically for Civil Servants on low income. States pay back by ISPO from FAAC allocation. The challenges are that: 1. States need to supply land, 2. Need for waiver of statutory plan and 3, workaround mortgage system

- **2020 programme**:
    - Financing according to states
    - Access to NHF to assist buyers
- **Help to Own Fund:** the aim of the fund is to provide differed loans of up to 40% to individuals on low income with a 5years moratorium to purchase a home.
- **The key features are**:
    - Low income earners of < NGN100K/annum
    - 10% down-payment
    - Deferred loan of 40%
    - No payment in 5yrs (moratorium)
    - Incremental interest rate
    - commercial loan of 50%
    - Total pricing (blended rate) ~ 8%

- Commitment of NGN100B from World Bank and AfDB

b) **Rental Housing Fund**: It is purely a rental housing scheme with an option to buy if the individual rental account is up to date and the tenancy agreement has not been violated.

- **The key features are**:
    - Account is up to date
    - No violation of tenancy agreement
    - Acquire completed houses from developers
    - 70% of population are rentals
    - 1month rent, 1month deposit
    - European Development Bank (EDB) – Euro300M
        - First 7yrs (deficit)
        - Inject more capital
        - Review amortization with EDB

c) **Land and Infrastructure Development Fund**: the focus of the fund is to acquire Land in city centres for young people, directly or in joint venture.

d) **Student Housing Fund**: This is a project to provide housing for student with two initial pilot Universities (Ahmadu Bello University and Lagos State University), in partnership with Agence Française De Développement (AFD).

vii. NIGERIA GOVERNORS' FORUM (NGF)

The NGF is a Policy Hub and Resource Centre for States. Notably, NGF can ensure the following point:

- Housing on States Agenda
- Model Mortgage and Foreclosure Law on NGF Dashboard
- Housing Survey Data for all States
- Connect the committee to the National PPP Network, NPPPN

viii. Central Bank of Nigeria (**CBN) OFISD - Regulatory and Supervisory Guidelines for PMBs**

The OFISD CBN was involved in advocacy on the MMFL. Institutional memories regarding housing policy are being reviewed to know what was done in the past. A number of frameworks has been put together to review previous housing policy which would be relevant to achieving housing finance ecosystem committee goals. The 7 initiatives are:

1. MMFL – Model Mortgage and Foreclosure Law
2. MIDP – Mortgage Interest Drawback Programme
3. NMGC – Nigeria Mortgage Guarantee Company
4. Capital Relief
5. GSI – Global Standing Instruction
6. MBS – Mortgage Backed Securitization
7. Committee of Mortgage Lenders

ix. Mortgage Bankers Association of Nigeria (MBAN)

Current initiatives include:

- Mortgage Interest Drawback Fund (MIDF),

- Global Standing Instruction (GSI),
- Nigeria Mortgage Guarantee Company Plc (NMGC),
- MBAN/PISON Collaborative Partnership on House Price Index (ROI/MBAN HPI), and
- Proposed Visits to the Deputy Governor of Kwara State and Commissioner for Housing, Ogun State on MMFL.

x. National Pension Commission (PENCOM)

- PenCom is collaborating with NMRC on how RSA holder can approach Primary Mortgage Institutions to get mortgage and to be guaranteed by NMGC

- PenCom wants to create a fund that will play in the supply and demand part of the market by providing long term funds to Mortgage Institutions at affordable rate to build houses and on the demand-side provide funding and collateral for individual RSA holders that are interested.

xi. Security Exchange Commission (SEC)

- Already developed the checklist for Deemed Approval Process. This will enhance the access of NMRC to the Capital Market
- The Organization has a framework on securitization. So, the Committee should look into mortgage securities (mortgage backed assets).
- There is a mechanism currently in place that involves Infra-credit to give credit enhancement when needed to get private capital into the Mortgage sector.

  The key features are:
  - Issuances - enable
  - Time-to-market
  - Recognize the need for collaboration so as to create mortgages
  - How to use capital market to unlock housing market (delivery)
  - Securitization
  - FIRS collaboration to remove double taxation
  - Good framework for REIT – MBAN to help in the set up of REITs (mortgage-based REITs)
  - Addressing demand and supply

xii. Infrastructure Concessionary and Regulatory Commission (ICRC)

- ICRC regulates PPP.
- Focus on infrastructure with little on housing.
- Will report their current initiatives in the next meeting.

xiii. FMDQ

- One of the transformation levers to drive the strategic objective of the Debt Capital Markets Development (“DCMD”) Project (the “Project”), an FMDQ Holdings PLC (“FMDQ”) initiative, which draws from the Securities and Exchange Commission’s Nigerian Capital Market Masterplan 2025 and the Central Bank of Nigeria’s FSS 2020, is the Housing Finance Sub-Committee
- The Sub-Committee, with membership consisting of key stakeholders in the Nigerian housing sector seeks to strategize and develop methodologies for effective housing delivery, through the debt capital markets, in collaboration with other stakeholders in the Nigerian housing ecosystem
- Following the execution of a series of Housing Roundtables by FMDQ, in partnership with the International Finance Corporation(“IFC”) and Family Homes Fund (“FHF”), in October 2018, a key resolution was the need for the development of a sustainable Blueprint, to bring coherence and policy coordination to the Nigerian housing sector and rally stakeholders in the housing value chain towards the implementation of a harmonized strategy and roadmap; hence the development of a National Housing Strategy

xiv. Real Estate Development Association of Nigeria (REDAN)

- The association has educated its members, real estate developers, on the need to follow the building codes to produce houses that are of good standard for the consumers
- REDAN is training/retraining members in collaboration with stakeholders like CBN, NMRC, FMBN, FHFL, Shelter Afrique, UNILAG Centre for Housing Studies, BMPAN, and NBRRI to enlighten members on how to achieve the objectives of affordable housing.
- REDAN has initiated an initiative for a minimum of 100 houses in each of the 774 Local Governments in Nigeria.
- REDAN is also looking to enact a law to regulate real estate development in Nigeria, the bill was submitted to the 8th Assembly and it has passed the first reading.
- NRE-DCMP: Nigeria Real Estate Data Collation and Management Programme
- REDAN in collaboration with other professional bodies initiated an Estate and Product Endorsement Scheme which is aimed at endorsing estates and products of its members that meet the Association's requirements in terms of standards and other characteristics.
- REDAN in collaboration with SCUML provides training for its members to abreast them with relevant regulations and extant laws.

xv. Mortgage Warehouse Funding Limited (MWFL). This was an initiative of Mortgage Banking Association of Nigeria (MBAN) and Dunn Loren Merrifield (DLM).

- Prefinancing – provide affordable mortgages
  - target single digit mortgages / reduced interest rates
  - Sensitization with mortgage banks
  - 8 mortgages – NGN 200m
  - Working with Homes Direct – online platform for diasporans

xvi. Nigeria Mortgage Guarantee Company Plc (NMGC)

- Mortgage Guarantee
  - Widen base of mortgages

xvii. Other institutions and professional bodies.

- Nigeria Society of Engineers, NSE
- Nigeria Institute of Architects, NIA
- Nigeria Institute of Quantity Surveyors, NIQS
- Nigeria Institute of Builders, NIOB
- Nigeria Institution of Estate Surveyors and Valuers, NIESV
- Nigeria Institute of Town Planners, NITP

In summary, there are many initiatives by various stakeholders in the housing industry. Harmonizing these initiatives will go a long way in achieving the goals and objectives of housing demand and supply in Nigeria.

4. HOUSING DEMAND MARKET

This chapter profiles housing demand market in Nigeria, including consumption distribution, occupancy status, and characteristics of household. The main source for this analysis is the Nigerian General Household Survey (GHS) conducted in 2010/2011 by the National Bureau of Statistics and joint NMRC-NBS survey conducted in 2016.[4] Nigeria is the most populous country in Africa with a population of more than 200 million in 2019. Population growth has been driven by the high fertility rate and cultural factors such as polygamy. This is reflected in the average household size, which is similar in urban and rural areas (5.99 compared to 5.14). Household size varies considerably across zones, with the North East (NE) and North West (NW) having a higher average household size than the South East (SE), South South (SS) and South West (SW). The average household size is above the West African average of 5.4 persons per household and South African average of 4.92 persons per household[5].

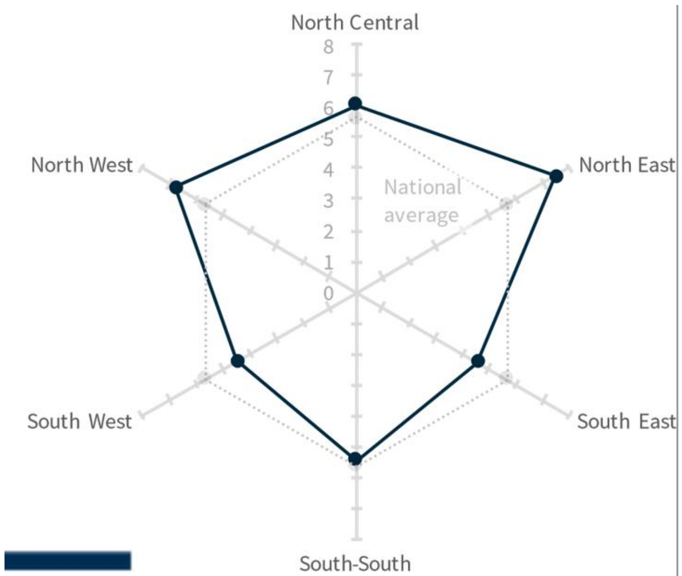


Figure 12: Average Household Size

Fifty percent of the population is concentrated in urban areas. The NE and NW have more rural residents, and the SS and SW zones have more urban residents. This is especially true in the SW, where only 24% of the population reside in rural areas. The rapid growth of the country's metropolitan population is exerting tremendous pressure on the housing sector. In 2003, it was estimated that 70% of the urban population was living in inadequate housing.

A. Housing for the People

The housing deficit has been estimated at up to 21 million units. In Lagos, Ibadan, Kano, Port Harcourt and Abuja, the need for housing is rising by about 20 percent a year. Current total output in the formal housing sector is estimated at no more than 100,000 units per year. Based on the limited available data, the formal sector is only producing a fraction of the total number of urban units needed each year. The UN estimates that by 2050, 75 percent of the population will be living in cities (Figure 13, shown below). This translates into an annual housing

[4] The GHS is a detailed survey administered to approximately 5,000 households comprising 28,000 individuals. It is representative at the national, sectoral (urban/rural), and zonal levels (Nigeria is consisting of 6 separate geographic zones) allowing population estimates to be calculated at these levels. NMRC and NBS carried out another survey in 2016 with 15,000 samples in the 6 geopolitical zones.

[5] Source: UN Habitat, State of the World's Cities 2012-13.

requirement over the coming decades of at least 1,000,000 units just to keep up with growing population and urban migration.

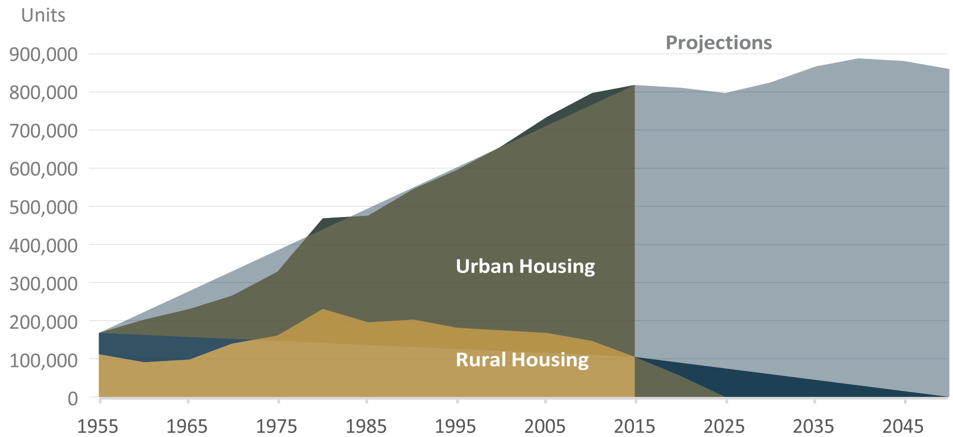


Figure 13: Nigeria Annual Housing Needs, 1950–2050

Source: UN Population Division, Central Bank of Nigeria calculations

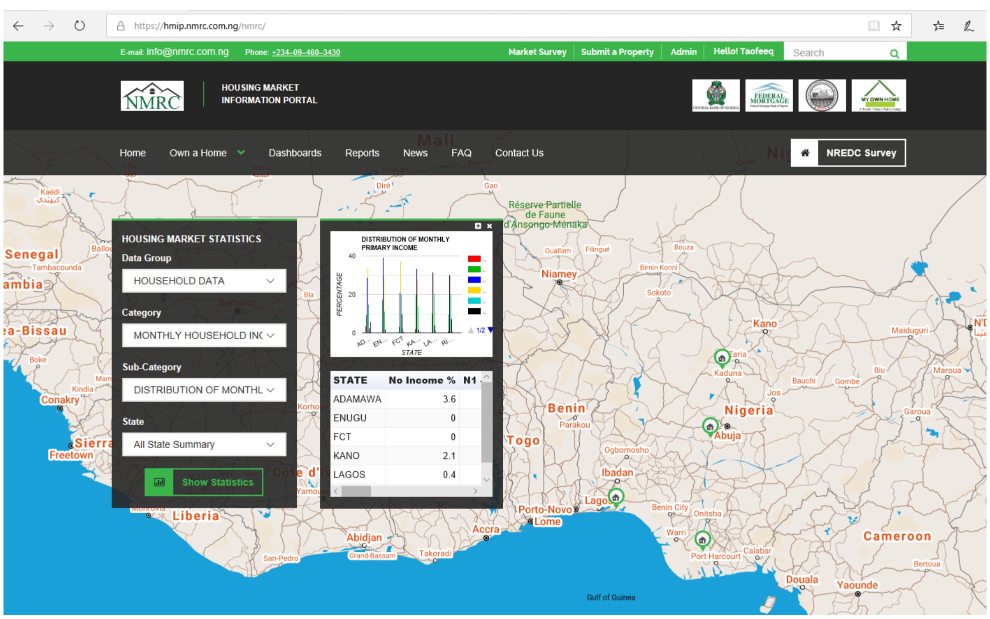


Figure 14: Housing Market Information Portal

Significant role of housing in economies (despite policies):

- Regular, embedded economic contribution of household investments.
- Creation of regular economic flows in economy is most critical
- Public attention must focus on full value chain, creating certainty and growing private investment

			Construction			Rental	
Country	GDP (US$ million)	Total value added by residential construction (US$ million)	Residential construction gross value added plus intermediate inputs as % of GDP	Direct impact output multiplier*	Total value added by residential rental (US$ millions)	Residential rental gross value added plus intermediate inputs as % of GDP	Estimated total employment in residential construction and rental activities
South Africa	349 630	1 998	1,8%	3,23	3 742	1,9%	731 732
Kenya (2017)	79 271	1 445	4,2%	2,28	1 763	2,6%	484 078
Rwanda (2017)	9 135	275	8,6%	2,86	103	1,2%	?
Nigeria (2017)	376 361	5 624	2,6%	1,72	11 538	4,4%	1 210 591
Uganda (2017)	27 114	536	6,6%	3,33	619	4,0%	?

* NOTE: These multipliers have not taken account of leakages associated with imported intermediate inputs. Imports of intermediate inputs will reduce the size of the direct impact output multiplier.

"Housing builds economies and economies build housing" (CAHF, 2019)

Figure 15: Impact of Housing on African Economies: Five Countries

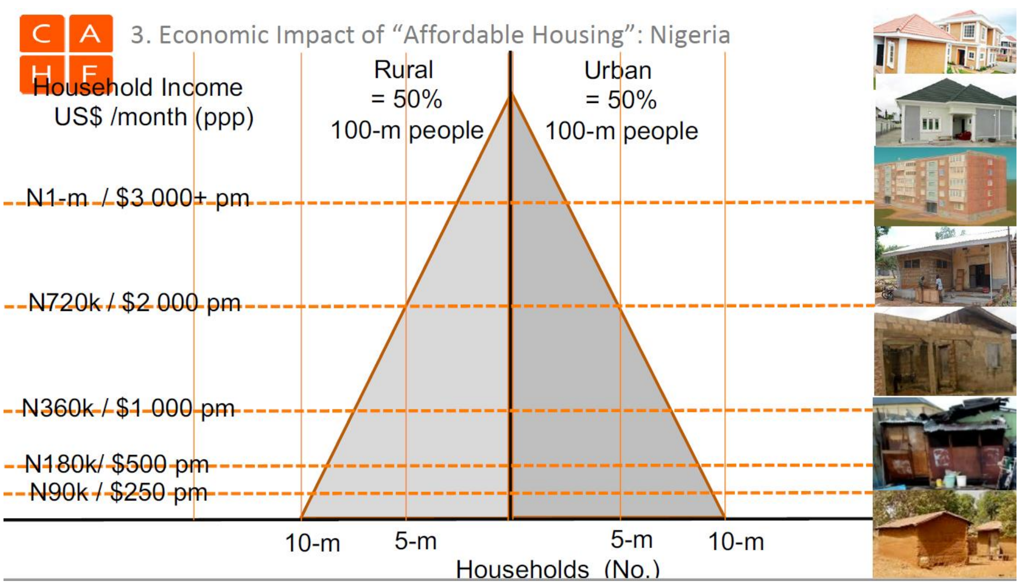


Figure 16: Economic Impact of "Affordable Housing": Nigeria

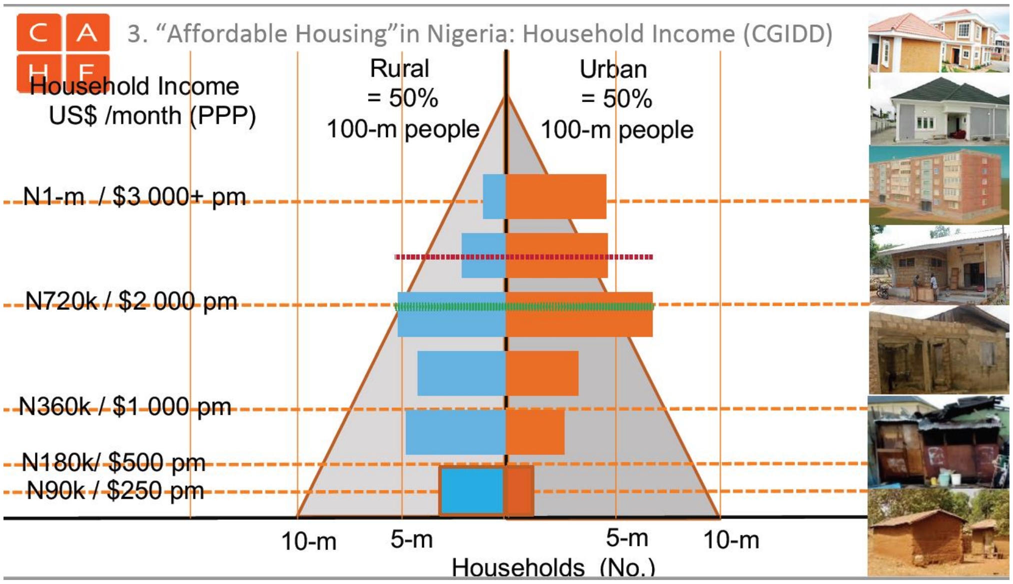


Figure 17: "Affordable Housing" in Nigeria: Household Income (CGIDD)

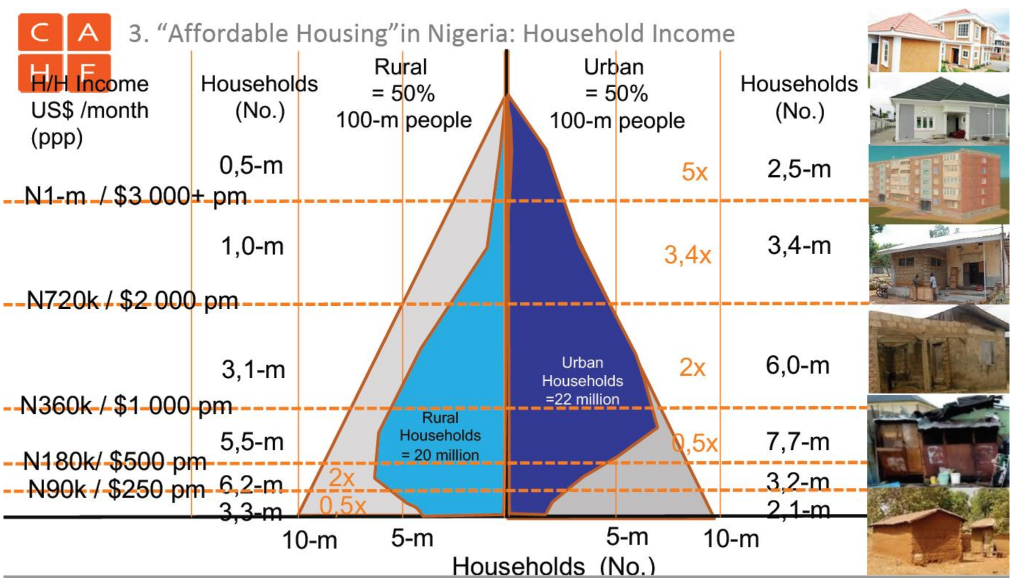


Figure 18: "Affordable Housing" in Nigeria: Household Income

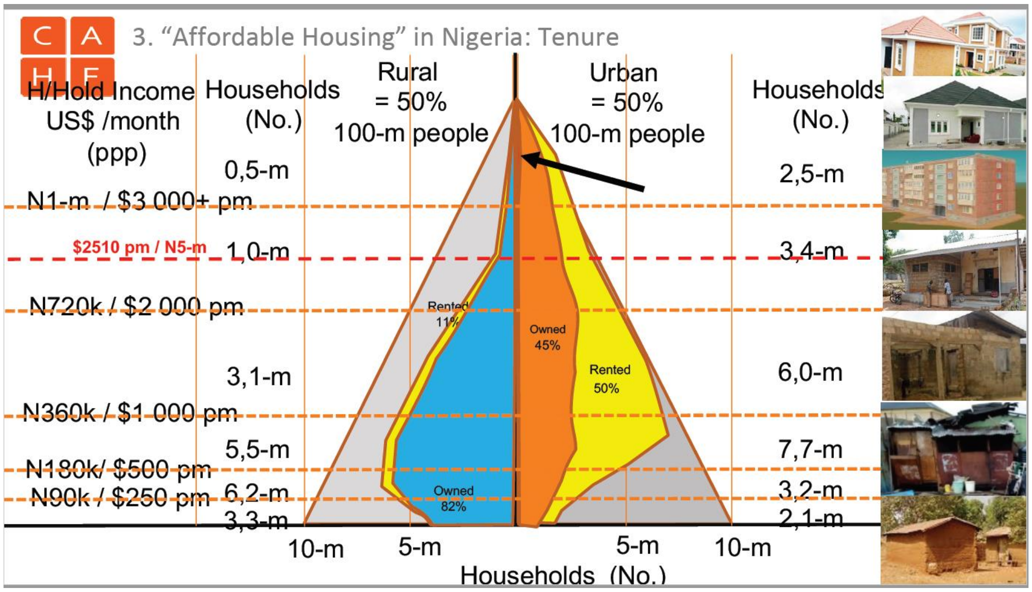


Figure 19: "Affordable Housing" in Nigeria: Tenure

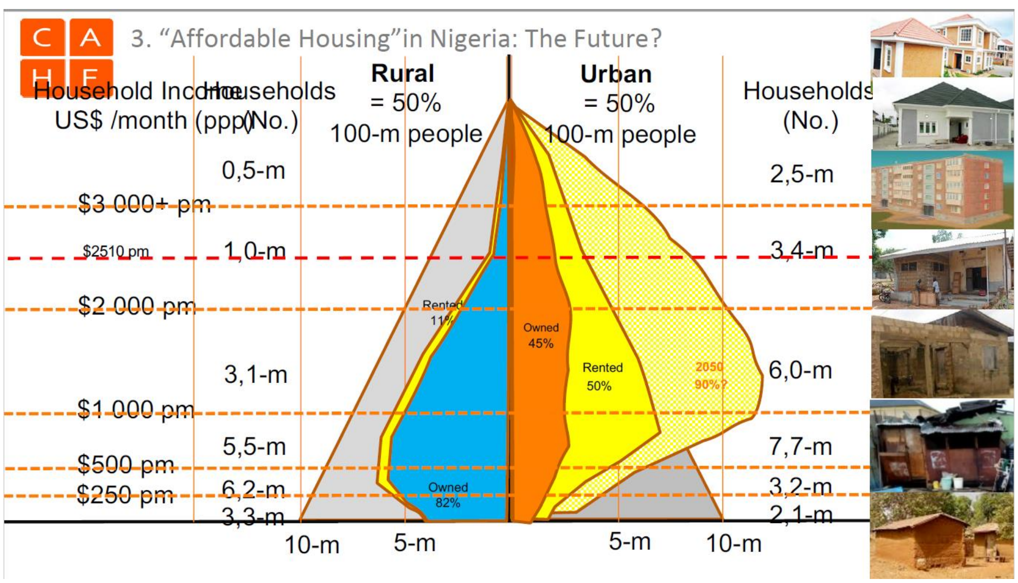


Figure 20: "Affordable Housing" in Nigeria: The Future?

B. Household Income Distribution

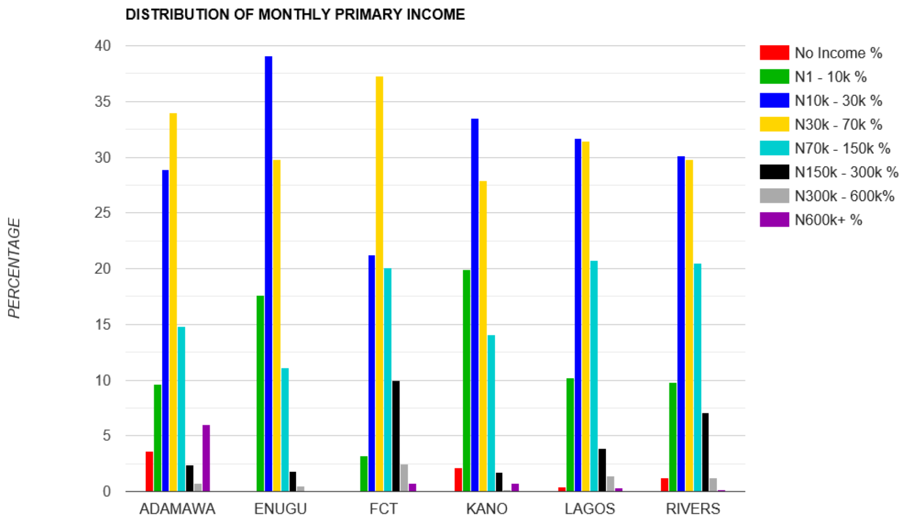


Figure 21: Distribution of Monthly Primary Income for selected States

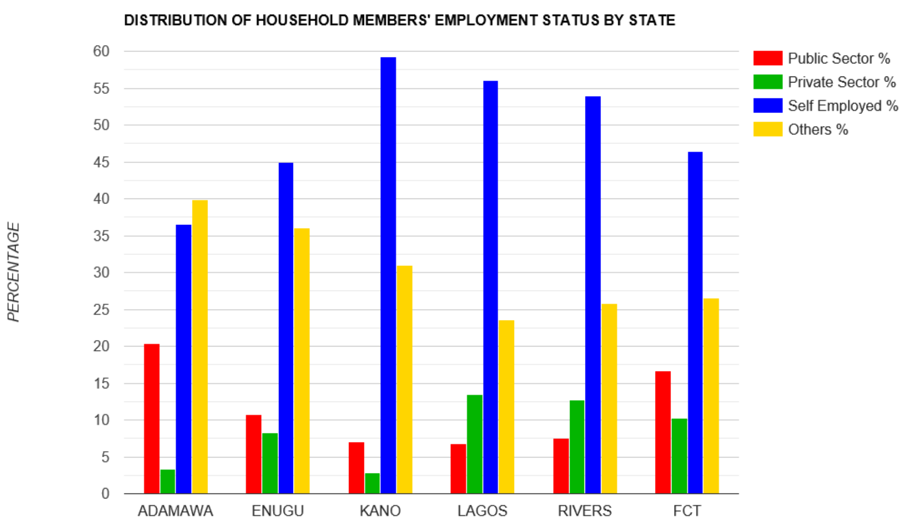


Figure 22: Distribution of Household Members' Employment Status for selected States

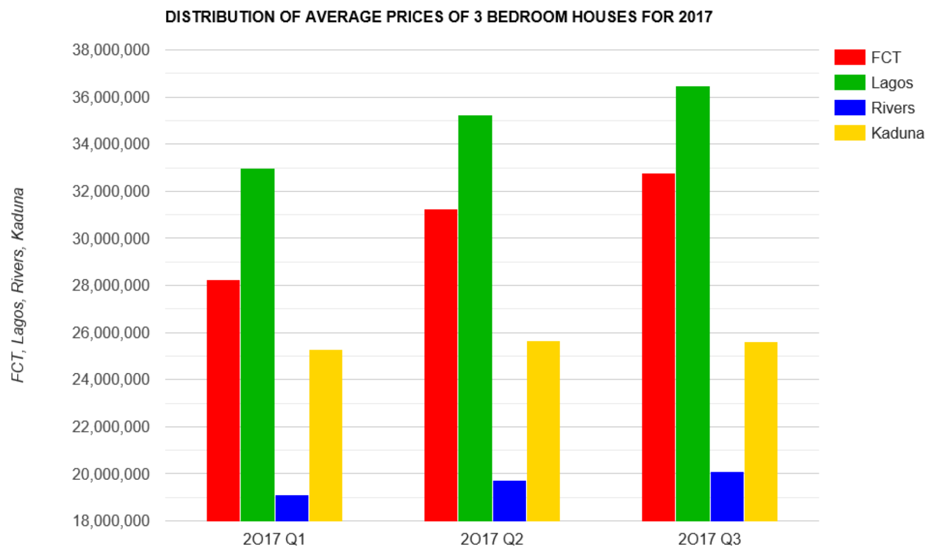


Figure 23: Distribution of Average Prices of 3 Bedroom Houses for 2017

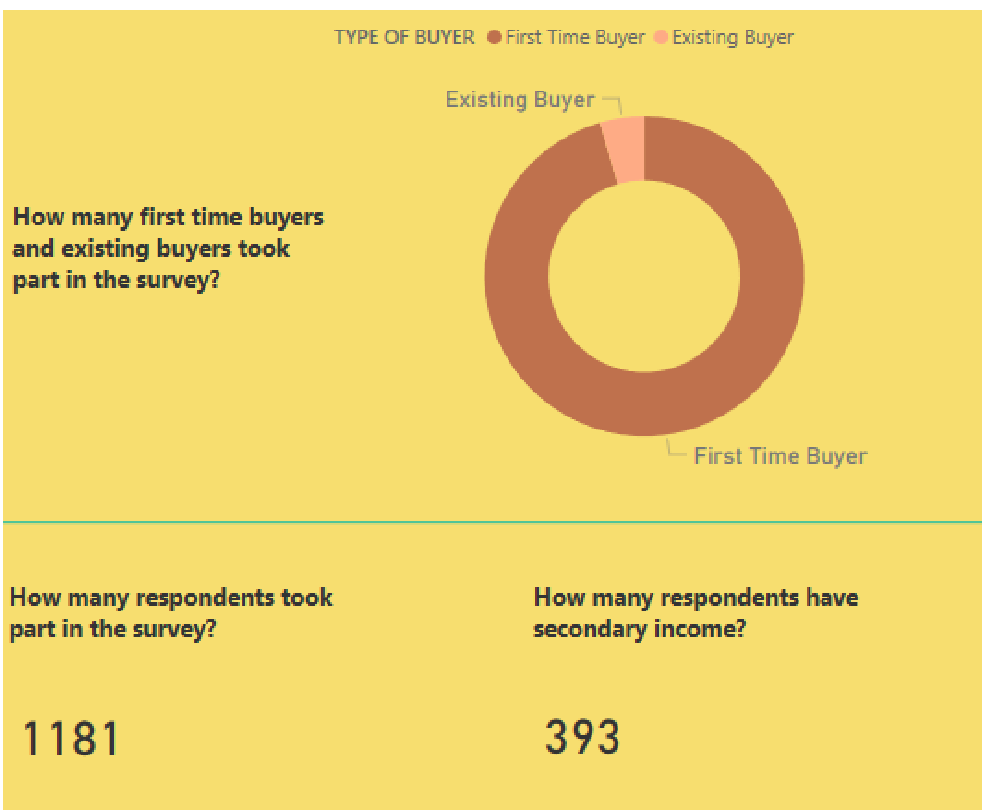


Figure 24: Type of Home Buyers

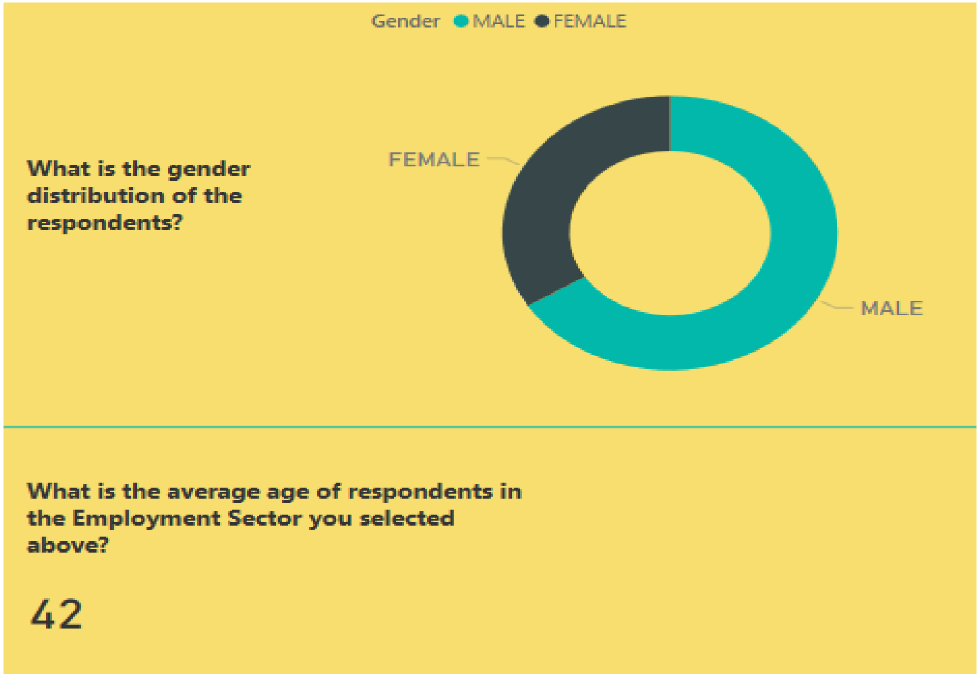


Figure 25: Gender of Home Buyers

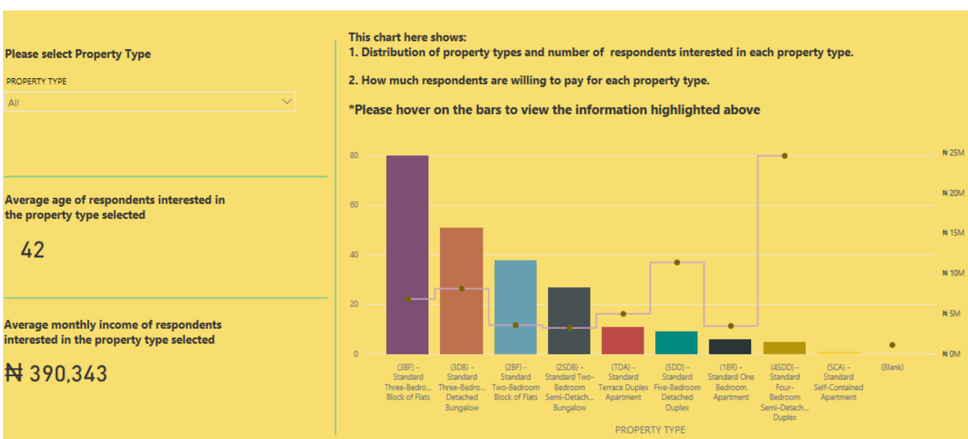


Figure 26: Distribution of Property Types

Figure 27 shows total expenditure per household and per capita consumption within consumption decimals. Yearly household expenditure in Nigeria is estimated at about N1,115,000 (US$2,480), with expenditure in urban areas nearly double that in rural areas. These observations are similar for per capita expenditure estimate at N254,100 (US$570) yearly, according to the GHS.

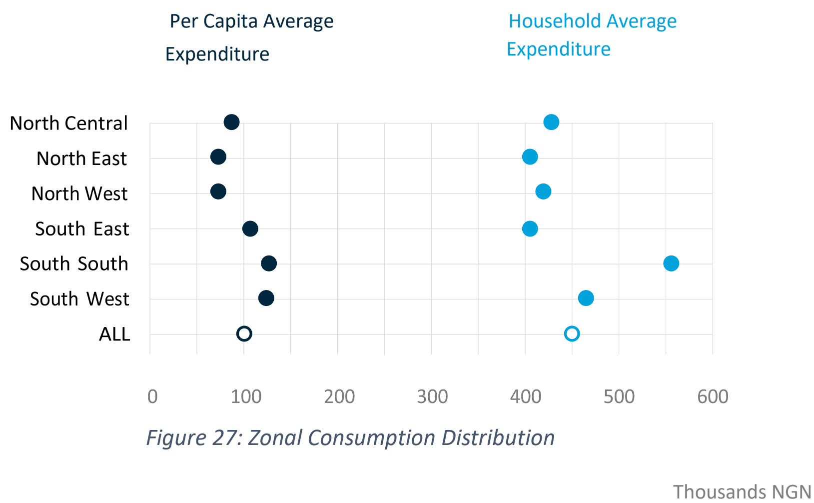


Figure 27: Zonal Consumption Distribution

Table 1: Income Distribution

Income Brackets (NGN 450 = USD 1)	% of households	All	Urban	Rural
Above N4.6m ($10,222)	1.1	**2,406,507.0**	2,373,646.0	2,478,226.0
between N2.82m & N4.6m ($6,267 & $10,222)	3.7	**1,344,260.0**	1,364,208.0	1,298,776.0
between N1.54m & N2.82m ($3,422 & $6,267)	15.2	**779,087.4**	790,078.2	765,136.9
between 870,100 & N1.54m ($1,940 & $6,267)	30.0	**450,355.2**	456,840.9	445,434.9
below 870,100 ($1,940)	50.0	**213,446.5**	225,663.4	208,422.2

Source: NBS

C. Meeting the Request for Housing

The purchasing power and spread of poverty is correlated with the occupancy status of different households. The GHS indicates that most Nigerian households in the rural areas own their houses, and that rental housing is prominent in urban areas. More than two thirds (66 percent) of households in Nigeria own the house they live in, while about 33 percent have a different occupancy status; about 14.4 percent live in rent-free houses, and 17 percent live in rented premises. About one percent live in a property provided by the household head's employer. Owning a house is more common in rural areas (81 percent) than in urban areas (44 percent), whereas renting houses and rooms is more common in urban areas (35 percent) than in rural areas (4 percent). Living in a rent-free house is rather common in both urban and rural areas, at 17 and 13 percent, respectively. On a gender basis, 54.3 percent of female-headed households own their property, 29 percent live for free in a property with the owner's authorization, and only 15 percent rent a property. By contrast, 68 percent of male-headed households own their property and 17 percent rent their dwelling.

Table 2: Type of Occupancy Status per Sector

Sector	Owned	Provided by employer	Free with authorization	Free no authorization	Rented
Urban	43.8	1.56	17.14	1.79	35.72
Rural	81.11	0.87	12.65	1.19	4.19
Total	**66.25**	**1.14**	**14.43**	**1.43**	**16.75**

Source GHS

In terms of income distribution, ownership rates increase as total expenditure increases. Large numbers of rural households (81 percent) own their housing, but this is often ownership of an informal kind, and may be held collectively rather than individually. While some farmers rent land, very few rent a home. Table 5 and Figure 6 underline the fact that whether rich or poor, most rural dwellers have access to “ownership.” The situation is different in cities, where a higher percentage of households rent.

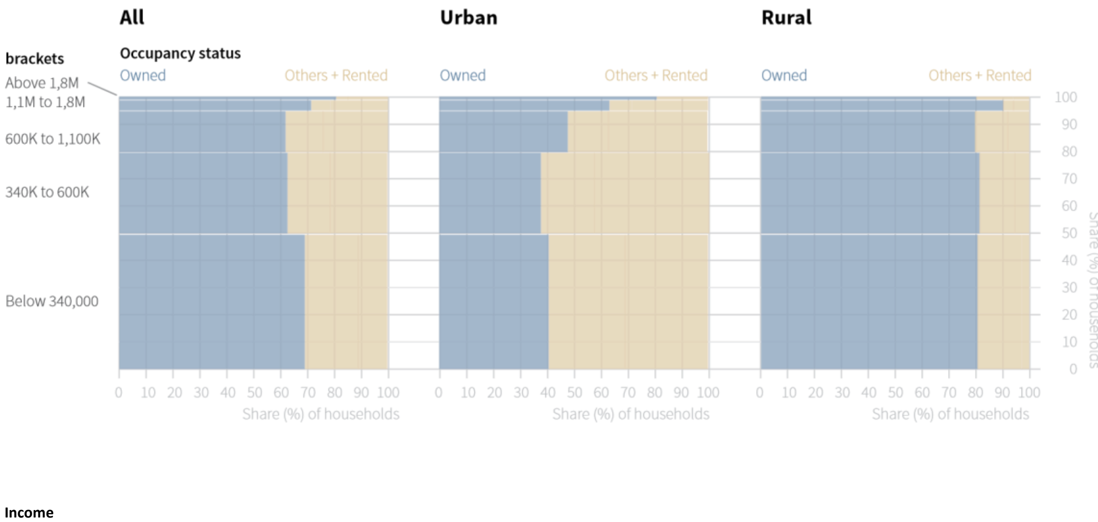
Global experience indicates that most variations in homeownership in poorer cities can be explained in terms of access to cheap or free land. In cities, where land grabbing is pervasive, many people have taken advantage, pushing up costs of homeownership.[6] By contrast, where the authorities have been stricter, costs of homeownership tend to be lower.

Table 3: Occupancy Status by Income Bracket

		Full Sample (%)			Urban (%)			Rural (%)		
Income Brackets (NGN 450 = USD 1)	% of households	Owned	Rented	Others	Owned	Rented	Others	Owned	Rented	Others
Above N4.6m ($10,222)	1.1	80.76	14.9	4.34	80.97	19.03	0	80.31	5.87	13.82
between N2.82m & N4.6m ($6,267 & $10,222)	3.7	71.59	21.44	6.97	63.42	28.29	8.29	90.23	5.81	3.96
between N1.54m & N2.82m ($3,422 & $6,267)	15.2	61.88	24.19	13.93	47.77	36.99	15.24	79.78	7.95	12.27
between 870,100 & N1.54m ($1,940 & $6,267)	30.0	62.6	21.46	15.94	37.75	42.8	19.45	81.44	5.29	13.27
below 870,100 ($1,940)	50.0	69.16	10.97	19.87	40.63	30.87	28.5	80.89	2.78	16.33
Total	**100**	**66.25**	**16.75**	**17**	**43.8**	**35.72**	**20.48**	**81.11**	**4.19**	**14.7**

[6] Un-Habitat, Rental Housing An essential option for the urban poor in developing countries

Figure 28: Occupancy Status



D. Household Expenditure

Although the ownership cost is relatively high, expenditure on housing is 12 percent of household expenditure, ahead of expenditure on health and education. The GHS indicates that the share of rent in total household expenditure is fairly constant across regions, although households in urban areas spend more in absolute terms on rent than their counterparts in rural areas.

Similarly, house-related expenditures (including rent, water, electricity and maintenance) are more expensive and represent a larger share total consumption in urban than in rural households.

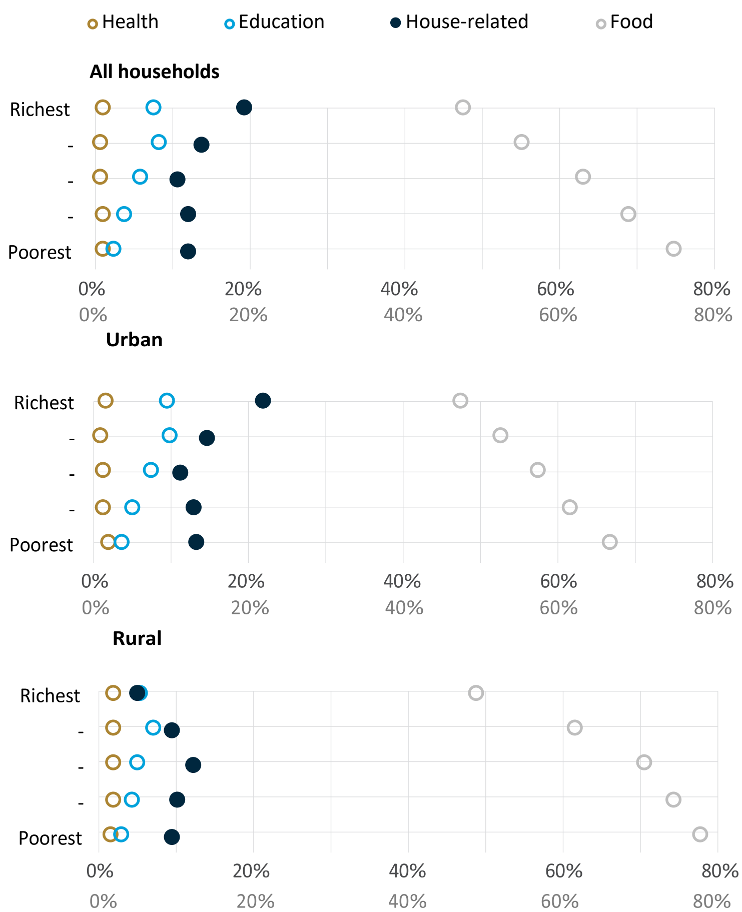
Table 4: Income Share of House-Related Spending

	Share of House Related Expenditure (%)			Share of House-Related Expenditure (N)		
Income Brackets (NGN 450 = USD 1)	All	Urban	Rural	All	Urban	Rural
Above N4.6m ($10,222)	19.3	21.4	4.2	409,517	452,076	108,500
between N2.82m & N4.6m ($6,267 & $10,222)	13.8	14.2	8.7	194,580	202,021	111,966
between N1.54m & N2.82m ($3,422 & $6,267)	10.9	10.8	11.7	86,610	85,919	90,694
between 870,100 & N1.54m ($1,940 & $6,267)	12.0	12.4	9.7	55,242	56,925	44,924
below 870,100 ($1,940)	12.1	12.8	8.9	29,774	31,956	19,809
Total	**12.0**	**12.3**	**9.8**	**65,699**	**68,802**	**48,194**

Source: GHS

The share of expenditure allocated to house-related items is higher than households' average expenditure on education and health (Table 4).

Figure 29: Share of household expenditures by sector



Affordable housing: In summary, to make the housing market more inclusive, housing construction aimed at those with an annual income of at least N900 000 (about US$2000) would extend housing to Nigerians. Incremental building, cooperatives and other approaches would also increase access to housing in Nigeria.

5. HOME AND PROPERTY OWNERSHIP

The zeal of owning a home or property, coupled with the ease of doing business and the housing market growth has been impacted by the sector's legal and operational frameworks. Under the 1978 Land Use Law, there is no private ownership of land in Nigeria. The maximum interest a person may hold in land is the right of use and occupancy. The statutory right of occupancy of urban land is given to any person by the governor's consent and a written certificate of occupancy (C of O). In the Central Bank of Nigeria's Doing Business 2015, Nigeria ranked 185 out of 189 in terms of registering property because of its long and costly process—up to two years and 20 percent of the value of the property, compared to 9.1 percent for Africa, 1.1 percent for Ghana, 4.3 percent for Kenya, and 7 percent for India.

Land reform processes are by nature both social and economic. They reflect wide and divergent socioeconomic interests of individuals, families, and communities. The goal of land use systems is to ensure sustainable growth and development anchored in secure land tenure and effective land titling. Structured reforms will encourage wealth creation and the economic empowerment of landowners and homeowners.

A. Land Ownership in Nigeria

Prior to 1978, land tenure laws and practices varied across regions. Customary law was dominant in southern Nigeria, where allocation and use were controlled by community leaders who could vest land in heads of families or other designated community groups for their use and disposition. Individual ownership was less common but possible, and the common instrument of transfer, the Deed of Conveyance, was accepted as conferring title. In northern Nigeria, land was held and administered for the use and common benefit of the people, subject to the control and disposition of the local authority, who could grant rights of occupancy to groups or individuals. In 1978, the Land Use Act nationalized land, placing ownership in the hands of the State governors "in trust"[7] for the benefit of all the Nigerian people. The Land Use Act created limitations on the rights of ownership and use of land. These rights are discussed below.

B. Land Titles

At the time of its passage, the stated purpose of the Land Use Act was to create a uniform land tenure system throughout the country by nationalizing all land. Paragraph 2(1) confers "control and management" of the land upon the governor of each State in the case of urban land, and to the local government in the case of land outside of designated urban boundaries.

As a result, the maximum interest a person may hold in land is the right of use and occupancy. Under Paragraph 5(1) of the Act, State Governors may grant statutory rights of occupancy of urban land to any person(s), to be evidenced by the governor's consent and a written certificate of occupancy (C of O). They can also collect rent and impose other obligations for use of land under such a grant. Local governments may grant customary rights of occupancy for non-urban land. Section 9 of the Act empowers the governor to issue a Certificate of Occupancy as evidence of the grant of a customary right of occupancy. Statutory rights of occupancy must be for a stated period, which is not specified in the Act. It is common for rights of occupancy to be granted for a period of 99 years, with the C of O issued for a period just short of that (often by one day). When rights are transferred or assigned to a different party, that party acquires the same C of O, with the transfer noted on it, for the balance of the occupancy term left at the time of acquisition.

[7] Paragraph 1 of the Act proclaims that all land is vested in the governor of the respective States where the land is located, to be held "in trust and administered for the use and common benefit of all Nigerians in accordance with the provisions of this Act."

Under the Land Use Act, the deemed grant of statutory Right of Occupancy is created with respect to land in an urban area vested in any person immediately before the commencement of the Act. Where the land is developed, the land shall continue to be held by the person in whom it was vested, as if the holder of the land were the holder of a statutory right of occupancy issued by the Governor under the Act. Similarly, with respect to land not in an urban area which was held or occupied by any person immediately before the commencement of the Act, any occupier or holder of such land shall continue to be entitled to possession of the land to use for agricultural purposes.

The Act prohibits the alienation of a statutory Right of Occupancy without the consent of the Governor. In other words, the holder of a statutory Right of Occupancy must obtain the consent of the Governor before alienating or selling interest in land (Section 22); otherwise, the transaction is void. Similarly, where the property is subject to a customary Right of Occupancy, the consent of the local government is required before land is sold.

C. Property Rights and Registration Process

In the absence of specific national legislation regarding land registration, the Land Registration Act No. 36 of 1924, a received English Law, remains the principal law regulating registration of property rights throughout Nigeria. However, the influence and importance of the Law is declining as State and local courts interpret land legislation to suit local conditions. Moreover, the land registries of each State, although mandated by the Land Registration Act, have their own rules and procedures for registering land instruments, which differ across the country.

D. Land Use Law in Nigeria

The 1978 Land Use Law was implemented to reduce land conflicts among citizens, unify land tenure and land administration procedures, achieve a more equitable distribution of and access to land rights for all citizens, and facilitate government control over land use and development. However, questions continue to be raised about the achievements of this Law.

Cost and Time

The Land Use Law ended private ownership of land, resulting in increasingly bureaucratic administrative procedures that negatively affect the time and costs of simple land transactions. Procedures for property acquisition and title registration of title in Nigeria are among the most cumbersome, expensive, and lengthy in the world. Costs range from 20 percent to as high as 30 percent of the value of the property—two to three times as high as the African average, making formal acquisition and titling simply beyond the means of most homebuyers.[8] In the best case, it takes a minimum of eight to nine months to complete acquisition and registration of title, and that would be a rare case indeed, as the process usually lasts a year or more. The Central Bank of Nigeria Group's Doing Business report for 2015 ranks Nigeria 185th out of a total of 189 developed and developing countries in the category of registering property, indicating that reform of the property registration system is lagging behind efforts in other sectors (Table 7). Costs of registration also vary across Nigerian States (Table 8).

[8] The six regional studies (not including high-income OECD countries) of the cost of registering property as a

Table 5: Registering Property

Country	Ranking	Number of steps	Number of days	Cost as % of property
Nigeria	**185**	**13**	**77**	**20.6**
Ghana	43	5	46	1.1
Senegal	167	5	71	15.2
South Africa	97	7	23	6.2
India	121	7	47	7
Brazil	138	14	25.5	2.6
Egypt	84	8	63	0.7
OECD		4.7	24	4.2
Sub-Saharan Africa		6.3	57.2	424

Source: Doing Business 2020, Central Bank of Nigeria

Table 6: Registering Property for Selected States

State	Rank	Distance to frontier score (0–100)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
Kaduna	1	45.72	8	44	9.5	7.5
Zamfara	2	37.39	11	33	10.0	4.5
Jigawa	3	36.79	12	24	10.5	6
FCT Abuja	4	36.45	12	53	12.1	13
Katsina	5	34.10	10	32	12.6	3
Gombe	6	33.86	11	24	13.0	5
Kano	7	32.73	11	47	11.8	4.5
Yobe	8	32.42	11	88	10.1	6.5
Enugu	9	31.63	12	64	11.0	6.5
Taraba	10	31.23	11	36	15.9	7.5
Niger	11	30.65	11	43	13.6	5
Benue	12	30.62	11	100	9.5	5
Borno	13	29.73	11	55	13.0	4.5
Kogi	14	29.27	11	35	15.3	5
Bauchi	15	28.26	11	33	15.6	3.5
Lagos	16	27.73	12	105	11.1	8
Plateau	17	26.57	11	68	16.0	6.5
Kwara	18	25.73	10	75	19.8	4
Ekiti	19	25.62	12	55	23.1	6
Delta	20	25.09	12	49	25.6	4.5
Bayelsa	21	24.31	12	66	19.2	6
Nasarawa	22	24.04	12	105	10.9	3
Adamawa	23	23.93	11	122	12.2	5.5
Ebonyi	24	22.56	12	86	14.1	5
Oyo	25	22.11	15	60	23.3	5
Akwa Ibom	26	21.46	13	55	15.5	3.5
Ondo	27	21.28	13	53	18.2	3
Ogun	28	21.21	12	98	14.1	5
Edo	29	21.15	14	68	19.2	5
Sokoto	30	20.37	12	85	15.0	4
Osun	31	19.77	12	90	22.1	4
Anambra	32	19.33	13	111	12.8	4.5
Imo	33	19.32	9	146	21.1	4
Abia	34	17.67	12	128.5	15.8	7
Kebbi	35	17.09	11	196	12.0	7.5
Rivers	36	16.31	12	112	25.1	3
Cross River	37	0.00	NO PRACTICE	NO PRACTICE	NO PRACTICE	NO PRACTICE

Source: Doing Business database.
Note: Rankings are based on the average distance to frontier score (DTF) for the procedures, time and cost associated with registering property as well as for the quality of land administration index. The DTF score is normalized to range from 0 to 100, with 100 representing the frontier of best practices (the higher the score, the better). For more details, see the chapter "About *Doing Business* and *Doing Business in Nigeria 2018*." The data for Lagos and Kano have been revised since the publication of *Doing Business 2018*. The complete data set can be found on the *Doing Business* website at http://www.doingbusiness.org.

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percentage of were Africa, 5.7 percent; South Asia, 7.2 percent; MENA, 5.7 percent; LAC, 6.1 percent; and East Asia/ Pacific, 4.5 percent. Doing Business 2015.

E. The quality of land administration in Nigeria

While the time, cost and procedural complexity of property registration matter for businesses, good land administration goes beyond efficiency. It ensures property owners have a secure title, backed by a reliable land administration system. Doing Business assesses the quality of this system through five main dimensions: reliability of infrastructure (0 to 8 points), geographic coverage (0 to 8), transparency of information (0 to 6), land dispute resolution (0 to 8) and equal access to property rights (−2 to 0). Results for these dimensions are then added for the overall score on the quality of land administration index (for a possible 30 points).

The overall index score varies from 13 points in FCT Abuja to 3 points in Katsina, Nasarawa, Ondo and Rivers (see figure). Over the years, FCT Abuja has completed the digitization of its maps and scanned most of its titles. In addition, Abuja is the only city in Nigeria where all properties are formally registered.

On the reliability of infrastructure dimension, FCT Abuja leads with 7 points (out of a possible 8) while 30 states receive 1 point or less. FCT Abuja's better performance is due to its advances in setting up electronic systems for land records and cadastral records as well as interconnecting the land registry and mapping databases. The improvement of land registry infrastructure in FCT Abuja started in 2004, much earlier than in other states. Several other states have taken steps in going digital, but progress has lagged.

Making land-related information publicly available—including fee schedules, time limits for service delivery and statistics on transactions—provides clients with critical information on the transactions they undertake and reduces mistakes and opportunities for bribery. A good practice is for registries and cadastres to make such information publicly available either online or on a public board. On the transparency of information component, Lagos leads with 3 points (out of a possible 6), while Katsina, Nasarawa and Ondo do not obtain any points. Lagos authorities publish online the lists of procedures and requirements to register property, as well as the fee schedules for both cadastral and land registration systems. Lagos has also set up specific and independent mechanisms to file complaints.

Except for the city of Abuja, no other location in Nigeria has managed to formally register or map all private properties. This explains why FCT Abuja is the only location to score 2 points out of 8 in the geographic coverage dimension. Other states have embarked on a process of formally registering all properties, but none have fully completed the process. This is a complex feat, requiring considerable financial resources, high administrative and technical capacity, and long-term commitment. On the land dispute resolution component, Bayelsa, Ekiti, Jigawa, Kebbi and Taraba lead with 5 points, while Rivers scores only 2. Nigerian property laws do not restrict ownership rights on the basis of gender—women and men have equal property rights under the law.

F. Administration and Registration of Land in Nigeria

Critics of the Land Use Act say it is the main obstacle to the development of the housing and mortgage markets. Many provisions in the Act that make land and mortgage transactions time-consuming and expensive can also be subject to inappropriate political influence and corruption. Initial efforts are underway to find a way to address these obstacles. In a key development, on May 7, 2012, the National Assembly called for Memoranda on whether the Land Use Act should be removed from the Constitution.

Although repeal or amendment of the Land Use Act may take many years to accomplish, especially given its political significance, there are provisions in the Act that allow States to overcome some of its problems, as long as there is willingness to do so among governors and state courts. For example, Lagos State has put in place a series of reform-oriented administrative and judicial procedures that can make a substantial difference in the growth of the mortgage market.

To improve registration systems, the Government has funded computerization and digitization of records and geographic information systems in the Federal Capital Territory and the State of Lagos, and to a lesser extent in several other states, with donor assistance. In 2005, the Lagos State Lands Bureau began an ambitious project to improve land registration, beginning with upgrading facilities, modernizing operations, and making information more accessible to customers. These reforms are leading to an increasing number of properties being brought into the formal system every year, at lower cost to the occupants.

In addition to improving the physical facilities and staff capacity and computerizing the registry, Lagos State has also implemented procedures to lower the cost and shorten the time required for registration. Under the new procedures, a Certificate of Occupancy on State land should be issued within 21 days of the submission of application and appropriate documentation. The Lands Bureau is also planning to lower the registration fee for the purchase of landed property to between 2 and 5 percent of the value of the property.

More changes can be put in place without changing the existing laws, to begin to quickly improve the mortgage market. These include:

- Making broader use of the governors’ power to grant consents to land transactions, including sales and mortgages.
- Improving administrative procedures, including reducing the number of steps to register a property, digitalizing land registries, introducing electronic points of payment, and simplifying the overall process so that an individual is able to acquire land without the need for a lawyer.
- Lowering the cost of land registration by, e.g., eliminating the consent fee and introducing flat fees where applicable, rather than fees as a percentage of property value.
- Replicate good practices such as the Lagos fast-track registration procedures and land regularization program.

6. MORTGAGE AND LEGAL FRAMEWORK

A. Nigerian Law and the Creation of Mortgages

In Nigeria, there are three operative laws regulating the creation of legal mortgages. These are:

- The Property and Conveyancing Law Cap 100 Laws of Western Nigeria 1959 (PCL).
- The Registration of Titles Law Cap R4 Laws of Lagos State 2004 (RTL).
- The Conveyancing and Law of Property Act 1881 (CA).

1. The Property and Conveyancing Law Cap 100 Laws of Western Nigeria 1959 (PCL). PCL strictly applies to all states in the old Western and Mid-Western Nigeria; i.e., Oyo, Ogun, Osun, Ondo, Ekiti, Edo and Delta States. The PCL is to the exclusion of common law.
2. The Registration of Titles Law Cap R4 Laws of Lagos State 2004 (RTL). RTL applies in a limited number of places in Lagos, including Ikoyi, Ebute-Metta, Victoria Island, Surulere and Lagos Island.
3. The Conveyancing and Law of Property Act 1881 (CA). CA is applicable in all other parts of Nigeria, excluding the PCL States and some parts of Lagos. The parts of Lagos covered are those excluded under the Registration of Titles Law.

B. Conveyancing Laws

The Conveyancing and Law of Property Act of 1881 operates in the northern and eastern regions of Nigeria and in parts of Lagos State, and the Property and Conveyancing Law of 1959, which operates in the western region.

Two laws confer the power of sale upon a mortgage lender after borrower default, so long as the right is included in a clause in the mortgage contract or deed and the mortgage is a legal mortgage. The power of sale allows the lender to seize and sell the collateral without a court order or court supervision if there is a default by the borrower. It is considered an advanced, market-oriented procedure designed to improve the efficiency of the mortgage market and lower the lenders' credit risk; however, many countries with mortgage markets in the early stages of development do not allow the sale of distressed property through this procedure.

Essentially, lenders in Nigeria retain possession of the certificate of occupancy, C-of-O, as security for a mortgage loan' In principle, the power of sale should be a speedy and efficient method of dealing with borrower default. However, mortgage lenders in Nigeria are, in most cases, not able to take advantage of their statutory and contractual right to seize collateral and liquidate it by power of sale because mortgages in Nigeria are rarely "legal mortgages" or "mortgages by legal charge," which requires registration of the lender's mortgage rights in the land registry for the property used as collateral.

C. Legal Framework Challenges

Even though lenders are legally entitled to foreclose on property without a court order provided that the property is registered, the common practice among mortgage lenders in Nigeria is to defer or waive legal registration (perfecting the mortgage), thereby not empowering them from using the power of sale to sell the collateral. In most cases, banks prefer to have the borrower maintain an account in the bank during the term of the loan and to have borrower's paychecks deposited directly into the account, to which the bank has access. However, these procedures are not always followed. Bankers sometimes try to protect themselves by estimating the cost of perfecting the mortgage at the time the loan is made and requiring the borrower to keep enough funds in an escrow account for that purpose. However, lenders have stated that 30 percent of their mortgage loans (within the limit of CBN) are in some degree of delinquency at any time, and those who have not registered their mortgages are unable to foreclose.[9]

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[9] On the more positive side, bankers stated that 20-30 percent of borrowers in default negotiate a workout with the bank. This could mean renegotiating the loan terms, the bank's forbearing on collection for a short period (e.g., if the debtor is between jobs), or the bank's allowing

Furthermore, it often happens that when a property is sold, the C-of-O is not transferred, and the land registry are not changed to reflect the fact that a new person has acquired occupancy rights. Mortgage loans are then made to the new borrower based on the old C-of-O.

It is rare for a lender to take a borrower to court, during the period of the court proceedings—which may last for years—the mortgage debtor has an absolute right of redemption at any time. With this right as the ultimate fallback, the debtor has no incentive to speed the process and will often delay through frivolous complaints and postponements.

D. Mortgages and Foreclosure

Lengthy and expensive methods of mortgage enforcement, and the failure of lenders to qualify for right to power of sale, impede the growth of the mortgage market. Improved procedures such as standardization of mortgage documentation and procedures, and increased registration of mortgages, are currently being considered. In addition, the State of Lagos has adopted fast track court procedures for mortgage cases under a specialized commercial division of the High Court. The fast track procedures have reduced the time to resolve a mortgage enforcement case to about 8 months. Similar procedures should be adopted in other states to make mortgage enforcement more efficient. Even with these changes, however, it is essential that lenders perfect mortgages so they can avail themselves of non-judicial procedures.

The Model Mortgages and Foreclosure Law (MMFL) has been developed to improve contract enforcement and foreclosure:

- Creation of specialized court division, as stipulated in the Land Use Act, to deal with mortgage foreclosure issues;
- Strengthening the capacity of judges and lawyers to manage mortgage caseloads and promote strict enforcement of deposit requirements;
- Establishment of licensed foreclosure administrators;
- Strengthening of High Court judicial procedures to make mortgage enforcement less expensive and more efficient, and to foster strict compliance with deposit requirements;
- Increasing the capacity of lenders to manage mortgage portfolios, stressing
    - (a) the importance of perfection of title so that power of sale can be used, and
    - (b) diligent record- keeping so that good evidence of default is available in case of litigation.
- Enactment of adequate land use regulations.

the debtor to sell the property so it does not appear to be distressed and is more likely to bring market value, which benefits both the debtor and the lender.

7. HOUSING SUPPLY AND CONSTRUCTION SECTOR

This chapter provides a brief overview of housing condition, nature, efficiency, and the supply of building materials. Houses are, essentially, a combination of several materials and components assembled on and off site by the builders and construction industry.

A. Economic Contribution of the Housing and Construction Sector

It is well known that the construction industry has the potential to be as a major source of economic growth, development, and economic activity.[10] With proper articulation and execution, it generates employment opportunities to millions of unskilled and semi-skilled workers most in need of economic stimulation. Owing to the large population of lower-wage workers, the money generated in construction tends to be spent close to the site, thereby creating a ripple effect, such that for every naira in wages, another naira is earned as the money circulates. For every job created directly in construction, at least one more is generated, indirectly, in the industries that supply materials, transportation; support and maintenance, sustenance and parts for the construction process (Figure 30).

Figure 30: Linkages between Housing Finance and Economic Development

Source: Sonya William-Stanton, Poverty Literature Review Summary: Housing Finance and Poverty Reduction

B. The Construction Sector

The Nigerian construction industry has experienced steady growth over the last decade, with its contribution rising from about 1 to 3 percent of GDP. While GDP of Nigeria experienced much higher growth, the contribution of the construction industry to GDP remained much lower than the African average share of 34 percent.

The construction industry comprises of the formal and informal sectors: a small number of large businesses that are in the formal sector and a myriad of micro, small and medium enterprises (MSMES), which provide 80-90 percent of jobs. The industry, particularly the MSMEs, has several weaknesses:

- Lack of skills at all levels (technical/managerial/business);

[10] IFC, Poverty Literature Review Summary: Housing Finance and Poverty Reduction

- Poor contract management skills;
- Inadequate marketing skills, ability to price and post qualifying training;
- Weak organizational capacity;
- Poor training in general and inappropriate regional technologies; and
- Lack of training facilities.

Table 7: Construction Sector Structure

Firm type	Characteristics	Target Market	Examples
Large International firms	2,000 to 20,000 staff Diversified to control as larger parts of value chain	Large scale infrastructure projects. Federal Government or large State contracts	Julius Berger Cappa and D'Alberto Costain West Africa
Medium sized indigenous firms	Typically 50 – 2000 staff Typically only building contractors	Small scale government contracts Commercial construction – shops, offices etc. Some housing	Urban Shelter, Brains & Hammers, EMAB, EFAB, Trade More
MSMEs	Handful of staff Largely informal sector Poor skills	Largely private housing	
Input suppliers of cement, iron and steel	Typically, large but inefficient Nigerian companies, with some foreign ownership (e.g., La Farge/WAPCO), protected by tariffs, struggle in particular with reliable power. Domestic cement producers gradually increasing market share although steel and aluminum are stagnant.		Dangote (cement) Ajaokuta Steel, Local Markets (e.g. Alaba, Dede, Kugbo, Lugbe Timber)

Source: GEM II, Housing Supply report

C. Building Regulations for Housing Construction

Regulation of building construction in Nigeria is done through a statutory authority known as the Council of Registered Builders of Nigeria - CORBON, whose function is to establish and oversee the construction industry and coordinate its development.

Several States have also established Building Control Agencies to regulate construction of buildings to ensure standardization.

Council for the Regulation of Engineering in Nigeria (COREN) is mandated by Decree 55 of 1970 Section 1 (i)(e) to regulate and control the practice of the engineering profession in all its aspects and ramifications. To do this Council set up a department and a Committee of Council (the Regulation and Control Committee) and endorsed certain programmes (as Engineering Regulation Monitoring (ERM) through which it can fulfill its mandate.

To achieve its objectives of ensuring that the practice of engineering in Nigeria is in accordance with relevant codes of practice, in the interest of public safety, and carried out by qualified engineering personnel, the following are Terms of Reference of the Regulation and Control Committee:

COREN established the "engineering regulation monitoring" (ERM)

To ensure sanity in the practice of engineering in Nigeria, in 1997, COREN established, the Engineering Regulation Monitoring (ERM). Through the machinery of ERM, Council monitors and enforces compliance with the COREN Act. A team of COREN appointed inspectors who are seasoned engineering personnel, move from one establishment to the other, to ensure among other things, that engineering is practised in Nigeria in accordance with the relevant codes and ethics of engineering practice, in the interest of public safety and for the protection of national development and economic investment.

The ERM is designed with the under listed aims and objectives:
- Monitor the registration of engineering personnel and consulting firms.
- Ensure that engineering is practised in Nigeria in accordance with relevant codes of engineering practice, in the protection of her development and economic investment.
- Enforce maintenance of discipline and strict standards of ethics in the practice of the engineering profession in Nigeria.
- Foster the speedy acquisition of all relevant engineering and technological skills by Nigerians required to accelerate development efforts and effect speedy modernization of Nigeria.
- Minimize and with time, eliminate engineering and technological dependence of Nigeria on other countries.
- Minimize the enormous foreign exchange leakage from Nigeria, resulting from existing domination of engineering activities, particularly in the Petroleum and Construction sectors of the economy by foreigners.
- Facilitate and expedite the positioning of the Nigerian engineering family to join in the global competition for incomes accruable to Nigeria from International Engineering Consultancy and Construction practice.
- Monitor and enforce compliance with the Engineers' (Registration etc) Act of 2004 by all practitioners of engineering.

D. Key Players and Service Providers

Building Material Producers Association of Nigeria (BUMPAN)
In 2004, a new private sector organization Building Material Producers Association of Nigeria (BUMPAN) was established. In order to give authority to organized private sector driving housing construction, the Federal Ministry of Environment, Housing & Urban Development established a standing partnership and Development Committee whose objective is to facilitate viable tripartite partnership between the private sector, REDAN and the Government towards accelerated residential construction.

The formation of the Building Materials Producers Association of Nigeria (BUMPAN) has been described as quite tremendous, as the intrinsic benefits derivable becomes a launching pad for Nigeria's technological leap into greatness.

Manufacturers Association of Nigeria (MAN.)
The Manufacturers Association of Nigeria (MAN) was established in May, 1971 as a company limited by guarantee. The establishment of the Association was motivated by the desire to have a focal point of communication and consultation between industry on the one hand, and the government and general public on the other. Hitherto, there was no institutional organ whose central focus was to give meaning to the interests, problems and aspirations of the manufacturing sector.
The establishment of the Manufacturers Association of Nigeria was to provide a platform for the private sector to formulate and articulate policy suggestions that would be complementary to governments efforts at policy formulation.
MAN is in business to create a climate of opinion in this country in which manufacturers can operate efficiently and profitably for the benefit of all.

The Objectives of MAN is to:

- Provide for manufacturers all over Nigeria the means of formulating, making known and influencing general policy in regard to industrial, labour, social, legal, training, and technical matters;
- To develop and promote the contribution of manufacturers to the national economy through government and otherwise;
- To encourage a high standard of quality of members' products through the collective and circulation of useful information and the provision of advice;
- To encourage the patronage of members' products by Nigerians and by consumers in foreign countries;
- To communicate and liaise with kindred and other bodies, in the accomplishment of the objectives of the Association and on subjects of common interest.

These Associations were also established to help regulate the prices of Building materials and other Nigerian manufactured products.

Nigerian Building & Road Research Institute (NBRRI)

NBRRI was established to conduct integrated applied Research and Development into the various aspects of the building and construction sectors of the economy. The mandate was later in 1993 expanded to include R&D into all aspects of Engineering Materials related to the construction industry. In the Act setting up of NBRRI, she is required to conduct research on:

1. Local building and construction materials to determine the most effective and economic methods of their utilization.
2. Architectural design of buildings to suit Nigerian climatic conditions with respect to lighting, ventilation, thermal comfort and humidity.
3. The design and performance of functional units in buildings including electrical installations, plumbing, painting, drainage, ventilation and air-conditioning system.
4. Local construction, foundation and earth-works for buildings and bridges, especially on problem soils.

8. HOUSING FINANCE AND ACCESS TO THE MARKET

In Nigeria, housing finance are in two broad sectors, the formal and informal sectors, with a ratio of about 30:70. The formal sector has its population predominantly in the urban centres. Generally, the mortgage lenders provide housing finance targeted at the formal sector, the urban Nigerians. Owing to the underpinning challenges of legal mortgages and titling, the lenders have turned to the high-income market for safer lending, thereby leaving majority of urban households without any recourse to housing finance.

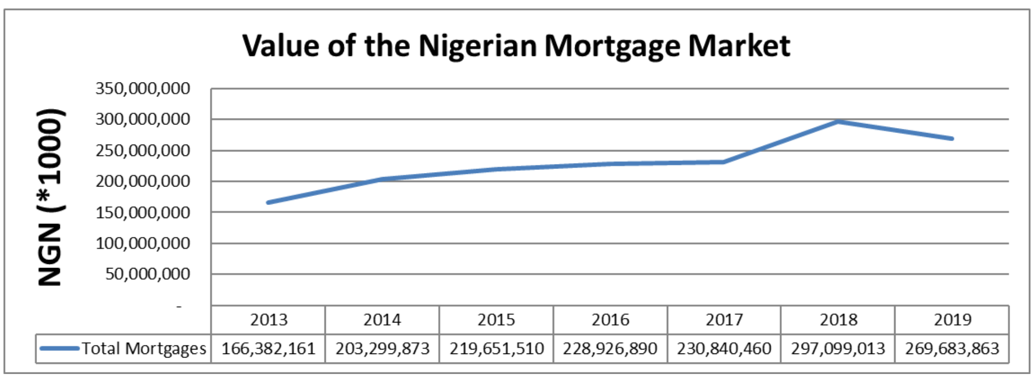
The unstable macroeconomic environment does not encourage private sector institutions to be involved in housing finance. Banks are understandably risk averse and so only lend to the least risky clients—the rich and customers high paying employment. A feature of the financial market in Nigeria is that people borrow under personal loans to build their homes instead of applying for mortgages because of the associated complications of the documentation requirements.

A. The Mortgage Market

Size of the market

Despite its remarkable growth over the last decade, the Nigerian mortgage market still has a long way to go. From 2013 to 2019, the market grew from N166 billion to N269 billion, at an average annual rate of 10 percent (Figure 31). Despite this rapid increase, access to mortgages remains scarce. The ratio of mortgage loans to GDP stands at less than 1percent. This is low for a country with Nigeria's relatively well-developed financial system.

Figure 31: Value of the Nigerian Mortgage Market, 2013-2019



Source: CBN survey data.

From the CBN data in figure 31, we can derive the number of mortgages to be about 33,000 and average non-performing loan to be about 20%, using the following assumptions:

1. Average mortgages by PMBs = NGN 7.5M (Total outstanding mortgages ~ 30,000)
2. Average mortgages by Commercial Banks = NGN 20M (Total outstanding mortgages ~ 2,260)
3. NPL, average of 20% (Limit for Commercial Banks is 5%; while Primary Mortgage Bank is 30%)

Nigeria lags behind its peer countries despite its growing economic and relatively developed banking system. Mortgage loans to GDP ratios in South Africa, Namibia, Tunisia and Ghana, for example, stand respectively at 16, 18, 10, and 2 percent.[11] (Figure 32).

Figure 32: Ratio of mortgage loans to GDP for selected African countries

MORTGAGE AVAILABILITY AND TERMS ACROSS AFRICA (2020)

Country	Value of residential mortgages outstanding in million US$	Number of mortgages outstanding	Mortgage to GDP	Number of mortgage providers	Typical mortgage rate	Typical mortgage term	Typical downpayment on a mortgage if required
South Africa	56 765.00	1 699 634	16.15%	15	12%	20	20%
Tunisia	3 956.00	–	10.22%	20	7%	20	20%
Morocco	2 711.00	67 332	2.28%	24	4%	20	30%
Namibia	2 333.00	73 396	18.86%	5	9%	20	–
Nigeria	2 240.48	535 000	0.50%	57	25%	20	30%
Zambia	1 418.00	10 436	6.15%	10	32%	20	10%
Mauritius	1 123.00	–	7.92%	21	19%	25	10%
Ethiopia	1 088.00	214 417	1.13%	1	13%	18	23%
Ghana	1 084.00	–	1.62%	8	23%	15	20%

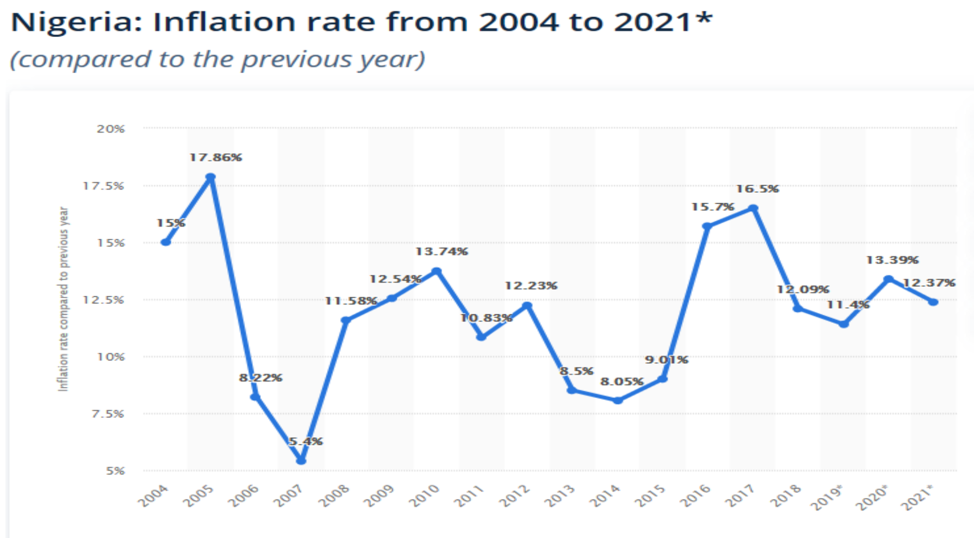
Access to housing finance

Access to finance remained low even though there had been some improvement in the last five years. NMRC has helped in improving access to Finance by providing long term refinancing of mortgages.

The introduction of mortgage refinancing through NMRC has led to reduction of mortgage interest rates to between 17 percent and 22 percent. The maturity varies from 5 years to 15 years. Only the subsidized loans obtained through the National Housing Fund scheme have a maturity of 30 years and an interest rate of 6 percent. The high interest rates are related to the country's inflation rate of about 12 percent, and the high cost of funding for Banks. Rates had experienced a downward spiral since the second quarter of 2019. MPC rate is now 11.75 and NTB rates are between 1.2% and 3.2% and FGN saving fund and longer-term bonds have seen a fall of rates to the lowest double digits. These bodes well for the mortgage industry which sources fund for refinancing in the capital market.

[11] AUHF Yearbook 2020

Figure 33: Nigeria Inflation Rate from 2004 to 2021



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The latest data from the Central Bank of Nigeria reveals Nigeria's 364-day treasury bills have fallen to 3.1%. 182-day bills went for stop rates of 1.5% and 91-day rates 2.3% per annum respectively.

The concentration of portfolios and deposits in a small group of banks illustrates the degree of market power on the supply side. Most of the 24 commercial banks and six merchant banks lack the financial capacity to compete with the few elite banks who determine the price of credit. The drive for profit combined with the high costs of business operations to make interest high. Even with the lowering of MPR and NTB rates, lending rates had remained relatively high.

High fees reduce the affordability of mortgage loans. Average fees charged vary between 6 and 7 percent of the amount of the loan and can be as high as 10.75 percent. The borrower must pay fees in advance, including legal costs (usually about 2 percent), processing fees (about 1 percent), management fees (about 1.5 percent), and taxes, including VAT (about 5 percent). These fees are more burdensome in Nigeria than in other countries.

Figure 34 gives the example of a large Nigerian commercial bank[12] with a substantial variation in the maturity profile of its deposit base in contractual versus behavioral terms. A standard tool for understanding liquidity risk is the "liquidity ladder," which categorizes an institution's assets and liabilities into maturity "buckets" ranging from very short-term one-day buckets, up to 7 days, 1 month, 3 month, 6 months, 12 months, and beyond. The shorter the maturity, the greater the level of matching expected, as there is greater urgency in ensuring funds are available before claims fall due. Although Nigerian banks are currently relatively liquid, this reflects their holdings of short-term tradable assets, largely government securities. In practice, the holdings are heavily mismatched in terms of the maturity profiles on their balance sheets. There is almost no long-term funding to match long-term assets, with the vast majority of funding coming in the form of deposits. The assumption in Figure 17 is that demand and sight deposits have a maturity of between 0 and 30 days, which is a conservative approach. The mitigation for this is buffer capital which are held in liquid assets, where they are available.

[12] Data were obtained from the bank's annual reports and are fully available in the public domain. Full sectoral data on this basis are not available, and situation will differ across institutions, depending on their funding sources and strategy. However, overall mismatch analysis would still apply to a large degree across all mortgage lenders, given the lack of alternative long-term sources of funding.

Figure 34: Analysis of Bank X Deposit Base by Behavioral and Contractual Maturity

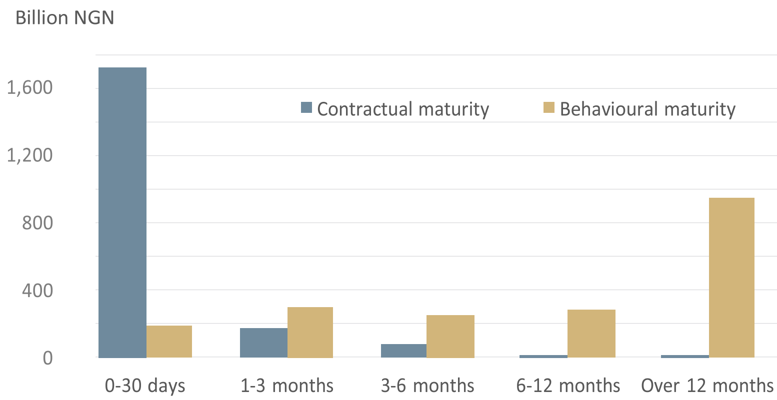


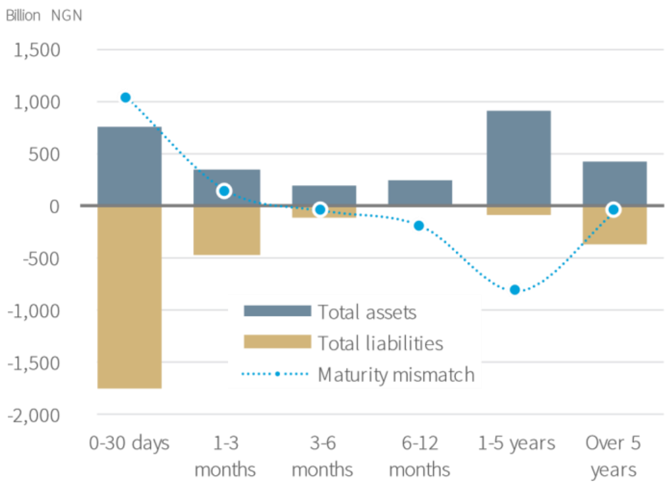
Figure 34 provides a full maturity breakdown for a typical large Nigerian commercial bank. Reporting would typically be done using behavioral maturity, so the analysis has been adapted to show contractual maturity of deposits. It is clear that a mismatch of more than N800 billion, or a third of the balance sheet, exists in the 1-5 year bucket.

Looking at the whole banking sector, data for the 10 largest banks[13] in Nigeria show that overall liabilities, on average, consist largely (84 percent) of short-term customer deposits. Long-term funds are extremely limited, representing on average just 11 percent of the balance sheet. The remainder of funding is equity, for the most part.

[13] Compiled from publicly available bank reports.

Current regulations contained in the September MPC communique applying to both Deposit Money Banks and primary mortgage banks focus on ensuring that the short-term liquidity position is covered. The requirement is that 30 percent of deposit liabilities are held as liquid assets by commercial banks and 20% by primary mortgage banks. This means investing in government securities or holding funds as cash or short-term placements. Given that financial markets are still developing, there are limited options in terms of types of liquid assets. The rules which have been applied in the UK, for instance, have a clear limit on the amount of maturity transformation in which banks can engage, where mismatches in each of the time buckets are capped to a certain level and there is also a limit in terms of using short-terms funds for long-term funding set at 15 percent.

Figure 35: Maturity Analysis of Bank X Balance Sheet Using Contractual Deposit Maturity



Liquidity constraints will tighten when the Basel Committee's proposals (Basel III) are adopted. Basel III strengthens the liquidity framework by developing two minimum standards for funding and liquidity, initially published in 2010:

- **Liquidity Coverage Ratio (LCR),** to promote short-term resilience of a bank's liquidity profile by ensuring that it has sufficient High Quality Liquid Assets (HQLA) to survive a significant stress scenario lasting for a month. The stock of HQLA must be equal to or greater than the expected net cash outflows over a 30-day stress scenario.
- **Net Stable Funding Ratio (NSFR),** to promote resilience over a longer time horizon (one year) by creating additional incentives for banks to fund their business with more stable sources of funding on an ongoing basis. Thus, the amount of available stable funding must be greater than the required stable funding. These amounts are determined using weighting factors designed to reflect the stability of the funding and the duration of the assets.

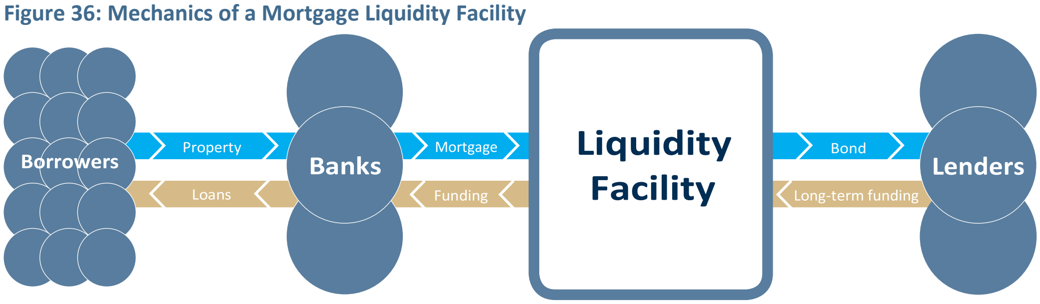
Basel II and Basel III set out several further best practice recommendations. "Liquidity monitoring tools" should be developed together with the LCR and the NFSR ratios, to ensure a stable and prudent liquidity management. Specifically, three analyses are recommended:

- Contractual maturity mismatch: Cash flows from on and off-balance sheet items must be assigned to defined time bands based on their maturity.
- Concentration of funding, in terms of counterparties, products/instruments, and currency.
- Available unencumbered assets must be marketable as collateral in secondary markets and eligible for the central bank's standing facilities.

B. Mortgage Liquidity Facility and its impact [14]

The Nigeria Mortgage Refinance Company (NMRC) is a mortgage liquidity facility (MLF) that serves as a source of liquidity and long-term funds, allowing lending institutions to present mortgage assets for refinancing and receive cash in return; i.e., to transform an asset on their balance sheet into a liquid one. This is a key benefit for lenders that rely on deposits as their main funding source, as it allows them to use an MLF as part of their asset/liability management process. The second benefit of MLFs is that they provide long-term nature, typically 10-20 years, matching the typical duration of an amortizing mortgage loan (Figure 36).

Figure 36: Mechanics of a Mortgage Liquidity Facility



Borrowers cede their property as security for long-term mortgage loan

Bank provides loan from its balance sheet

When necessary, the bank sources funding from the liquidity faciity, using the mortgages as collateral

Either receives wholesale loan from the LF (using mortgages as collateral) or "sells" the mortgage portfolio (but the default risk remains with the bank/ lender so as to avoid moral hazard issues)

LF then issues bonds — the bonds are not directly linked to the underlying mortgages. Unlike with securitisation, the bonds can be issues at any time as there is no need for an existing portfolio of mortgages waiting to be funded.

A key difference to securitisation is that the risk of default remains with the bank/lender

Institutions with medium to long term abilities would buy the bonds issued by the LF

The LF may initially carry a guarantee (potentially government funded) in order to stimulate demand

The bond would typically carry a small margin above government security

Sources: Genesis Analytics and Central Bank of Nigeria.

The role that NMRC is playing in linking the capital market with housing finance can be summarized as follows:

- **The provision of secured long-term funding at attractive rates.** Lowering the cost of funds, which leads to a lowering of mortgage rates, improves affordability and extends the range of potential borrowers.
- **For large commercial banks**, NMRC can be lender-of-first-resort to provide short-term liquidity. Large banks can raise their own bond financing, but still need a liquidity management tool which allows them to convert assets on their balance sheet (marketable bonds are loan portfolios) into cash at relatively short notice.
- **NMRC can help build up a safety net for lenders and borrowers** in emerging markets, where volatile interest rates and inflation can dampen confidence. The availability of long- term fixed rates can help provide a degree of certainty to help the markets develop with confidence.

[14] Developing Housing Finance - World Bank Report– 2013-2014

- **By acting as a central refinancing platform**, NMRC is able to act as a force for standardization in the market, pushing primary mortgage lenders (PMLs) to adhere to best practice. NMRC sets criteria for the types of loans they will refinance, with standardized documentation, underwriting processes, technology and risk characteristics.

As an MLF, NMRC has (a) established itself as a low-risk, efficient market intermediary linking capital markets to the housing market; and (b) acted as a market catalyst for other reforms such as market standardization. With the establishment of NMRC, two key roles in the financial system has been accomplished:

- Provision to mortgage lenders with access to medium/long-term funding, allowing them to match the weighted maturity of the mortgage assets they are originating;
- Provision of a liquidity window that allows mortgage lenders to trade mortgages loans, which are otherwise relatively illiquid, into cash.

NMRC has played a major role of providing a deep and liquid supply of corporate bonds to the market for institutional investors. These bonds are treated as eligible liquid assets by the central bank. The bonds also provide an alternative investment option for pension fund administrators and other institutional investors.

C. Benchmarking with Malaysia[15]

Benchmarking with Cagamas Group in Malaysia:

Figure 37 shows the Malaysian Cagamas strategic business model. Cagamas Berhad was incorporated in December 1986 with the following objectives:

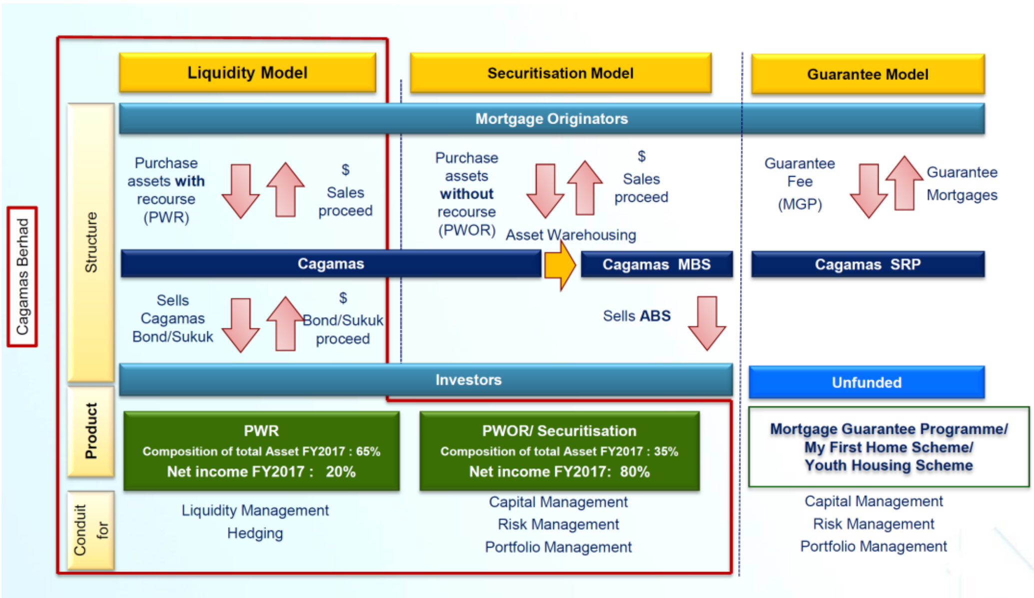
1. Alleviate the liquidity problem and reduce funding mismatch within the banking sector.
2. Reduce the risk of unfavorable changes in the difference between the cost of funds of the primary lenders and the rate of return on their housing loans
3. Spearhead development of the private debt securities market

The role of Cagamas in the Malaysian housing finance system is to be the catalyst for the Government's and Central Bank's initiative for the economy and financial sector. This has been classified in to 4 key areas, namely:

1. Promotion of home ownership / home accessibility and affordability in Malaysia
2. Enhance and support in the stabilization of the financial sector in Malaysia
3. Development of the Malaysian Capital Market
4. Development of the Islamic Financial Sector

[15] Presentation by Datuk Chung Chee Leong, President/Chief Executive Officer, Cagamas Berhad; 30th August 2018

Figure 37: Cagamas Strategic Business Model



D. Mortgage Affordability

Currently, interest rates are around 17 percent a year, with loan maturities of around 10 years. This means that only 7 percent of the urban population can currently afford a mortgage loan for a basic N2 million loan (US$4,400) to purchase an N2.5 million (US$5,500) property. This implies that 93 percent of the urban population is not able to participate in the formal housing market. A higher level of restriction, close to 100 percent, is observed in the rural areas where incomes are much lower.

Essentially, affordability is affected by three variables within housing policy space, viz, loan maturity, interest rate, and cost of housing. There are other variables such as, income of the borrower. All the variables can be affected by multiple factors. A small change o any of the factors can drastically shift the dot along the affordability matrix (Table 8).

Table 8: Proportion of Urban Population Able to Afford NGN 2 Million Mortgage Loan

	Loan maturity					
Interest rate %	5 years	10 years	15 years	20 years	25 years	30 years
5	7	18	30	43	51	55
7.5	6	16	22	28	34	39
10	5	13	18	21	23	24
12.5	5	12	15	17	18	18
15	4	10	12	14	14	14
17.5	3	8	10	11	11	12
20	2	7	8	9	9	9
22.5	1	6	7	7	7	7
25	1	4	5	6	6	6
27.5	0	3	4	4	4	4
30	0	2	3	3	3	3

Sources: Nigeria Household Expenditure Survey 2010, WB calculations.

The following assumptions were used: (i) Loan payments do not exceed 33.33 percent of household income; (ii) regular amortizing loan; (iii) based on mortgage payments only, excluding cost of deposit or transaction costs.

Housing Affordability Variable 1 – Interest Rate. The interest rate on a mortgage loan consists of several elements: (a) the overall cost of funding, (b) administrative costs for loan servicing and underwriting, (c) costs associated with credit risk, and (d) a spread to allow for a return on capital.

- Overall cost of funding is typically the largest cost. This is in part determined by the benchmark cost of funds as set by the yield curve, based on CBN monetary policy rate, MPR.
- Administrative costs are the second largest component of the interest rate. Staff costs tend to be high due to the absence of automated systems and to the low volume of business, which means that each mortgage carries a high level of fixed costs. Averagely, lending institutions to require 300-400 basis points to cover administration and processing costs in low-volume, labor-intensive markets.
- Credit risk is the third largest expense built into the interest rate. The credit risk is calculated using Probability of Default (PD) and Loss Given Default (LGD) calculations, which together provide the overall expected loss on an asset. The PD in Nigeria is high due to the difficulties in underwriting a loan without reliable credit scoring information to assess borrowers and to know with certainty whether the borrower already has other loans. The LGD is high due to the difficulties in foreclosing on properties, the lack of reliable property valuations, and the lack of a liquid property market to resell foreclosed properties. We have seen a lot of improvements with the introduction of NMRC Mortgage Market System, MMS.
- The return on capital is also high, based on these other factors.

Housing Affordability Variable 2 – Loan Maturity. Loan terms in Nigeria tend to be around 10 to 15 years.

Housing Affordability Variable 3 – House Prices. High construction costs limit the development of affordable housing. The construction supply chain is dysfunctional. Locally produced building materials are not available in enough quantities. In addition, the cost of providing public infrastructure is often priced into residential housing. Skilled labor is in low supply, resulting in construction companies needing to train their own staff. All these cost factors make housing construction in Nigeria very expensive and limit affordability. It is estimated that the production of a three-bedroom house in Nigeria costs NGN 23 Million (US$50,000), compared to USS36,000 in South Africa and US$26,000 in India.

E. Interest Rates and Inflation

One of the key challenges of affordability is the high rate of inflation, which leads to high interest rates. Part of the solution is to introduce a system of indexed mortgages, which would effectively ensure that the loan price is based, both from the borrower's and lender's point of view, on real rather than nominal interest rates.[16]

In principle, spreading the cost of a mortgage loan over a longer period makes is desirable in the context of affordability. By indexing the mortgage, the borrower is effectively being charged a "real" rate of interest over the lifetime of the loan, keeping payments constant in real terms. In a standard mortgage product, the payments are kept constant in nominal terms, which means that over time, their real worth decreases as inflation erodes the value of money. By keeping the mortgage payment constant in real terms through indexation allows for the mortgage to amortize over a longer period and thereby increase upfront affordability.

Different forms of indexation have been tried in other countries with varying degrees of success. A common issue is the reliability of the data used for the index. Especially in emerging economies, inflation data can be unreliable and undermine confidence in a system that depends on objective, timely data. There are also risks that indices produced by government statistical departments may be subject to political interference.

The implementation of an indexing system itself can be complex, due to the different financial stocks and payment streams involved in a mortgage system. The outstanding mortgage balance, the monthly mortgage payment, the borrower's income, the lender's source of funds, and the value of the housing collateral are all subject to different price dynamics and influences. Using a single index to capture all of these influences leads to a disconnect among different flows. For instance, a borrower's income may not keep pace with a price inflation index. Alternatively, using a wage index may not accurately capture changes in prices, resulting in losses for a lender. So although the initial concept appears simple, practical implementation implies a degree of sophistication and reliability of data.[17]

Overall experiences with indexation have been mixed. Latin America has piloted several versions of indexation, some of which have worked for reasonable periods of time but have not been able to stand up to crisis. This was the case in Mexico, where the "Tequila crisis" overwhelmed the system. In Colombia, there was a reasonably successfully experience with Price Level Adjusted Mortgages (PLAMs)—until a sharp deterioration in the economy, along with a Supreme Court ruling that required a change in the index, led to high levels of default and a serious asset/liability mismatch for lenders. The most successful example is Chile, which has benefited from a very stable and decreasing level of inflation, as well as a well-developed capital market and pension system able to provide the funding for inflation-indexed mortgages.

When looking at the current situation in Nigeria and the potential for indexed products, several preconditions need to be assessed: (a) quality, independence and robustness of data on price inflation and wage inflation; (b) capacity of lenders to service and underwrite highly complex products; (c) inflationary outlook for Nigeria; (d) sources of long-term inflation-indexed funding (v) consumer protection issues around selling of such products and consumer understanding. Even a cursory assessment would indicate that many of those conditions cannot presently be met; however, a longer-term program to create the conditions for indexed mortgages would have benefits for a large percentage of the population.

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[16] This proposition is also advanced by Paul Collier, who argues in support of indexed mortgage loans as a means of improving affordability in high-inflation environments. *Rethinking Cities*, Chapter 11: Housing and Urbanization in Africa, Collier, Paul and Tony Venables, Oxford University 2013.

[17] For more details see *Dual Index Mortgages: Lessons from International Practice and Conditions of Development in Poland*, L. Chiquier, Housing Finance International 1998.

9. MICROFINANCE FOR HOUSING[18]

A. Basis for Housing Microfinance

In growing urban centers in African, most homeowners build their own houses incrementally, as rural dwellers have always done, using locally available materials. To finance incremental housing, most households use savings or general microfinance loans. It is estimated that between 15 to 40 percent of microfinance loans are used for purposes of housing development. It is also common practice for commercial banks to grant consumer loans that end up being used for housing construction because it is less complicated than mortgage.

Most Africa's urban dwellers do not qualify for mortgages (see Affordability section). Data from the Central Bank of Nigeria's Financial Inclusion Index (FINDEX) show that formal access to and usage of credit in Africa is very low. In Mauritius, which has the highest rate of formal borrowing, only 14 percent of adults said they had taken out a formal loan in the last 12 months. Mortgage lending is out of reach for many households in Africa, given the longer terms and amounts for borrowing, and the lack of flexibility around payment terms, which makes it difficult for people with irregular income streams.

It is in this context that housing microfinance has emerged to finance the process of incremental self-build. HMF adjusts to the financial capacities and cash flow of the borrowers, providing loans for relatively small amounts, typically NGN 23 – 50 million, based on the client's capacity to repay. The repayment periods are relatively short in comparison with mortgages, typically one to five years, and are either unsecured or based on collateral other than the property itself.

B. Advantages of Housing Microfinance

The benefits of housing microfinance include economic development, income generation, and urban improvement. HMF fuels the upgrading and improvement of informal homes and has substantial additional benefits such as income generation. Home improvement entails the purchase of building materials and the employment of low and medium-skilled workers (masons, carpenters). All of these boost the economy Home upgrading also improves. Though these benefits have seldom been quantified, they are significant. Aside from beneficial effects on the city and its households, housing microfinance also creates behavioral changes that strengthen communities and local governance.

C. The Status of Housing Microfinance in Nigeria

The absence of long-term finance has contributed to the lack of innovation in financial products to reach lower income segments. A financing mismatch in financial institutions, particularly in microfinance banks (MFBs), has limited the ability to respond to market demand. Anecdotal evidence from microfinance banks suggests that home improvement loans are often disguised as productive loans because they are more easily available. Smaller loans are often needed for home improvements, expansion, water supply or connection to the power grid.

Few of Nigeria's existing 911 MFBs currently offers formal housing microfinance products. Their portfolios consist primarily of loans for microenterprises ranging from below US$100 to around US$1,500, with maturities of 24 months. The development of a housing microfinance market is a complex task, and the MFBs who have benefitted from capacity building under the Nigeria Housing Finance Program had delivered on this product. The existing market potential is huge and MFBs will significantly expand to HMF in the near term without further external support.

[18] Developing Housing Finance - World Bank Report– 2013-2014: Based on responses from 18 MFBs via short survey and/or meetings.

At the same time, and based on initial engagement with MFB sector,[19] the MFBs have a strong interest in moving into housing microfinance. Several MFBs are considering specific housing products, largely related to home improvement and incremental construction.

Research conducted for this report indicates that in the Nigerian context, the "'pure" housing microfinance loan would be between US$1,6000 and US$4,800, with a term of 16 to 36 months and an interest rate of no more than 3.5 percent per month.

As Housing Microfinance is a permissible activity, MFIs seeking to expand into HMF will require an exemption from banking-type regulations, as well as significant technical assistance in product design and some seed capital/grant

D. Challenges to the Development of Housing Microfinance

Housing Microfinance operations had been limited due regulatory constraint for Primary Mortgage Banks and because it is still a novel product.

Funding and collateral challenges

Microfinance Institution, MFIs face several challenges in expanding into HMF, including:

- Regulatory limits on lending to a single borrower. Based on the concept of microfinance, CBN guidelines stipulate that credit is subject to a single obligor limit of one percent for an individual/corporate entity and five percent for a group.
- An inability to perceive or gauge the level of HMF effective demand, due to:
- Deflection or even suppression of HMF demand. People who might want to improve their homes are unconsciously (or even consciously) coached to present their requests for other forms of loan.
- A shortage of useful credit histories. While MFIs and MFBs can readily identify their best customers and their loan histories, this information tends not to be connected to housing or home improvement needs.

A typology of other risks for housing microfinance

Risks relative to a housing microfinance business can occur at several levels:

- **Property level:** ***the borrower, the activity*.** Individual loans may fail for any of several reasons.
- **Business level:** ***how the entity originates and services loans*.** As the entity moves from doing individual loans to creating a portfolio of loans, the entity's business practices may degrade or become inconsistent.

Despite the challenges, a handful of Nigeria's leading innovators in microfinance are seeking to move into the business space with innovative products that address the need for HMF.

[19] Developing Housing Finance - World Bank Report– 2013-2014: Based on responses from 18 MFBs via short survey and/or meetings.

10. APPENDIX 1 – SUPPLY SIDE

A. FSS 2020 Housing Finance Ecosystem Committee Retreat - Summary of Break out Session (Housing Supply Finance Side)

Supply Deficit – Estimated housing deficit of 17 – 23 million housing units – Vision 20:2020 states that: "…10 million new houses to the national housing stock should be added by building an average of 1 million new homes every year…at least 50 percent … in the urban centres."

	Where we are
Introduction	Housing is a necessity (shelter) Huge deficit of decent/affordable homes Some Nigerians are homeless Government cannot provide this alone, therefore the need for PPP arrangement among other forms of financing. Largest populous black country and one of the fastest-growing population in the world
Literature: **Conceptual Issues on Housing Finance (Supply Side)**	1. **Housing policy** – there is a need to review the National Housing Policy. The current version of the policy which is 2012 needs to be reviewed given several national and international developments over the years. As stated in the policy it the document should be reviewed every 5 years. 2. **Land** – - Acquisition of land is critical in housing delivery. In Nigeria the administration of land rest solely with the Governors at the State level and the Minister of the FCT in the Federal Capital Territory. - Cultural factors e.g. Omo Onile syndrome. - High cost of compensation - Compensation cost is huge for developers e.g. compensation for economic trees. 3. **Registration/ Titling** – The current land use Act hampers ownership/ transfer of land. The power to transfer titles rest with the State Governor which creates a bottleneck to receiving approvals. The gross misapplication of the Land Use Act. Reapplication for title after the tenor period depends on the Government consent[20].

[20] Although the Land Use Act preserves the right of the holder of a right of occupancy to the sole and absolute possession of all improvements on the land, it provides that such improvements may be transferred, assigned or mortgaged only subject to the prior consent of the Governor. Another major feature of the land use policy constraining housing development and optimal economic use of land resources is the mandatory requirement of

	Where we are
	4. **Provision of Infrastructure** – to have *"total housing"* the need for basic and supportive infrastructure is imperative. There is significant correlation between infrastructural development and housing delivery. Infrastructure plays a vital role in housing development hence should be given much attention[21]. 5. **Building approval** – There are administrative bottlenecks and high cost of obtaining building approvals. The timeline for getting approval is not defined (ease of doing business). Individuals have to follow up on (electronic basis). In line with the Governments executive order 2 on the ease of doing business. 6. **Building Construction/materials** – Cost, standards/ regulation. Building materials, the environment exploration, processing and development of locally available raw materials to increase the local content in construction of houses in line with executive order E05 on planning and execution of projects, promotion of Nigerian Content in Contracts and Science, Engineering and Technology. Decent shelter is required for all Nigerians. However, some Nigerians are homeless/ destitute, and wages are extremely low. Currently we don't have shelters, cabins, faith-based homes (YMCA) to accommodate the needy. Supply should be based on effective demand to reduce the occurrence of white elephant housing developments (built for purpose) Rent-to-own – for low income earners

the governor's consent to land transactions such as sale, assignment, transfer or mortgage of land in urban areas". Cost of perfecting title documents is high.

[21] While some estates are developed without adequate provision of infrastructure, some housing projects under PPP at also suffer poor provision of infrastructure as cases of disputes between subscribers and developers have been recorded. Without adequate infrastructure, housing cannot be sustainable and hence should be treated integrally in housing policy. Cases of poor provision of infrastructure in estates have been reported by house owners and residents. The basic infrastructure components are as follows: water supply, wastewater collection (sewerage system), wastewater treatment and reuse or disposal, power supply and security lighting, access and paving, storm water drainage and telephone lines. Supportive infrastructure components include one or more of the following service facilities: parks and green areas, schools, health centre, worship area, public market and public service buildings. (Social and Economic classification)

	Where we are
Social/ Affordable Housing **Development based on Demand-Driven Initiatives**	
Current Financing Arrangement in the Supply Value-Chain for Housing	NHF – to support the supply side Mortgage Finance to real estate Government budgetary provision

11. APPENDIX 2 – DEMAND SIDE

A. FSS 2020 Housing Finance Ecosystem Committee Retreat – Summary of Break out Session (Demand Side)

Key Targets: Mortgage/Gross Domestic Product – 5% in five (5) years and 15% in ten (10) years

<table>
<tr><th>S/N</th><th>Constraint</th><th>Recommendation</th></tr>
<tr><td>1.</td><td>High interest rate</td><td>▪ Modify Fund 5 – Bring in depositors' savings in deposit money banks into the scheme</td></tr>
<tr><td>2.</td><td>Credit culture</td><td rowspan="2">▪ Advocacy and communications plan by key institutions i.e. Nigeria Mortgage Refinance Company (NMRC), Mortgage Warehouse Funding Limited (MWFL), Mortgage Banking Association of Nigeria/Mortgage Banks, Central Bank of Nigeria (CBN)
▪ Introduction of more non-interest products to target diverse beneficiaries</td></tr>
<tr><td>3.</td><td>Poor financial literacy/Lack of awareness on the concept of mortgage</td></tr>
<tr><td>4.</td><td>Affordability</td><td>▪ Activation of the Mortgage Interest Drawback Program
▪ Adoption of cheaper and more sustainable building technology</td></tr>
<tr><td>5.</td><td>Apathy of commercial banks towards mortgages</td><td>▪ Fast track the establishment of the Nigeria Mortgage Guarantee Company PLC</td></tr>
<tr><td>6.</td><td>Duplication of Government Interventions</td><td>▪ Harmonisation of several government efforts with the same objectives</td></tr>
<tr><td>7.</td><td>Limited mortgage market</td><td>▪ Extend NMRC's Cap from ₦50 million to ₦100 million</td></tr>
<tr><td>8.</td><td>Liquidity issues</td><td>▪ Encourage the use of MWFL for mortgage origination</td></tr>
<tr><td>9.</td><td>Title transfer and perfection</td><td>▪ Expedite actions on the outcome of engagements with Nigeria Governors' Forum</td></tr>
</table>

Questions raised:

1. Funding of the construction sector excluded from the presentation

Ans: Major issue with the construction sector is titling hence point 9

2. Is the withdrawal from Retirement Savings Account (RSA) same as the modification of Fund 5

Ans: Withdrawal from RSA resolves the equity contribution issue while Fund 5 tackles the interest rate

3. The implementation of MIDP given value of housing units greater than the stated amount ₦5million

Ans: CBN would implement the MIDP initiative and if not working, would modify. But there is the need to implement the current programme to ascertain the issues and constraints

4. The lack of intervention for the manufacturing sector in relation to the production of housing materials

Ans: Coordination of key stakeholders to present intervention justifications to the Central Bank of Nigeria with proposals

12. APPENDIX 4 – INTERVENTION (COVID-19)

Looking forward to more definitive statements about housing. This should have been like the establishment of InfraCo in the short-term policy (as shown below).

On Housing, I was expecting an intervention of N500B (minimum) with the arrangement like NMRC Tripartite agreement with Kaduna State and Federal Housing Authority Mortgage Bank (FHA-MB). This would have taken care of CBN Governor's write up on Housing. Lumping Housing to Medium-Term (as shown below) with no clear indication still leaves housing where it is, almost like an afterthought. I hope to see some traction, going forward.

Excerpts from the write-up:

=========================

AAA] Short-Term Policy Priorities (0 - 12 months)

3) The CBN will promote the establishment of InfraCo PLC, a world class infrastructure development vehicle, wholly focused on Nigeria, with combined debt and equity take-off capital of N15 trillion and managed by an independent infrastructure fund manager.

BBB] Medium-Term Policy Priorities (0 -3 Years):

"We will do so by focusing on four main areas, namely, light manufacturing, affordable housing, renewable energy, and cutting-edge research. "

"In order to boost job creation, household incomes and economic growth, we will focus our attention on bridging the housing deficit in the country by facilitating government intervention in three critical areas: housing development, mortgage finance, and institutional capacity. We will pursue the creation of a fund that will target housing construction for developers that provide evidence of profiled off-takers with financial capacity to repay. The current identification framework in the banking sector using the bank verification number (BVN) will be used to verify the information provided by the off-takers before the developer can access the funds. We will consider ways to assist the Mortgage Finance sub-sector as well as build capacity at the State levels for their land administration agencies to process and issue land titles promptly, implement investment friendly foreclosure laws and reduce the cost of land documentation, as these have remained major inhibiting factors in the provision of affordable housing in the country."

To recap on my comments, please see the focus areas below:

2. 1. CBN-States creation of mortgages for Residents. Average of N3B to blend interest rates for each state. All disbursements will be processed using MMS.

3. 2. Mortgage Interest Drawback Program to be implemented. N100 B budget for this. All disbursements will be processed using MMS.

4. 3. NMGC to be fully implemented within 12months. CBN to encourage Commercial Banks to invest.
5. EMARS - full implementation within 12 months
6. Annual project on Housing Finance Ecosystem (Study, Survey, Recommendations, etc).
7. Any excess payment will be recovered through GSI.

To further align with the CBN Governor's intervention report for practical implementation, below are recommendations for consideration:

1. Housing Demand: Allocate NGN 295B. Creation of Mortgages to be managed by NMRC in collaboration with States and Primary Mortgage Lenders. Each State will have access to an average of NGN 8B, with the condition that they pass the Model Mortgage and Foreclosure Law; and provide the off-takers that meet UUS conditions.
2. Housing Supply: Allocate NGN 200B. To be implemented by FHF in collaboration with States and Developers.
3. Matching Housing Demand and Supply: Allocate NGN 5B. Establish an SPV for Robust Housing Finance Ecosystem for Data collection, analysis, policy and decision-making tools to be prepared and used annual basis.

13. APPENDIX 5 – AFFORDABLE HOUSING FINANCING MODELS – BRENT BOROUGH UK EXPERIENCE

Affordable Housing Financing Models-Brent Borough UK Experience" under these sub heads:
(i) Housing in Brent

(ii)Delivering affordable Housing-Strategic objectives

(iii)Delivering Affordable Housing-Strategic Approach

(iv)Affordable Housing Delivery Models

1. **HOUSING IN BRENT (WHAT DOES MY ROLE COVER?)**

- Building new homes for the Council
- Facilitating and supporting registered providers to build affordable homes in Brent
- Managing existing homes owned by the Council-12,000
- Supporting and enforcing quality in the private rented sector
- Statutory homelessness service
- The Director of Housing is responsible for building affordable homes for the Borough of Brent. The Council only provides affordable homes for low income earners

Circle of 500 employees' 500-million-pound capital budget in 3 yrs.

110 pounds million annual revenue budget

The Borough of Brent has been recognized by the government as supplying the highest number of affordable homes in London-2 years running.

2. **DELIVERING AFFORDABLE HOUSING-STRATEGIC OBJECTIVE**

- Increasing the supply of genuinely affordable housing
- Financial empowerment of beneficiaries
- Establishment of a housing third sector
- Facilitating the creation of a 'Modern Method of Construction' industry (off-site Construction)
- Housing as a lever for Economic and Social growth rather than a by product
- If the committee wants to be successful, they have to set clear objectives and really have to understand what affordable is in this context mean. Mortgages by other bank that are not the Federal Mortgage Bank of Nigeria give you 3 years for loan repayment which is a problem. There must be innovative and new ways to create houses, for example the use of modular building can be introduced into Nigeria.

DELIVERING AFFORDABLE HOUSING –STRATEGIC APPROACH

- Understanding affordable housing need
- Policy/Legislative changes
- Financial restructuring
- Creating and supporting the third sector

- Infrastructure development
- If we are going to convince government to change legislation there has to be firm evidence supplied.
- 3rd sector are the charitable organizations, they provide service without the intention of making credit. They are neither government nor private institutions

Understanding Affordable Housing Need

- Commission Research
- Document Need- what, where and for whom?
- What does affordability mean and to whom?
- We need to document our need to aid the change of legislature.
- There is the need for data.
- Affordability need to be clearly defined as it differs from person to person.

Policy and Legislative Changes

Clear Definition of Affordable Housing

- Affordable to whom? -low to middle income earners, key workers

- Planning Policy and Legislation

- Setting the level of affordable homes for every development
- Setting quality/decency standards

- Incentivizing supply through grants-Cash and/or land

Financial Restructuring

Direct Lending for Long Term Mortgages

- Federal or State Mortgage Banks

- Indirect Lending for Long Term Loans

- Government funds loaned through commercial banks
- Commercial bank incentivized for long term mortgages
- Employer lending

Creating and Supporting the Third Sector

Creation of Registered Providers-none profit organizations with charity status, providing affordable homes to low- and middle-income earners-ownership or rented housing

- Housing Associations
- Housing Cooperatives

To be regulated by a national body through which they receive government grants

Infrastructure Development

Housing development needs the right infrastructure to succeed- health facilities, roads, pipe borne water, power, sewage, transportation, communications etc.

- **Locality Infrastructure Levy**-can be used to provide these, thereby reducing cost to the government.

This is a charge levied as part of a planning permit, to help deliver infrastructure to support the development of a locality.

Exemptions could be applied under a set criterion e.g. if the developer is willing to supply this directly

Affordable Housing Delivery Model

Direct Delivery- by a national or state body

- Government (a national government agency) working directly with a framework of builders

- Facilitating/Supporting Registered Providers

- Cash Grants
- Land Assembly, long term land lease

- Through the private sector-Planning Policy Enforcement

- % of affordable homes as part of planning consent, in UK 10%
- Using the pension fund as cheap loans

A combination of any of the above

Supporting self-development

Affordable Housing Products

- Social Rent
- Sub-market rent
- Intermediate – rent to buy, shared ownership
- Full ownership