ASSESSMENT OF THE OPERATIONS OF NIGERIA NATIONAL HOUSING FUND

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ABSTRACT
Housing constitutes a single largest expenditure item in an average household budget. While the provision of houses through the creation of mortgages is taken for granted in developed countries, it remains a major challenge in developing countries. Federal Government's observation that majority of Nigerians may not be able to utilize borrowed funds from the private sector necessitated the establishment of National Housing Fund (NHF). The goal of NHF is to provide a cheap source of long-term funds that would make it easy for all Nigerians to own houses. However, the development of housing through NHF has remained a challenging process. As at the end of 2013, the Federal Mortgage Bank of Nigeria (FMBN) had disbursed mortgage loans worth around N100.5bn ($633m) under the NHF programme. In 2015, out of the four million registered contributors to the NHF, only 60,000 (1.5%) have been able to access mortgage loans. which has resulted in the construction of about 40,653 houses in different part of the country. The overall housing demand (17.5 million) is so enormous that the impact of NHF is minimal. The major challenges facing the utilisation of NHF are the eligibility criteria of Primary Mortgage Institutions (PMIs), cost of perfecting title documents, absence of clear property rights, inefficient land management system and high cost of property transaction. To improve the environment for mortgage lending, there is need for the removal of all regulatory barriers that discourage Nigerians from seeking NHF and efforts should be made to extend opportunities for unconventional mortgages so that low-income households can own their own homes.

INTRODUCTION
Housing represents a large proportion of a household's expenditure and takes up a substantial part of lifetime income. Bardhan and Edelstein (2008) argue that vigorous and buoyant housing sector is an indication of a strong programme of national investment and indeed the foundation of and the first step to future economic growth and social development. Housing constitutes part of the critical infrastructure to accelerate economic development and also forms a substantial part of the Gross Domestic Product (GDP) of most developed countries. Access of citizens to decent housing units is a major social welfare consideration and indirectly promotes economic well-being and sustainable national economic development.

In spite of its importance to the national economy and human wellbeing, the housing sector still remains under developed in Nigeria. Some of the factors militating against the development of housing sector in Nigeria include difficulty in land acquisition, high cost of building materials, problems on existing land policy, poor infrastructure (both physical and financial infrastructures) and inadequate housing finance. Alufohai (2013) linked housing problem in Nigeria to land in-accessibility, exorbitant prices of building materials, disproportional capacity building in the housing sector and stunted financial and mortgage systems. While the provision of houses through the creation of mortgages is taken for granted in developed countries, it remains a major challenge in developing countries, most especially in sub-Saharan Africa (Akeju, 2007). In Nigeria, for instance, Nubi (2005) stated that the history of housing finance had been an appalling one and the sudden leap from agro-based to 'petro-naira' based economy did not help matters. The underdeveloped mortgage market is considered to be a major constraint to housing development.

One of the means through which access to housing is constrained, rationed or even denied is through the allocation of housing finance and the low-income groups are the most affected. For instance, on the allocation of mortgage finance by the Federal Mortgage Bank of Nigeria, Olufemi (1993) reports that 93 per cent of loans granted to individual mortgagors have gone to middle and upper income households. Harloe *et al* (1974) stated that manual workers are disadvantaged, not only for the obvious reasons of low earnings but also because the future level of, and stability of their earnings is, or is thought to be, in doubt. Accessing long term mortgage facility for housing development has been a great challenge among Nigerians. Therefore, to achieve a significant increase in supply of housing in order to bring relief to the low-income groups who are the most affected by the current housing shortage, there is the need to examine the major challenges associated with the operations of National Housing Fund. The use of mortgage fund to acquire dwelling places by Nigerians is of interest because of the level of income and the relative small size of the mortgage market compared to the size of the financial market (Adetiloye, 2013).

MATERIALS AND METHODS
The contents of the paper are based on secondary data obtained from the records of Federal Mortgage Bank of Nigeria and Mortgage Banking Association of Nigeria (MBAN). Additional secondary data were sourced from the exiting literature. Data were presented in forms of frequencies and percentages.

DISCUSSION OF FINDINGS

Evolution of National Housing Fund
The first conscious effort made in Nigeria for housing finance was in 1956 when the Colonial Development Corporation (CDC) in conjunction with the Nigerian Federal Government and the Eastern Nigeria Government formed the Nigeria Building Society Limited (NBS) with a capital of N2.25 million for the purpose of lending money for house ownership (Ojo, 1983). The NBS was established by colonial government with the aim of extending housing opportunities to more Nigerians including those in the private sector. This was adopted from the British system where mortgage bankers are called building societies. The effect of the NBS was felt almost exclusively within the Lagos enclave and housing finance was given to the expatriate staff and few selected indigenous senior civil servants.

The First Development Plan (1962 - 1968) witnessed the beginning of an aggressive programme for mortgage financing with the allocation of N0.78 million to the Nigerian Building Society for its expansion and the proposed reorganization programme. The NBS could not stand the test of time because it was dependent on government for funding. Following the introduction of the Indigenisation Policy, the Federal Government of Nigeria, by Indigenisation Act 1973, undertook 100 per cent ownership acquisition of the NBS and consequently renamed it the Federal Mortgage Bank of Nigeria (FMBN) to provide public housing finance more readily. Thus, it was during the Third National Development Plan (1975 - 1980) period that the Federal Government bought over the Nigerian Building Society and transformed it into the FMBN. The FMBN was established on 1st July, 1977 to inherit the assets and liabilities of the NBS which became dissolved on 30th June, 1977, and its initial Authorized Capital was N20 million. Initial management of the Bank was contracted to an expatriate Consulting Firm for three years, but the Management became wholly indigenous in 1979 with the appointment of a Board of Directors. The FMBN's overall mandate is to promote the delivery of affordable and modern houses to Nigerians. The Bank is expected to operate as an effective vehicle for increasing the mobilisation of long-term funds, lending volume and expansion of mortgage lending services to all segments of the Nigerian population.

Until 1989, when the Mortgage Institutions Act which formally recognized the two-tier system of the housing finance was passed, the FMBN was the only public mortgage institution in the country. Under the Act, the Primary Mortgage Institutions (PMIs) are empowered to mobilize savings from the public and grant housing loans to individuals while the FMBN mobilizes capital funds for the primary mortgage institutions (Sanusi, 2003). The essence of their establishments is to enhance private sector participation in housing finance, whereby interested investors can obtain licence to operate with a paid-up capital of N100 million compared to licence for Universal Deposit Money Banks (UDMBs) with paid-up capital of N25 billion.

As part of the implementation of the National Housing Policy of 1991, National Housing Fund (NHF) Decree (now Act) No. 3 of 1992 was enacted primarily to address the problem of mobilization of long-term funds for housing development and ensure that every Nigerian has access to housing loans at affordable rates of interest (Onibokun, 1995). The purpose of the NHF include facilitating the mobilization of finance for the provision of affordable housing for every Nigerian, and ensuring continuous supply of loans to Nigerians for the purpose of purchasing, building or improving their housing units. Others include, promoting investments in property development by the capital market, enabling low-income earners to build their (low cost) houses and making available long-term loans to mortgage institutions that will in turn lend to contributors to the NHF (Bichi, 1998).

In 1992, the Federal government enact a policy which made it mandatory for every Nigerian earning up to N3, 000 monthly to contribute 2.5 per cent of his monthly salary to a National Housing Fund (NHF). Section 5(1) and (2) of the Act mandates all commercial banks to contribute 10 per cent of their “loanable” funds into NHF at the FMBN and earn interest rate at one per cent higher than the rate chargeable on current account deposit. Furthermore, insurance companies are required to contribute a minimum of 20% of its non-life funds and 40% of its life policies funds in real estate development of which not less than 50% shall be paid into the NHF through the FMBN at an interest rate not exceeding 4 per cent. This fund was to be managed by the FMBN, from which it could lend to the PMIs. The contributors to the fund were also entitled to borrow money from the fund, through the PMIs, after six months, to develop houses.

Sequel to the promulgation of Mortgage Institution Act 53 (1989) and FMBN Act 82 (1993), in 1994, the FMBN was accorded the status of the apex mortgage institution in the country. Thus, it ceded its retail function to an autonomous company, that is, Federal Mortgage Finance Limited (FMFL) carved out of the FMBN and fully owned by the Federal Government of Nigeria. With the FMBN operating as the secondary mortgage market, the disadvantage in addressing this shortcoming, the next problem was where to source fund for Primary Mortgage Institutions (PMIs). The Presidential Committee Report on Housing and Urban Development assign significant role to the estate developers and this brought about the Estate Development Loans (EDLs) which commenced in 2003.

Apart from the UMDBs lending directly to housing, PMIs were acquired and recapitalised. Therefore, the paid-up capital of PMIs increasing by 550 per cent from N1.9 billion in 2005 to N12.57 billion in 2006. Most of the big financial institutions acquired or established PMIs as their subsidiaries. For example, Diamond Bank Plc. established Diamond Mortgages Ltd.; First Bank of Nigeria Plc. established FBN Mortgages Ltd.; Intercontinental Bank Plc. established Intercontinental Homes Savings & Loans Ltd.; Guaranty Trust Bank Plc. established GTB Homes Ltd.; Sterling Bank Plc. established Safe Trust Savings & Loans Ltd.; Spring Bank Plc. established Spring Mortgage Ltd.; Union Bank Plc established Union Homes Savings & Loans Ltd and the Federal Mortgage Bank of Nigeria established Federal Mortgage Finance Ltd.

In late 2011, FMBN launched the Informal Sector Cooperative Housing Scheme (ISCHS). The aim of the scheme is to tap into Nigeria's large informal economy which is estimated at around two-thirds the value of the formal economy. This is with a view to ensuring that the informal workforce contributes to and is able to benefit from the NHF. In 2013, the Bank proposed a fresh initiative, which is expected to usher in an Estate Development Guarantee (EDG) scheme. The FMBN is expected to operate as an effective vehicle for increasing the mobilisation of long-term funds, lending volume and expansion of mortgage lending services to all segments of the Nigerian population. In 2014, the FMBN concluded arrangement to introduce a housing scheme for Nigerians in the Diaspora.

Assessment of the Operations National Housing Fund

Following the promulgation of the FMBN Decree (now Act) No 7 of January 1977 as a direct federal government intervention to accelerate housing delivery programme, it commenced operation in 1978 to expand and coordinate mortgage lending on a nationwide basis with a paid-up capital of N20 million which was later increased to N150 million in 1979. The World Bank assistance was obtained in 1979. This led to the development of housing projects in eight states of Nigeria with Bauchi State having a share of N 24.6 million and Imo State, N63.8 million. By mid-1980s, the FMBN was the only mortgage institution in Nigeria.

At its inception, the FMBN took over from the NBS more than 3,200 mortgage loans and undisbursed commitments with a total value of about N100 million, comprising N75 million in Mortgage Assets and Undisbursed Commitments making up the total. In 1981, the FMBN approved about N125 million out of the N722 million worth of applications, but only N75 million was disbursed. In 1982, applications amounted to N155 million; commitments were N65 million while disbursements were only N51 million. As at June 1983, achievement recorded showed the Bank's Mortgage Portfolio of about N480 million had been spread over some 14,000 mortgage accounts. Disbursements decreased to about N13 million in 1984 and by 1987, the mortgage assets of the Bank were estimated at about N480 million which represented a growth rate of just over 20 per cent per annum.

In terms of fund mobilization, the National Housing Fund recorded modest achievements as contribution to the scheme increased from N19.933 million in 1992/93 to N1.636 billion in 1999. In the early 2000s, the Federal Government carried out a large-scale restructuring of the bank with the aim of expanding the country's secondary mortgage market, strengthening the FMBN's relationship with the capital markets and ensuring that the lender's operations were in line with international banking standards (Oxford Business Group, 2013). In the year 2000, sectoral contribution to the NHF was close to N2 billion.

As at the end of 2001, FMBN had mobilized a total of N8.5 billion from 1.8 million contributors registered by both the private and the public sectors (See Tables 1 and 2). While the number of applications received at the national level stood at 2,641, the number of applications granted approval stood at 2,043. However, out of the 60 PMIs accredited, only 25 were involved in the distribution of the national housing fund. Table 3 shows that while the amount of loan application received by these PMIs between 1997 and 2001 was N1,014,560,278.03, the amount of loan approved was N604,186,062.39. This represents only 59.06 per cent of the total amount of loan requested for. By August

2002, outstanding applications from PMIs amounted to N887 million and by December 2008, N78 billion worth of applications were processed.

Table 1: Sectoral Contributions to the NHF from 1992-December 2001

Year	Public Sector (N)	Private Sector (N)	Total Amount (N)
1992/92	19,933,362	-	19,933,362
1994	172,584,666	86,292,334	258,877,000
1995	211,560,000	211,560,000	423,120,000
1996	402,482,895	201,241,285	603,723,854
1997	249,744,000	498,939,486	748,409,230
1998	450,521,985	450,521,985	901,043,970
1999	1,180,886,895	455,115,495	1,636,002,390
2000	1,272,615,779	728,537,686	1,939,666,934
2001	1,336,667,232	668,334,616	2,005,003,848
TOTAL	**5,235,237,691**	**3,300,542,897**	**8,535,780,588**

Source: FMBN (2005).

Table 2: Status Report on the NHF (1992 - 2001)

1.	No. of Employers Registered	17,420
2.	No. of Contributors Registered	1,857,279
3.	Amount of money Collected	N8,535,780,588.00
4.	Passbook Processed	1,625,613
5.	No. of Contributors Refunded	6,853
6.	Amount Refunded to Contributors	N28,912,778.59
7.	No. of Applications Received	2,461
8.	No. of Individual Loan Beneficiaries	2,043
9.	No. of PMIs Accredited	60
10.	No. of PMIs Involved	25
11.	Amount of Loan Approved	N1,394,513,848.39

Source: FMBN (2005).

Table 3: Loan Application and Loan Approved by the NHF Between 1997 and 2001

Year	Amount of Loan Application	Amount of Loan Approved		Amount of Outstanding Applications	
		Amount	**%**	**Amount**	**%**
1997	1,230,912.00	1,230,912.00	100.0	Nil	-
1998	12,090,400.00	5,488,800.00	45.40	6,601,600	54.60
1999	193,593,287.00	149,198,247.00	77.10	44,383,990	22.90
2000	457,473,720.00	157,341,920.00	34.40	300,131,800	65.60
2001	1,014,560,278.03	604,186,062.39	59.06	410,374,215.91	40.04
Total	1,678,948,597.03	917,445,937.39	54.06	761,502,659.91	45.06

Source: FMBN (2005).

The registration of the PMIs started in 1992 and as at December 2005, there were 90 PMIs operating in the country. The number of people benefiting from mortgage finance is negligible. For instance, between 1992 when the NHF was established and year 2002, the twelve PMIs operating in Lagos were able to grant loans to 342 applicants out of the 421 applications received. The cumulative NHF loans given to the PMIs between 1997 and July 2009 was estimated at N35,946,504,751.56 as shown in Table 4. According to Federal Mortgage Bank of Nigeria's Report of 2010, the cumulative collections into the fund from inception of the bank stood at N54, 943,906,044.00 with 3,460,399 contributors. The total number of contributing states to the scheme as at February 2010 stood at 25, a big leap from only 10 in 2002.

Table 4: Status Report on the NHF (1997 - 2009)

Subject	Statistics	Period
Total No. of NHF Contributors	3,455,742	1994 – 2009
Cumulative NHF Contribution	N 47,0811,432,231	1992 – July 2009
Cumulative NHF loans to PMIs	N35,946,504,751.56	1997 – July 2009
Total Refund	N685, 088,916.99	1992 – April 2009
Total No. of NHF Ceding Contributors	44,788	1992 – April 2009

Sources: Federal Mortgage Bank of Nigeria (2009); Mortgage Banking Association of Nigeria (2011).

Cumulative NHF loans to Estate Developers Loans (EDLs) between 2003 and July 2009 was N59,814,212,301.13. A glance at Table 5 shows that the aggregate Loans approved for PMIs and EDLs between 1992 – July 2009 stood at N95,762,717,052.69. The bank's approved loan portfolio between January 2009 and February 2010 showed that a total of N9,302,199,277.71 was approved as NHF mortgage loans to contributors while the sum of N13,722,447,942.62 was approved as Estate Development Loans (EDLs).

Table 5: NHF Loans to PMIs and EDLs (1997 - 2009)

Subject	Statistics	Period
Cumulative NHF loans to EDLs	N59,814,212,301.13	2003 – July 2009
Number of EDLs that accessed the fund	119 Estate Developers	July 2009
Aggregate Loans (PMIs & EDLs) approved	N95,762,717,052.69	1992 – July 2009

Sources: Federal Mortgage Bank of Nigeria (2009); Mortgage Banking Association of Nigeria (2011).

In the first quarter of 2012, FMBN recorded a profit for the first time in 20 years, achieving earnings of N188m ($1.18m), and since then it has continued to operate in the black (Oxford Business Group, 2013). As at May 2013, the FMBN had disbursed mortgage loans worth around N100.5bn ($633m) under the NHF programme and by December 2015, it had funded the development of 40,653 houses in different part of the country. Table 6 shows the number of houses developed through NHF/EDLs in the six geo-political zones of Nigeria. A glance at Table 6 shows that North-Central has the highest number of houses (14,859), followed by South-West (7,425), North-East (6,504), South-South (4728), North-West (3918) and South-East (3,219). More than half of the houses (54.9%) were developed in North-Central (36.6%) and South-West (18.3%). This might not been unconnected with the presence of the Federal Capital Territory, Abuja and Lagos in North-Central and South-West geo-political zones respectively. The number of housing units developed in all the geo-political zones is too small when compare to the population of the country, which is estimated at around 180 million at present. With economic crisis and the crisis of governance, the stage is set for both qualitative and quantitative deficiencies in housing (Ajakaiye and Akinbinu, 2000).

Table 6: Number of Housing Units Developed through NHF/EDLs by Geo-Political Zone (2002 - 2015)

Geo-Political Zone	Housing Units	%
North East	6,504	16.0
North West	3,918	9.6
North Central	14,859	36.6
South West	7,425	18.3
South East	3,219	7.9
South South	4,728	11.6
Total	**40,653**	**100.0**

Source: FMBN Status Report, December. 2015.

Constraints to NHF

The eligibility criteria of financial intermediaries are devised to ensure financial security both in terms of the paying ability of potential borrowers and the future exchange value of residential real estate they are willing to finance. In operating eligibility rules, mortgage finance intermediaries effectively act as social gatekeepers willingly or unwillingly in a number of ways. The eligibility criteria of the PMIs constraining the low-income groups' access to mortgage finance include the following:

i. An applicant must be a Nigerian above 21 years and a contributor to the NHF for a period of not less than one year. If a prospective home owner is not registered, it is required that he / she pay in arrears of 3 years of 2.5% of his / her basic salary.
ii. Applicant must have satisfactory evidence of regular flow of income to guarantee loan repayment.
iii. Evidence of registration with NHF Scheme (Pass-Book)
iv. Income Statement (payslip for past 3 months)
v. Tax Clearance for past 3 years
vi. Offer/Acceptance letter from developer/seller after payment of personal stake (at least, 10%)
vii. Title document of proposed building (C of O)
viii. Opening of Account with a Mortgage Bank (minimum of N50,000.00)
ix. Legal fee to FMBN of N10,000.00
x. Completion of NHF loan application form at N5,000.00
xi. Submission of valuation report – N15,000.00
xii. Application form from Estate Developer at N10,000.00
xiii. Seven copies of recent passport photograph

As a result of these eligibility criteria, NHF seldom go to the poor and very few contributors to the Fund have benefited from the scheme. For example, available data on six states of the federation and Federal Territory Capital, Abuja (as shown in Table 7) clearly indicates that FMBN constrains access to mortgage NHF. Between 2002 and 2015, FMBN granted approval to only 2,482 applicants. This constitutes less than 10 per cent (9.6) of the total applications (25,891) submitted for mortgage funds within the period. Further analysis shows that there is gender disparity in access to NHF, only 10 per cent (10.4%) of the beneficiaries were female. Oyo state has the highest percentage of female beneficiaries (48.3%) while Kano has the lowest (0.4%). See Table 8.

The National Housing Fund is inaccessible to the majority of Nigerians due to its cumbersome requirements (Eleh, 2017). According to FMBN (2015), out of the four million registered contributors to the National Housing Fund, only 60,000 or 1.5 per cent of the total have been able to access mortgage loans. Without available and affordable housing financing solutions, many urban poor can't get decent formal housing (World Bank, 2017).

Table 7: Applications for NHF Submitted and Approved

S/No.	**State**	**Number of Applications**		**%**
		Submitted	**Approved**	
1	Oyo	915	58	2.3
2	Kano	5,941	539	21.7
3	Bayelsa	1,676	96	3.9
4	Enugu	2,109	182	7.3
5	Taraba	3,963	348	14.0
6	Nassarawa	4,545	485	19.5
7	Abuja	6,742	774	31.2
Total		**25,891**	**2,482**	**100.0**

Source: Onitolo, 2017.

Table 8: Access to NHF by Sex

Location	**Number of beneficiaries**		**% of Female Beneficiaries**
	Male	**Female**	
Oyo	30	28	48.3
Kano	537	02	0.4
Bayelsa	54	42	43.8
Enugu	101	81	44.5
Taraba	342	06	1.7
Nassarawa	480	05	1.0
Abuja	681	93	12.0
Total	**2,225**	**257**	**10.4**

Source: Onitolo, 2017.

Also, individual contributor to the NHF who intend to access housing finance through a licensed PMI is expected to part with equity down payment of either 10%, 20% or 30% of the corresponding disbursable loans of either N5 million (the initial disbursable loan ceiling), N10 million or N15 million (the new disbursable loan ceiling) respectively. Prospective home owners are usually subjected to an affordability test before he or she can conveniently access the fund. It is in the evaluation of the potential borrower's ability to maintain the flow of repayments that the first major stratification by mortgage finance managers takes place. Applicants are judged principally in terms of the stability of their income.

In Nigeria, one of the major challenges to the use of subsidized mortgage finance is non-inclusion. One of the eligibility criteria of the PMIs is that the applicant must be an employee in the formal sector of the economy. It is impossible for financial institutions to confirm creditworthiness of most Nigerian involved in the informal sector of the economy due to a lack of history (Oxford Business Group, 2013). It is important to note that existing literature puts the size of the urban informal sector in Nigeria at between 50 per cent and 75 per cent of the workforce (Lagos State Ministry of Economic Planning and Budget, 2004). Also, the population of unemployed which is fast growing has also not been given consideration. For the purpose of achieving the ultimate goal of the National Housing Policy which is to ensure that all Nigerians own or have access to decent housing accommodation at affordable cost, consideration must be given to the fast growing class of Nigerians who are not employed (Federal Republic of Nigeria, 2012).

Furthermore, applicants soliciting for PMI loans are expected to send their applications for NHF loans through the PMIs. The PMIs are expected to guide the applicants in completing the application form and in documentation. For instance, they are supposed to ensure that proper valuation and legal search reports are obtained on the land to be used as security. In addition to the documents that applicants are required to provide, the PMIs are also required to meet certain conditions in support of customers' applications. Critical among the conditions are the Deed of Legal Mortgage and Governor's Consent. The environment for mortgage lending is not conducive, primarily because of the absence of clear property rights, inefficient land management systems, the requirement to obtain the Governor's consent to each transaction, and high costs of property transactions (MBAN, n.d).

The procedure for securing a valid Deed of Legal Mortgage and Governor's Consent (as required by the Land Use Act of 1978) can be described as lengthy, time consuming, unduly cumbersome and costly. The cumulative charges of consent fees, capital gain tax, stamp duty and registration fees cost are high as 40 per cent of property value in some states. Until recently, when it was reduced to 15 per cent of the value of property, the total cost of perfection (Consent fees, capital gains tax, stamp duties and registration fees) was high as 40 per cent to register title in Lagos State. Transactional charges and the cumbersome process of registration of titles which make the perfection of legal mortgages difficult could be some of the major factors responsible for the low patronage of the NHF scheme.
A prospective applicant who wishes to obtain a loan to build a house is expected to have his/her land as well as an acceptance title to the land prior to the application for NHF loan. (Kolawole, 2014). It has been argued repeatedly that getting land registered and obtaining Certificate of Occupancy is a herculean task in Nigeria (Akinwunmi, 2009). In the face of economic challenges, it can be argued that the cost of accessing information is high and the percentage of the population that can afford the transaction cost involved in financial intermediation is low.

The FMBN and PMIs whose primary objective is to mortgage available to contributors are handicapped by lack of sufficient fund. Also, multiple transaction charges make NHF loan origination unattractive to PMIs. For instance, MBAN (n.d.) gave an example of those charges taken from the transactions for NHF Loan of N102 million to one of the PMIs. It should be observed that while PMIs only make 2% spread on NHF loans, the various charges associated with mortgage transactions constitute more than 10 per cent of loan amount. The cost of travelling many times from State to Abuja and back from inception to when the loan was approved, and when the loan documents were perfected is N1,665,000.00, service charge to FMBN (0.25%) (N225,000.00), payment of stamp duties for consents to assign and to mortgage to the State Board of Internal Revenue (N1,419,895.15) and payment for registration of consents to assign and to mortgage to State Ministry of Land (N3,839,000.00). Others are the cost of legal search to FMBN for consent to assign for 253 mortgagors at the cost of N2,000.00 per mortgagor (N506,000.00) and payment for registration of consent to assign to Federal Board of Inland Revenue through FMBN (N3,073,950.00). The total cost of mortgage transaction is N10, 756,240.15 or 10.5% of loan amount.

Adedokun *et al* (2011) argued that one of the weaknesses of the scheme is the insufficiency of the PMIs as most are based in Lagos. The small sizes of PMIs coupled with their high overheads and operating expenses has negative implications for housing finance intermediation. Ebong (2005) observed that the capital base of most banks in Nigeria, which is US$200 million, even after re-capitalisation is low compared with smallest bank in Malaysia having capital base of US$526 million, US$541 billion for a bank in Germany and US$688 billion for a single banking group in France. Mortgage loans and advances were equal to 0.5% of GDP, compared to 30-40% on average in emerging economies and 60-80% in advanced economies (Oxford Business Group, 2013).

According to the 1992 Act, commercial banks and insurance companies are contributors to the NHF. Life funds of insurance companies are long term savings in form of annuities or endowment policies, and are also relatively cheaper than deposit (Ajanlekoko, 2001). Therefore, insurance companies have funds appropriate for financing housing construction and other long term investments. However, investigation revealed that life insurance policies are sold mostly to persons in gainful employment in the urban areas. This means that the masses, most of whom are not gainfully employed or underemployed will be systematically excluded. Anderson *et al* (2009) stated that despite the fact that insurance companies have funds appropriate for financing housing construction and other long term investments, they are traditionally the most conservative lender to housing. With a total premium value of $1.6bn in 2011, Nigeria's insurance market is the biggest in West Africa, but in a wider context, the market remains relatively undeveloped and coverage in the retail market is mostly limited to motor insurance (Oxford Business Group, 2013).

The income being earned by a borrower determines the ability to repay the money borrowed. Mortgage repayment is usually restricted to 33 per cent of monthly income of the applicant's salary. Table 9 shows maximum loan obtainable at annual interest rate of 6 per cent repayable over 30 years. The Tables shows that wages are low for those people on Grade Levels 01 - 06
(N22,287 - N39,708) and the maximum loans they can obtain may be inadequate for construction of a decent three bedroom bungalow. Average home prices are usually about eight times of annual income. In Nigeria, domestic construction costs are among the highest in the world, with new build costs of between $1800 and $2200 per sq. metre, and fit out costs between $900 and $1400 per square metre (Oxford Business Group, 2013).

Table 9: Minimum Loan Obtainable Based on Consolidated Public Service Salary

ATISS	Monthly Income (N)	Annual Income (N)	Mortgage Repayment (N)	Maximum Loan obtainable (Nm)
1	22,287	267,447	7,429	1.20
2	24,167	290013	8,056	1.25
3	25,967	311600	8,656	1.4
4	28,489	341872	9,496	1.68
5	32,569	390837	10,856	1.75
6	39,708	476496	13,236	2.2
7	64,141	769701	21,380	3.6
8	80,655	967863	26,885	4.5
9	95,158	1141898	31,719	4.75
10	109,403	1312836	36,468	6.0
11	124,641	1495693	41,547	7.0
12	136,888	1642663	45,629	7.5
13	150,077	1800924	50,025	8.25
14	196,861	2362340	65,620	10.8
15	240,781	2889373	80,260	13.3
16	453,444	5441336	151.148	15.

Source: FMBN (2016).

4. Conclusion and Recommendation

The mortgage allocation system exerts a decisive influence over who gets what fund, how many new housing units get built and where. Socio-spatial sorting takes place through mortgage finance managers' evaluation of the house for which finance is sought. The manager is highly concerned with the liquidity of the asset, so that if the borrower defaults and the financial intermediary is forced to foreclose, the sale of the property will at least cover the amount of money advanced. Mortgage managers tend to have clear ideas as to the 'safest' property in terms of price range, size and location. Several managers assume that market demand for houses that deviate from today's ideal three or four bedroom flat or bungalow/detached houses is very limited, and therefore, regard them as greater risks and are more cautious about repayment period because of the possibility that the property will deteriorate before the mortgage is fully redeemed. While their concern about location relates to the possibility of property values, their concern with price reflects their anxiety that applicants should not overstretch themselves financially.

Development of housing through the use of NHF in Nigeria remains a challenging process. The eligibility criteria for granting access to subsidized mortgage loan constrained the access of low-income groups to housing finance. These criteria affect the realization of the Government’s policy of “affordable housing for all Nigerians” - which seeks to make it easier for Nigerians to buy or construct a house with loanable funds.Nigeria is yet to develop a vibrant mortgage market and houses continue to be provided through the tortuous traditional method of buying land and building over some years, which could be an individual's entire life time (Akeju, 2007). In many instances, such buildings are left uncompleted or individuals have to deplete their entire life savings in order to build a home.

To improve the environment for mortgage lending, there is need for the removal of all regulatory barriers that discourage Nigerians from seeking mortgages. The Act establishing the NHF should be reviewed, strengthened and effectively enforced and the regulatory agencies (CBN, PENCOM, SEC) should cooperate and ensure effective enforcement of the law. The Executive Bill to amend the Land Use Act (Land Use Act (Amendment) Bill 2009) which entails the removal of Governor’s consent on mortgages should be passed into law. This requires amending the Constitution but the process of Constitutional review is cumbersome and time-consuming. Therefore, there is need to first of all focus on the passage of the Executive Bill before pursuing the larger objective of re-writing all legislations needed to fully open the mortgage market to prospective home owners. The Federal Government should also engage the National Assembly to facilitate the passage of other Draft Bills that relate to the Mortgage Sector. Such bills include:

(i) The National Housing Fund Act 1992
(ii) The Mortgage Institutions Act 1989
(iii) The Federal Mortgage Bank of Nigeria Act 1993
(iv) The Trustee Investments Act 1962
(v) The Nigeria Social Insurance Trust Act 1993
(vi) The Insurance Act 2002
(vii) The Investments and Securities Act 1999
(viii) The Federal Housing Authority Act 1990
(ix) Securitization Bill
(x) Foreclosure Laws Bill

There is little or no evidence to suggest that public housing finance institutions have taken innovative steps to service the poor. Inaccessibility to credit provided by the PMIs hampers the development of new homes in primary housing market. It can also be expected that poor access to credit would slow down the resale of houses in the secondary property market. Even, if mortgage banks were to improve the suitability of their lending instruments to better suit the needs of the low-income housing market, they would still need to contend with the negative perceptions of the low-income group concerning mortgage fund, as well as with the general lack of information and unstructured approaches taken by the low-income households to access housing finance. Hence, the solutions to low-income housing crisis should entail steps aimed at changing borrower behaviour and attitudes towards credit, changing the perceptions of mortgage banks amongst low-income households and encouraging mortgage banks to design instruments and products to cater for the low-income borrower.

Primary Mortgage Institutions find it difficult to extend lending to low-income households, despite a number of supportive measures that have been taken by the Federal

Government. In order to extend credit for housing development and purchase to large numbers of low-income families, PMIs should form business partnerships with housing developers, building materials manufacturers/wholesalers as well as Micro Finance Institutions (MFIs). MFIs should also be encouraged to specialize in mortgage lending because of their ability to relate and work with low-income households and those people that are engaged in informal economic activities. Housing microfinance has the capacity to provide small home improvement loans to expand a homeowner's unit. The Federal Government should create a framework for the mobilization of private sector funding into the housing sector by providing necessary incentives to Pension Funds Companies to partner with the primary mortgage sector. Also, government should put Social Housing Development Scheme in place for low-income earners.

Efforts should be made to extend opportunities for unconventional mortgages so that low-income households can own their own homes. Informal housing finance institutions deserve a place alongside formal systems. Investigations revealed that very few households can afford to build or buy a complete house using only their incomes and savings. Low-income groups rarely have any collateral for conventional mortgage loans and they therefore need better access to credit. As an estimated 70 per cent of the urban population in Nigeria live below the poverty line and earn their income from the informal sector, it is, therefore, imperative to find methods other than conventional banking to provide loan security. Establishment of cooperatives, home town associations, religious organizations and trade associations that provide interest free housing loans should be encouraged. Lacking conventional collateral, informal housing finance typically uses social collateral which the poor and women can easily provide. Hence, a kaleidoscope of formal and informal financial institutions will create opportunities for competition and clients will patronize financial services that fit them best.

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