

Making End Users' Finance Affordable, Accessible and Available for Large Scale Housing Delivery

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Presentation Overview

- A. Factors determining housing finance Eligibility and Affordability
- B. Impact of these factors on affordability (Affordability Scenarios with different Interest Rates and Repayment Tenure)
- C. Ways to Improve Affordability
- D. Beyond Affordability: Accessibility, Availability and Adequacy
- E. Housing Finance Options
- F. Way Forward: / Action Plan

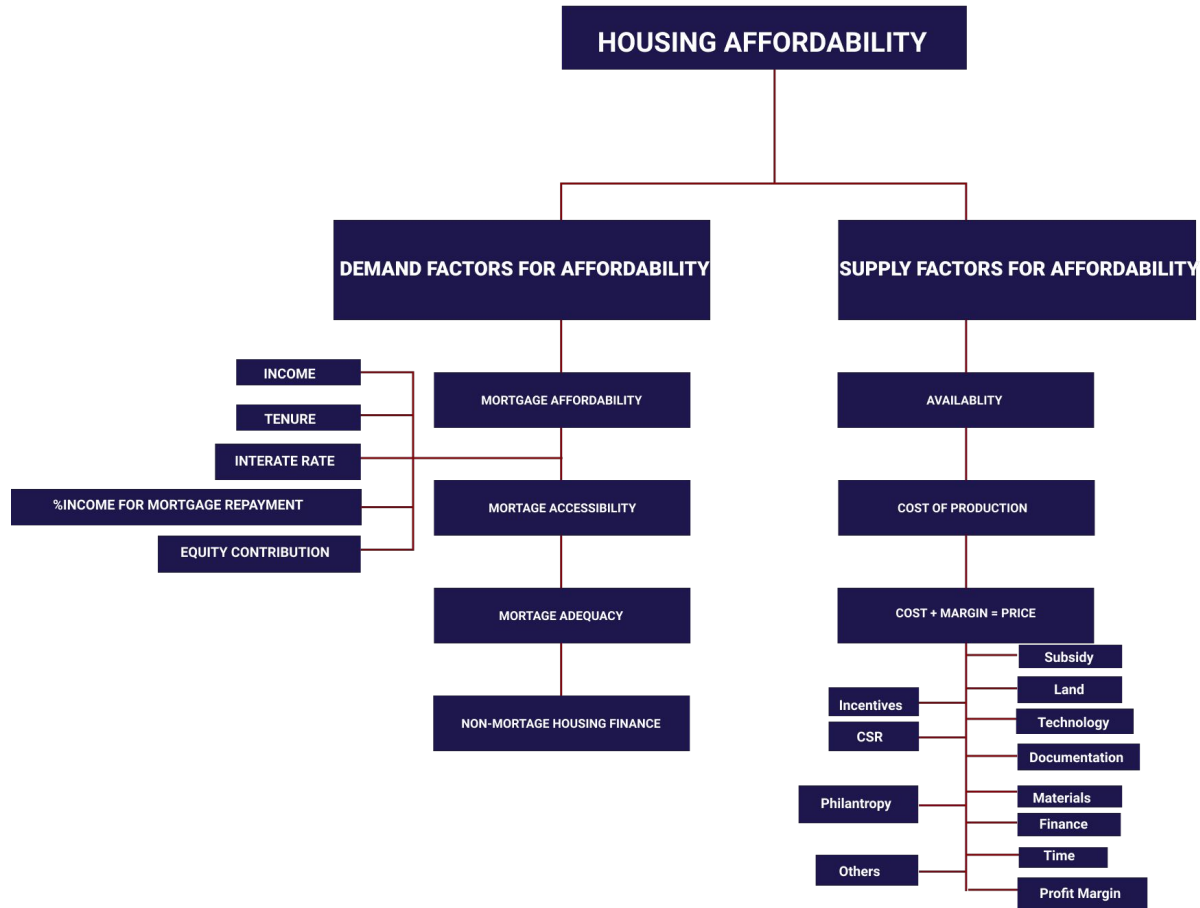


Factors Determining Eligibility and Affordability

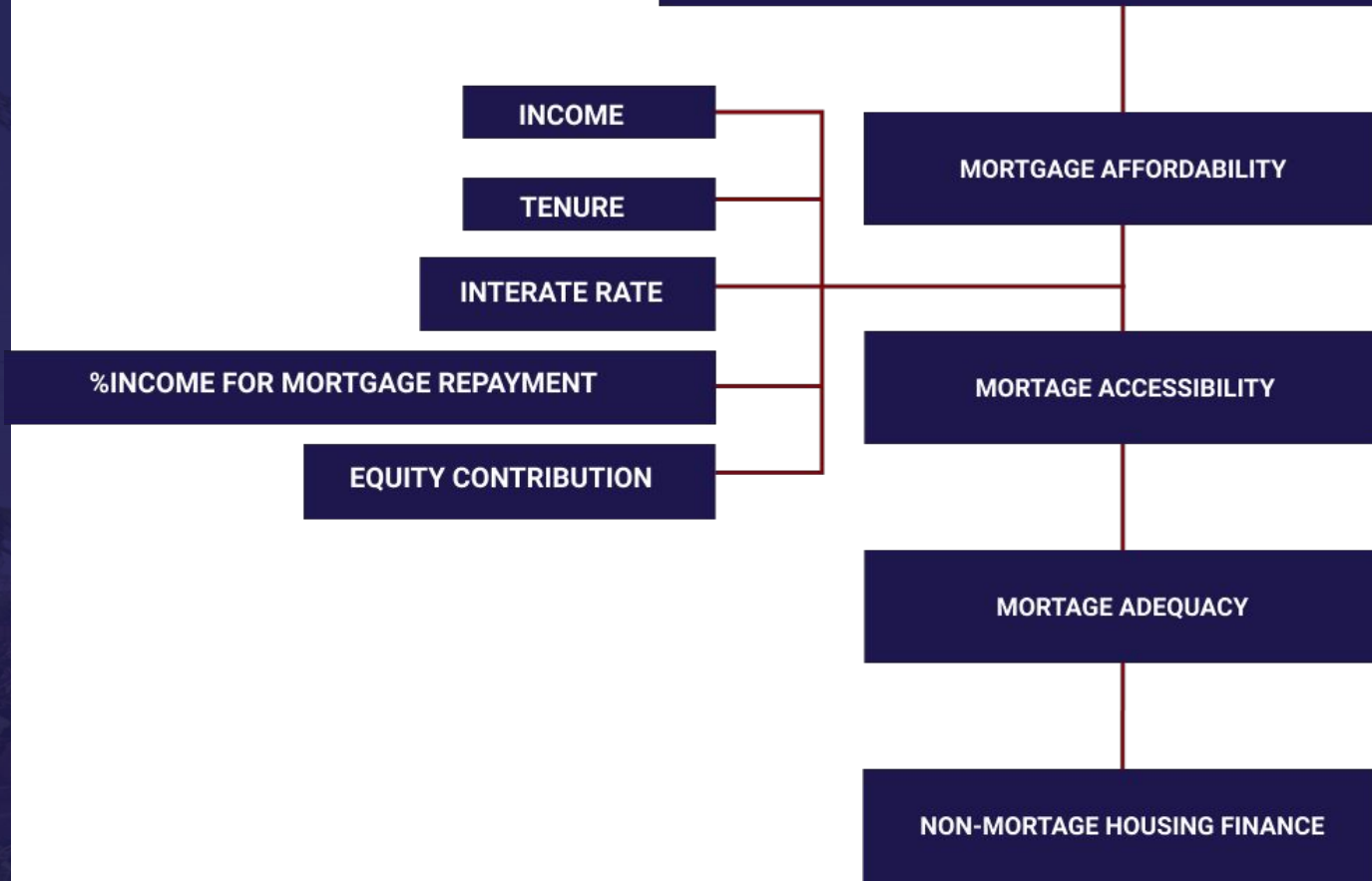
- Cost of Construction
- Housing Price
- Income
- Tenure of Repayment
- Interest Rate
- % Repayments/Income Thresholds
- Equity Contribution
- Charges and Fees
- Collateral
- House Type Location and Size
- Land



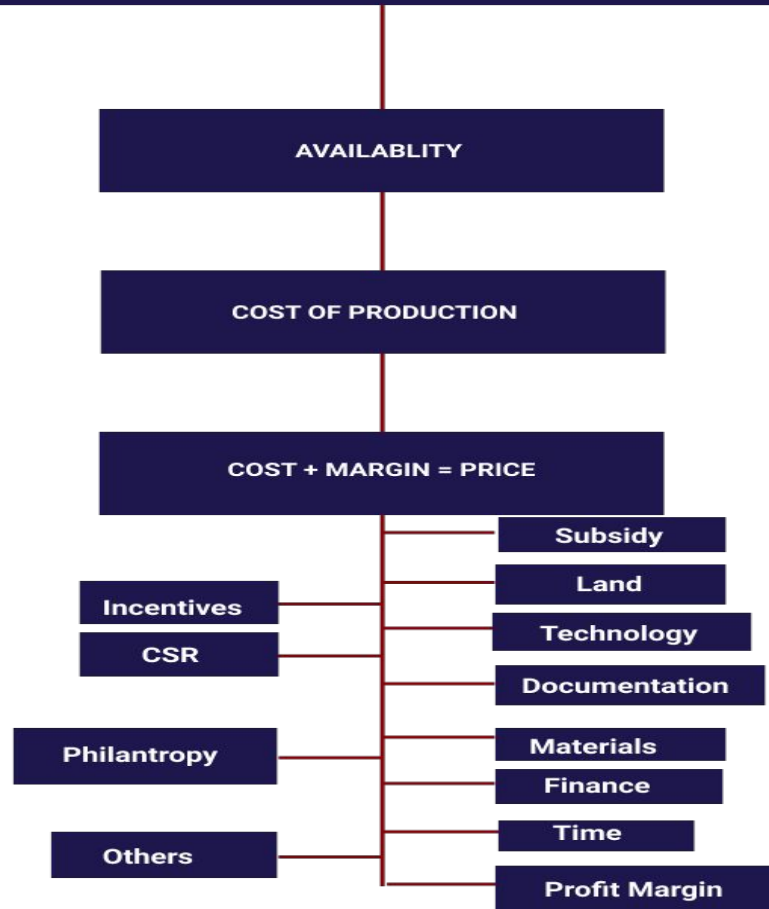
Demand and Supply Factors Affecting Affordability



DEMAND FACTORS FOR AFFORDABILITY



SUPPLY FACTORS FOR AFFORDABILITY



Impact of Factors on Affordability

- Higher house prices reduce affordability
- Lower income reduces affordability
- The longer the tenure the better the affordability
- Lower interest rate improves affordability- single digit
- Higher % repayment/income improves affordability
- Higher equity contribution improves affordability
- High fees and charges reduce affordability
- Stiff Collateral conditions eliminate affordability



Impact of Income, Interest Rate and Tenure on Affordability

Scenario 1: Affordability for 20 years tenure at 6%, 12% and 18% interest rate

Annual Income	6%	12%	18%
N1 million	< N4m	N2.5m	N1.8m
N2 million	< N8m	N5m	N3.6m
N3 million	< N12m	N7.5m	N5.4m
N4 million	< N15m	N10m	N7.2m



Impact of Income, Interest Rate and Tenure on Affordability

Scenario 2: Affordability for 10 years tenure at 6%, 12% and 18% interest rate

Annual Income	6%	12%	18%
N1 m.	N2.5m	N1.94m	N1.54m
N2 m	N5m	N3.87m	N3m
N3 m	N7.5m	N5.8m	N4.6m
N4 m	N10m	N7.7m	N6.1m



Ways to Improve Affordability

- Reduce Cost of Construction
- Reduce Profit Margin and Lower House Price
- Increase or Combine Income
- Reduce interest rate - Must be single digit as a rule
- Increase % Repayment/Income Ratio (30-40%)
- Lower Equity Contribution / Encourage Savings
- Minimise Fees and Charges
- Property to serve as collateral



Improving Affordability

AFFORDABILITY FACTORS	IMPROVING AFFORDABILITY
Cost of construction	Land allocation, Local content, Government intervention and subsidies, Innovative technologies, Economies of scale, Self help, Philanthropy, Partnership, Cost effectiveness.
House price	Incremental housing, Social housing, Rental housing, Minimal profit margin, Non-contract approach, Partnership, Unbundling infrastructure and utility
Income	Regularity, adequacy and evidence of income, Increase sources, combined income with spouse, family & friends, Fractional & shared ownership and Entrepreneurship
Tenure of repayment	Long term 15 - 25 years
Interest rate	Single digit (The lower the better)



Improving Affordability

AFFORDABILITY FACTORS	IMPROVING AFFORDABILITY
Repayment threshold	30 - 40% of income
Equity contribution	Reduce equity contribution requirement Equity saving scheme
Charges & Fees	Reduce intermediaries Minimize processing and closing cost, fees and charges
Formal vs Informal Income	Use mobile money, Improve savings, Evidence of income adequacy & regularity, Develop social capital, Organize & empower low income group



Improving Affordability

AFFORDABILITY FACTORS ^{Yes}	IMPROVING AFFORDABILITY
Accessibility, Availability & Adequacy	Beyond affordability, housing finance at single digit interest rate must be accessible, available and adequate through several financial institutions and not restricted to mortgage banks
Non Mortgage Housing Finance	Contractors financing, Microfinance, Cooperative housing, Pension fund, Social capital, Insurance, Philanthropy, Government intervention fund, Housing fund, Non profit organizations, Multilateral organization, Corporate social responsibility, Rental housing, Off plan payment
Way Forward and Action Plan	Demand Approach to Affordable Housing Strategic 4P Partnerships and Stakeholders Collaboration ICT and Data Driven Process Financial Innovation and Structuring Technology and Project Management Innovation Cooperative Housing and Offtakers Empowerment Revolving Housing Fund, Savings Scheme and Social Capital Single Digit Interest Rate Policy Intervention

Beyond Affordability: Accessibility and Adequacy

- Affordability in itself does not guarantee access to housing finance.
- Impediments include guarantees, collateral, evidence of income, equity contributions, banking and credit records
- Off Takers in the Informal Sectors require special dispensation to attract housing finance
- Accessibility does not guarantee adequacy and availability of housing finance.



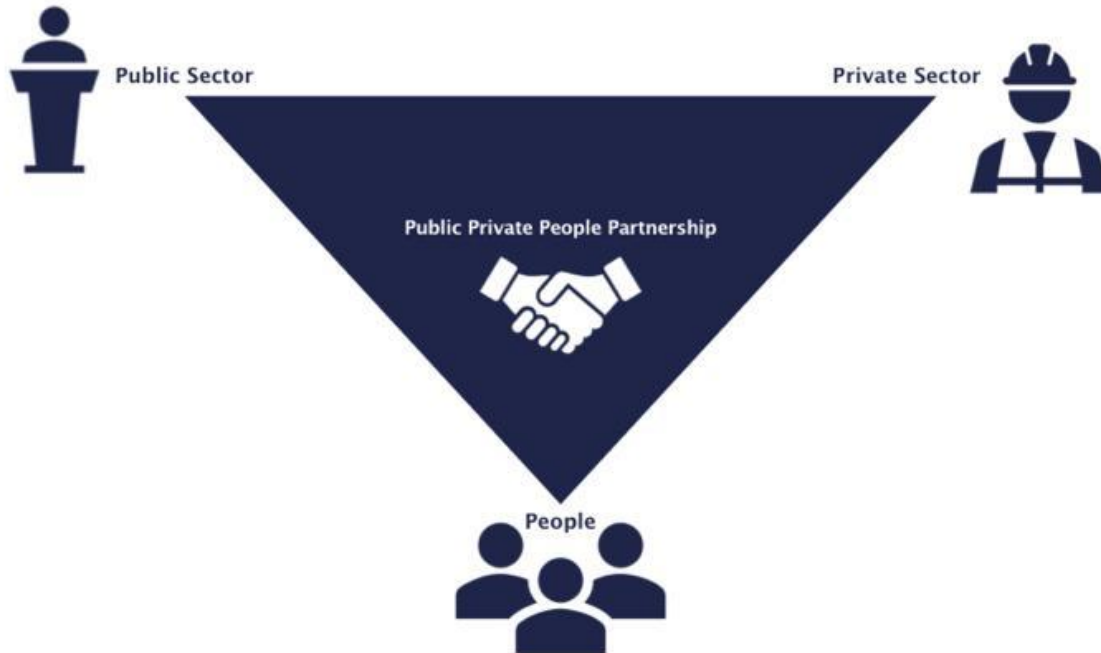
Housing Finance Options

- Cooperative Housing and Social Capital
- Rental Housing
- Government Subsidies and Social Housing
- Pension and Insurance Fund
- Corporate Social Responsibilities, Donors, Philanthropy
- Contractor Financing, Off Plan Payment and Crowdfunding
- Shared Ownership and Crowdfunding
- Incremental Housing
- Unbundling of Infrastructure and Utility Costs
- Land, Site and Services
- Self Help

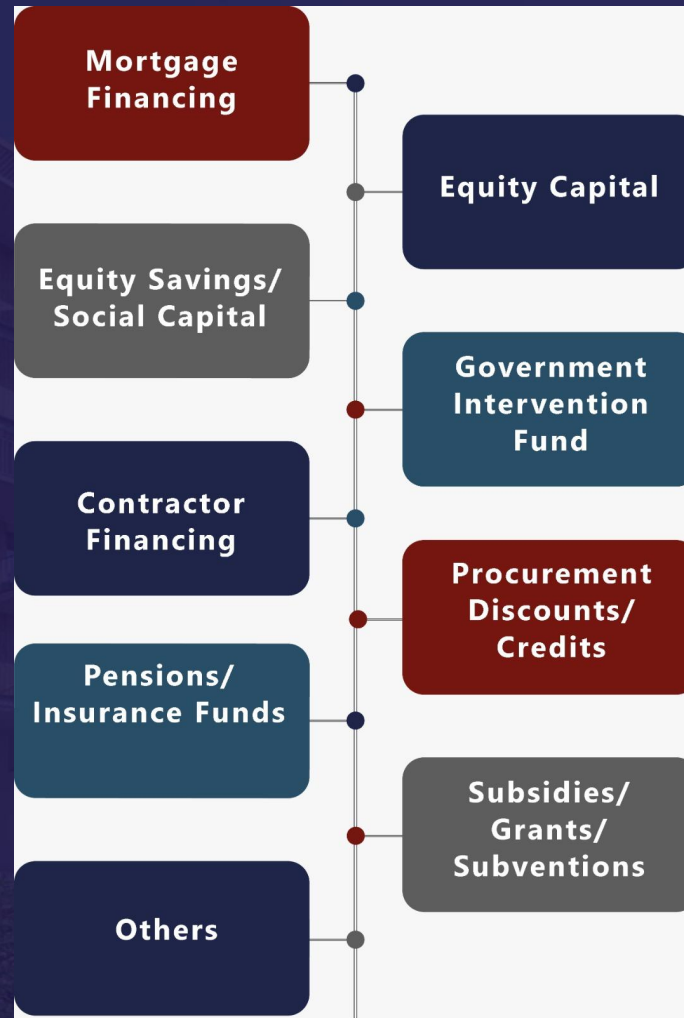




Stakeholders' 4P Partnerships / Action Plan







Way Forward and Action Plan

- Demand Approach to Affordable Housing
- Strategic 4P Partnerships / Stakeholders Collaboration
- Stakeholders Collaboration
- ICT and Data Driven Process
- Financial Innovation and Structuring
- Technology and Project Management Innovation
- Cooperative Housing and Offtakers Empowerment
- Revolving Housing Fund, Savings Scheme and Social Capital
- Single Digit Interest Rate Policy Intervention
- Savings Scheme and Social Capital
- End to End Finance



Thank you



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