MORTGAGES IN NIGERIA

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ABSTRACT

In developing countries among important factors influencing housing provision, finance is one of the most critical. This is the case with Nigeria and in particular in large urban centers of which Lagos is one. The study is therefore an investigation on the structure and challenges confronting housing finance efforts of Primary Mortgage Institutions in Lagos. The research objectives include the examination of housing delivery policies and finance in Nigeria and Lagos. The study also examines the structure of Primary Mortgage Institutions (PMIs) in the study area, housing funding products and strategies by the PMIs and investigated the problems and challenges confronting the operations of the PMIs in Lagos. The methodology employed by the research include the collection of primary and secondary data. Field survey showed that 65 PMIs operate and are active as at the time of field work and 16 representing 25% were picked for sampling through oral discussion and questionnaire administration to the bank officials and customers, with 160 questionnaires for the latter. Data obtained were analyzed through simple frequency distribution tables and bar charts. Among major findings of the research include the following: that the PMIs nature of business transactions include commercial banking, LPO financing, merchandising, property agency and sales and transport. Existing departments in the PMIs are corporate/administration, human resources operations, legal, marketing and mortgage. Services and products of the PMIs are National Housing Fund (NHF) loan, estate development loan, pension-linked loan, LPO financing and overdraft facilities for their customers. Major challenges confronting the operations of the PMIs are NHF policy, structure of PMIs, the national economic climate, high cost of building materials and public apathy, difficulty of access to land and land documentation constraints, poor collateral, high interest rates and competitive finance market. The study suggests that the NHF policy should be reviewed and that government should provide incentives such as tax rebate for building materials manufactures, encourage the re-training of labour to improve their skills and speed. The Nigerian land law should be reviewed to make access to land less cumbersome while cheap funding sources should be provided specifically for housing finance.

Keywords: Housing, institution, finance, mortgage, bank, policy

1. INTRODUCTION

Housing delivery system in Nigeria is a combination of many interrelated components which include land, infrastructure, building materials, policies, building regulations and more importantly the finance component. Finance in housing delivery is very important because of the huge financial requirement for housing production. Many researches have been conducted along this line which include that of Fasakin (1998) who suggested the need to strengthen the cooperative housing system in Nigeria. Onibokun (1985) and Ebie (2003) stated that rent in major cities in Nigeria is about 60% of an average workers disposable income. This is very much higher than the 20-30% recommendation of the United Nations. Omole (2001) highlighted the fact that financial institutions should be more accessible to the people. It is on the basis of the importance of housing finance that government most often finds ways to improve existing housing and housing policies.

Housing is one of the three basic needs of mankind and it is the most important for the physical survival of man after the provisions of food. Decent housing is one of the basic needs of every individual, the family and the community in general. As a pre-requisite to the survival of man, it ranks second only to food. It is also one of the best indicators of a person's standard of living and his place in the society. The housing an individual lives in is a symbol of his status, a measure of this achievement and social acceptance, an expression, an expression of his personality and the barometer that seems to indicate in a large measure, the way the individual perceives himself and how he is perceived by the larger society .It is the measure of all the good (or bad) things in life that will come to him and his family (Agbola, 1995). Also the importance of housing in human development has been well documented by scholars. The positions of scholars varies depending on the aspect of housing each one delve into. Omirin (1998) researched into land accessibility and low income house building in metropolitan Lagos . Based on her analysis of house builder's behaviour of selected low-income earners of Lagos she posits that it is a wrong notion to continue to rank land accessibility as the greatest constraint of house builders. She Stated that lack of finance and escalating cost now takes precedence over land accessibility. Williams (2002) in his study that access to shelter produced by public agencies continue to elude the urban poor who simply cannot muster the financial resources required to procure these housing units .Jaiyeoba and Amole (2002) examined the appropriateness and socio-economic implications of low-income housing delivery as supportive rather than a provider approach. They stated that what is required is the determination of the extent to which the low-income groups require support. Olusola, Aina and Ata (2002) identified lack of soft loan as one of the major obstacles against urban housing production in Nigeria.

It is clear from the foregoing that finance is a major factor in housing delivery .Also from these recent studies it can be observed that none has specifically examined the role of housing financial institutions in housing delivery and that none specifically has delved into the role of Primary Mortgage Institutions (PMIs). This paper therefore investigates the problems of PMIs in housing finance in Lagos. The paper accepted the fact that issues on housing funding in Nigeria are recurrent. They are issues that have deep historical underpinning but with rudimentary approach such as assistance from friends, communal efforts and cooperatives. The approach the paper highlighted constitute the existing informal housing in Nigeria . The formal sector the paper classified into specialized and non specialized institutions. The non-specialized sector includes the Employees Housing Scheme, Commercial Banks, Merchant Banks and the Insurance Companies. The specialize Housing Funding Sector in this research are Federal Mortgage Bank of Nigeria , Primary Mortgage Institutions, Housing Corporations and Urban Development Bank. The paper examined the challenges of the PMIs and suggestions made towards ameliorating them.

2. HOUSING PROBLEMS IN NIGERIA

There is shortage of adequate housing facilities in Nigeria towns. Lagos, for instance, has an average of 3.8 persons per room and extreme density ranging between 5 to over 7 persons per room has been recorded (Omirin , 1998). Housing problems are exacerbated by the combination of many factors. The bulk of traditional housing available in our urban centers are mainly in dilapidate conditions and unsuitable for habitation . Secondly, more houses are needed to relieve the existing overcrowding in many Nigeria urban centers. Thirdly, natural increase demand additional dwelling units to house the increasing population. Fourthly, rural-urban migration, which has assumed great dimensions during the last three decades, has aggravated housing needs of urban centers in Nigeria . In response to the great demand for houses, unplanned, and sub- standard private housing districts continues to emerge in many towns in Nigeria . These in turn led to emergence of slums. The Association of Housing Corporations of Nigeria estimated on the basis of the 2006 population census that at least 200,000 dwelling units should be provided annually throughout the federation and that government authorities should produce at least 10,000 housing units annually. A report on housing in Africa produced for the United Nations describes clearly the present state of housing in the continent and stated that the situation is getting worse owing to the increasing impact of its causes, population growth and even worse, urbanization. The fifth session of the United Nations Committee on Housing, Building and Planning, held in Geneva in October 2005 also reported that little general progress has been achieved recently in this field (UNCHS, 2001).

In considering the global need for housing in the United Nations Development Decade (1960- 70) it was stated that over 1,000 million people in Africa, Asia, and Latin America, about half the total population of these continents were homeless or living in the housing which is a danger to health and an affront to human dignity . In addition, it was estimated that over 200 million inhabitants would crowd into the cities during the development decade. In recognition of the magnitude of present and future housing needs, the United Nations has estimated that an annual rate of housing construction of from 8 to 10 housing units per 1,000 persons is needed in the developing counties to overcome existing deficiencies and meet future needs.

It is estimated that Lagos population is about 17 million (LASG, 2004). This population results in rapid urbanization and pressure on inadequate infrastructural facilities and deteriorating environment. The World Bank has put the number of dwelling units required to accommodate the teeming urban population in Nigeria by the year 2000 at 8 million. Urban centers require new housing units yearly to accommodate the yearly influx of dwellers to urban centers. The problem of inadequate supply of housing in Nigeria stem from the inability of government to build the required number of housing units for the population, the inappropriate arrangement given by the National Housing Fund (NHF) to the financial and mortgage institutions providing funds for housing construction, and high cost of building construction. All these make the provision of shelter for the masses difficult especially in the case of long- term mortgage credit.

3. NIGERIA NATIONAL HOUSING POLICY

The Federal Government of Nigeria in 1991 launched the National Housing Policy to serve as a palliative measure to ensuring better housing for Nigerians. This is spelt out in its goal, objectives, strategies, institutional framework, land and settlement development policy and other developmental instrument imbedded in the policy.

The goal of the National Housing Policy is to ensure that all Nigerians own or have access to decent housing, and accommodation at affordable cost by the year 2000A.D. In order to achieve this goal, the government was to pursue the following policy objectives.

i Encourage and promote active participation in housing delivery in all tiers of government.

ii Strengthen institutions within the system to render their operations more responsive to demand.

iii Emphasize housing investment which satisfy basic needs.

iv Encourage greater participation by private sector in housing development.

4. NIGERIA NATIONAL HOUSING FUND DECREE NO. 3 OF 1992

The National Housing Fund Decree is an instrument formulated to give leverage to housing delivery in Nigeria . It was set basically as a legal re-affirmation of vital aspects of the National Housing Policy with the primary purpose of supporting it to achieve its ultimate goal of ensuring that all Nigerian own or have access to decent housing accommodation at affordable cost by year 2000AD. The concept is to ensure continuous flow of long term fund for housing development and to provide affordable loan for income housing.

Section 2 of the National Housing Fund Decree specifically stipulate the following as its objectives:

a. To facilitate the mobilization of funds for provision of houses for Nigerians at affordable prices.
b. To ensure the constant supply of loans to Nigerians for the purpose of building, purchasing and improvement of residential houses.
c. To provide incentives for the capital market to invest in property development.
d. To encourage the development of specific programmes that would ensure effective financing of housing development in particular for low income workers.
e. To provide proper policy control over the allocation of resources and funds between the housing sector and other sections of the Nigeria economy; and
f. To provide long term loan to mortgage institutions for on lending to contributors to the fund.

In order to achieve these objectives, some demands were made of certain sectors of the economy to make one form of contribution or the other to the fund . Section 5(2) of the decree states that*" all registered insurance companies shall invest a minimum of 20 percent of their non- life funds and 40 percent of their life fund in real estate development, and at least one half (50 percent, that is 10 percent of their non- life funds and 2 percent of life) of such investment must be channelled through The Federal Mortgage Bank of Nigeria at an interest rate that does not exceed 4 percent annum"*

5. DEVELOPMENT OF MORTGAGE FINANCE SYSTEM IN NIGERIA

Mortgage banking development in Nigeria can be traced to the establishment of the Nigeria Building Society in 1956. The vehicle used for this capital investment was the Common Wealth Development Corporation with advance share capital of 81,625,000, GB pounds. The society collapsed in early seventies due to its inability to perform its statutory functions. This led to government injecting N20m and changing its name to Federal Mortgage Bank of Nigeria (FMBN). The FMBN took off in 1977, with a take off capital of N20 million from the federal government. The FMBN was unable to meet up with the pressure of demand. In 1970, outstanding application were N223.8 million and available funds equaled N127.0 million, meaning that demand and supply was in the ratio of 2:1. This degenerated to ratio 4:1 in 1986 when the outstanding application increased to N465.8 million and only N105.3 million was available. The bank has never been able to meet up with demand. The failure of the FMBN over the years and acute shortage of housing led to the promulgation of the National Housing Policy of 1991. The policy of National Housing Fund and the decree of 1992 was promulgated to strengthen housing finance. The legal framework for the establishment, operation and regulation of mortgage business in Nigeria are prescribed in the Mortgage Institutions Decree No. 53 of 1989. The promulgation of the decree was informed by the need to promote the rational evolution of institutional structures, and to accelerate the development of institutional structures to accelerate the development of financial intermediation within the housing delivery system.

Through the development of appropriate financial instrument, the ultimate aim of FMBN is to encourage an enhanced level of mobilization to support a credible housing delivery system to serve all Nigerians. The mortgage institutions in Nigeria are operated according to the National Housing Fund Decree of 1992, which was revised in 1996. The terms and conditions for National Housing Fund loaned by mortgage institutions according to Bichi (2000) and Chionuma (2000) are as follows:

i. A mortgage institution seeking a loan from the fund shall apply to the bank.
ii. The mortgage Institution shall submit its loan application to the bank in conjunction with applications received for loans from individuals contributors as a basis for extensions of facility requested from the fund against which the loan shall be disbursed.
iii. No mortgage institution shall, in any given year, be granted an amount more than 50 percent of its shareholders' fund.

To obtain loan through the National Housing Fund, the following conditions must be satisfied.

i. A loan granted to a mortgage institution under the decree shall be secured by a block of existing mortgage previously granted by the mortgage institution, which shall have been created by the mortgage institution with financing from the fund.
ii. A mortgage institution shall, at the same time of requesting for a loan, execute with the FMFN a sale and administration agreement and deed of assignment in such forms as may be prescribed by the bank from time to time stamped and registered.
iii. Where a waiver is not given, the mortgage institution shall bear the cost for stamping and registration at the lands registry.
iv. The bank may require a Mortgage Institution to execute a floating charge over its assets.

To disburse loan to an applicant the following conditions must be satisfied.

i. To safeguard the resources of the fund and prevent mis-allocation or diversion of loans, the bank shall:
   a. Make disbursement to a mortgage institution after the presentation of an acceptable security as stipulated in these regulations.
   b. Demand the immediate repayment of the loan with interest thereon and payment of a penalty of 200 percent of the interest differential between the market rate and the fund rate from a mortgage institution which misallocates or diverts its loan
   c. Suspend the mortgage institution from further borrowing until it complies with the previous of paragraph (i) (b) of these regulations and thereafter for a further period of six months.
ii. Loans to a mortgage institution shall be released in accordance with disbursement plans agreed between the bank and the mortgage institution.
iii. All disbursements from the fund shall be by cheque or any other acceptable instrument of settlement.

iv. The bank shall, for services rendered in granting a loan to mortgage institution, charge not more than 0.25 percent of the loan which shall include legal, survey and administrative charges but shall exclude stamping, registration and other statutory fees.

Despite the effort by government and the provisions in the National Housing Fund, new constraints have been identified as obstacles to mortgage finance in Nigeria . They include poverty, cost of construction, weak savings, unstable microeconomic environment, land accessibility and poor structure of mortgage in Nigeria.

6. CURRENT HOUSING FINANCE SYSTEM IN NIGERIA

The present structure of housing finance in Nigeria can be classified into the following. Informal sector (Esusu i.e. Traditional Co-operative System, Credit Cooperatives and family savings); Formal Sector (Non-specialized Institutions and Specialized Housing Finance Institutions). Others (Communities, Associations and Non-Governmental Associations).

6.1 The Informal Sector

The informal sector of housing funding in Nigeria are traditional Esusu credit cooperatives, family sources and individual savings. This sector is usually local and informal in organization based on trust, love and friendship. The operation of this sector is difficult to quantify as they operate on transfer of cash and kind. These include donations of land, building materials, cash assistance or sometimes any of these could be in form of loan. The informal sector operation also involves direct labour assistance. It is interesting to note that this sector constitutes the larger proportion of housing providers in Nigeria .

6.2 The Formal Sector

The operation of the formal sector can be classified into Non-specialized Housing Funding Institutions and the Specialized Housing Funding Institutions

6.2.1 Non-Specialized Housing Funding Institutions

This sector include the Employees Housing Schemes, Commercial, Merchant Banks and Insurance Companies.

i. The Employees Housing Scheme and National Housing Fund

The need to encourage employers of labour to use part of their profit to provide housing for their workers led to the promulgation of the 1979 "Employees Housing Scheme (Special Provision) Decree". The decree requires among others, large employers of labour specifically those who either have not less than 500 persons in their employment in any state of the federation or may be designated as such by the Federal Commissioner (now minister) with the approval by the Federal Executive Council to establish a housing scheme for their employee. The decree further states that not less than three quarters of the total accommodation made available in every such scheme shall be for employees who are not executive or senior staff. This is perhaps one of the major housing policy instruments aimed at facilitating the participation of corporate bodies in housing delivery. It has achieved very little. This is partly due to the weak machinery for monitoring which is in a division in the Ministry of Labour (Agbola, 1995). The National Housing Fund (NHF) Decree was promulgated in 1992 aimed at increasing the financial pool that could be used for housing. Nigerians earning from N3000 per annum and above are expected to contribute 2.5% of their income into NHF.

ii. Commercial and Merchant banks

Prior to the National Housing Fund Decree, commercial and merchant banks always held a very significant proportion of the mortgage assets within the formal lending sector (Onabule, 1990). Within a combined total assets of about N86,660 million as at December 1989, the commercial and merchant banks held a wider asset base than any other institutional group within the financial sector during this period. Their combined loans and advances portfolio totaled N27.7 million. About 13% were for real estate. (CBN Economic and Financial Review, 1990). Though with the high interest rate in the financial market, commercial and merchant banks are now reluctant to finance housing projects except where the houses are to be placed in the market for outright purchase, though this is not good enough for the low income earners. The banks are operating with short-term deposits whereas housing finance can only strive in a long term funding environment.

iii. Insurance Companies

Prior to the promulgation of the National Housing Fund Decree, insurance companies were obliged to invest not less than 25% of their life funds in real estate. This was not satisfactorily complied with by these companies because there are many other alternative investments into which they can inject policy holders fund and achieve better investment returns.

6.2.2 Specialized Housing Funding Institution

Specialized housing funding institutions in Nigeria include the following: The Federal Mortgage Bank of Nigeria , Primary Mortgage Institutions, Housing Corporations and Urban Development Bank.

i. The Federal Mortgage Bank of Nigeria

The Federal Mortgage Bank of Nigeria (FMBN) was established in 1977, with the inheritance of the assets and liabilities of the Nigerian Building Society (NBS), which was dissolve, in the same year. The FMBN was created essentially to serve as a wholesale and apex housing finance institution in Nigeria under Decree 7 of 1977. Other institutions created with the responsibilities to serve as housing finance were created through Decree 53 of 1989. They include the Primary Mortgage Institutions such as Building Societies, Housing Associations and Credit Unions. Among the major responsibilities of the FMBN are: the provision of long-term credit facilities to mortgage institutions in the country; encouragement and promotion of development of mortgage institutions at state and national levels, supervision and control of the activities of mortgage institutions, mobilization of savings particularly through the National Housing Fund, promotion of investment in the manufacturing of building materials and promotion of research on construction and mortgage finance. The role of the FMBN has also been expanded to back the mortgage finance market with the capital market and develop the viable secondary mortgage market and to mobilize foreign funds into the housing finance sub-sector. The shortcomings of the FMBN operation must have led to the re-examination of National Housing Policy and the establishment of the National Housing Fund; the two policy instruments of government aimed at enhancing housing delivery in Nigeria . The National Housing Policy also led to establishment of Primary Mortgage Institutions (PMI) in Nigeria. Unfortunately within less than five years of the taking off of PMI most of their operations were confronted with problems which resulted into the situation whereby most of the PMI's have their offices closed.

ii. Primary Mortgage Institutions

One of the major achievements of the National Housing Policy is its institutional reform which resulted in the establishment of a two-tier formal housing finance system following the promulgation of the Mortgage Institution Decree no. 53 of 1989. Under this arrangement the FMBN was restricted as the country apex mortgage institution with a supervisory role over a network of PMI. The PMI's are to serve as secondary housing finance institutions. Under the arrangement the FMBN ceases operation as retail housing finance institution. This role is to be performed by the PMI's. The role of FMBN henceforth remains as the apex and regulatory body. To perform these functions the FMBN was re-organized into three divisions as follows:

- The National Housing Fund Division charged with the responsibility for the arrangement of the National Housing Fund.

- The Regulatory and Inspectorate Division charged with responsibility of monitoring and regulating housing finance sector operations and
- Corporate Service Division to provide administrative, accounting and management information services to the core divisions.

Functions of Primary Mortgage Institutions (PMI's)

The basic functions of the PMI's as stated in the official guidelines of the FMBN are as follows:

i. To ensure equitable distribution of mortgage lending activities all over the country

ii. To operate efficient and effective mortgage institutions.

iii. To dictate the level and pace of growth industry and minimize avoidable fraudulent losses of PMIs.

iv. To ensure timely and adequate loan performance in order to create opportunity for structure expansion in the provision of housing finance.

Based on the report released by the Central Bank (2003) out of about 350 PMIs licensed only 81 are presently declared healthy. To enhance deposit mobilization many PMIs developed attractive products in addition to the National Housing Fund such as social loan, economic loan, commercial loan, mortgage administration deposited institutional deposits, children savings among others.

The nature of these deposit accounts and loan facilities are discussed as follows:

iii. Housing Corporation

The first Housing Corporation in Nigeria was the Western Nigeria Housing Corporation established in 1959 after which other State Housing Corporations including the Federal Housing Authority were modeled. They are all established to make available to Nigerians long term credits for housing development. Having realized this shortcoming in their operations many state governments have established property finance agencies, such as Lagos Building and Investment Company (LBIC) to serve the Lagos State Development and Property Corporation (LSDPC) and Ogun State Property Investment Corporation (OPIC) to service the Ogun State Housing Corporation. Virtually all states of the federation have this type of configuration established to promote smooth funding of the housing sector, with operations more favorable to government housing development.

Urban Development

The Urban Development Bank of Nigerian (UDBN) Plc, was established by Decree No 51 of 1992 to foster the rapid development of urban infrastructure throughout the federation through the provision of finance and banking services (Zubairu, 1997). It is in the context of infrastructure that the issue of housing finance became part of the bank responsibilities. UDBN cannot be regarded as a bank like any of the regular commercial and merchant banks but a development institution with banking functions.

Others

Other institutions such as community association, non-governmental organizations are also involved directly and indirectly in housing delivery process in Nigeria

7. RESEARCH METHODOLOGY

Two types of questionnaires were employed to collect primary data. Also secondary data were collected in the area of housing finance policies and regulations. This has been extensively discussed in the literature review while further discussions are also made in the data analysis part of this project. The study adopted the case study approach, with PMIs in Lagos as the population of the study. Data obtained from the FMBN showed that over 65 PMIs operate and are active in Lagos. The composition of the PMIs can be classified based on their ownership structure as shown in Table 1.

Table 1: Sources of PMIs Ownership in Lagos

Source of Ownership	No of Office	% of Total
Private Ownership	43	66.15
Government Ownership	8	12.31
Commercial Banks Ownership	10	15.38
Insurance Company Ownership	2	3.08
Others	2	3.08
Total	**65**	**100.00**

Source: Field Survey, 2008

Out of the 65 PMI offices/branches including the head offices a total of 16 offices were sampled, representing 25% of the total. The sampling were made to spread spatially covering different parts of Lagos i.e. they are not concentrated in few zones. This was done to achieve the collection of data that will give true representation of PMIs operational situation in Lagos . Also another source of primary data was the administration of questionnaires on the customers of the 16 PMIs. For these purpose a total of 10 questionnaires were administered at each of the PMIs branch visited. Questions asked in the questionnaires include the following; Location of PMI, respondent position, status of branch, years of branch operation, nature of business, ownership, policy guiding operation, number of employed existing departments, professional staff profile, housing funding products, number of loan application received and loan disbursement, type of processing period, type of loan application and nature of problems confronting their operations. The questionnaires for the customers solicited answers to issues concerning gender of customer, age, marital status, highest educational qualification, occupation, length of working experience, income, status of house ownership and how the construction was financed, type of accounts with PMIs length of account and customers view on problems confronting the operation, of the PMIs.

Table 2 present the distribution pattern of the questionnaires used to obtain information from the PMIs.

Table 2: Distribution Pattern of Selected PMIS for Questionnaire Administration Based of Ownership Structure.

Source of Ownership	Number	% of Total
Private Ownership	10	62.50
Government Ownership	2	12.50
Commercial Banks Ownership	2	12.50
Insurance Company Ownership	1	6.25
Others	1	6.25
Total	**16**	**100.00**

Source: Field Survey, 2008

Despite the spread in ownership structure and sampling the study sampling also achieved equitable and fair representation in terms of spatial spread within the study area. The result of this is presented in table 4.

Table 3: Spatial Spread of Questionnaire Administration on PMIs Customers

Location in Lagos Context	No Present	% of Total	Sampling	
			Frequency	% of Total
Lagos Island/Obalende	7	10.77	20	12.50
Lagos Central (Ikeja, Agege, Mushin , Ketu, Palmgrove, Ebute-metta, Yaba, Oyingbo)	6	9.31	20	12.50
Lagos South-East (Lekki , Victoria Island , Ikoyi, Ibeju, AKodo.	43	66.15	90	56.25

Lagos South-West (Mile2, Ojo, Ijanikin, Festac, Apapa)	4	6.15	10	6.25
Lagos North-East (Ikorodu, Mile 12)	2	3.08	10	6.25
Lagos North West (Ipaja, Egbeda, Igando, Ikotun)	3	4.62	10	6.25
Total	**65**	**100.00**	**160**	**100.00**

Source: Field Survey, 2008.

Based on the result and analysis of the field survey on the spatial distribution of PMIs in Lagos, which form the background for the distribution pattern of selected PMIs for questionnaires administration Lagos was divided into six geographical zones/districts named Lagos Island and Obalende, Lagos Central, Lagos SouthEast, Lagos South-West, Lagos North-East and Lagos North-West Lagos Island and Obalende, an area will relatively the smallest size but it is the business/commercial hub of Lagos and it is the highest order business district not only in Nigeria but in the West Africa sub-region. Thus the with relatively reasonable shear of the total 65 PMIs in Lagos.

The area is just about 5% of the total land area of Lagos . In proportion with the total number of PMIs in Lagos Island and Obalende a total of 2 PMIs were sampled which represents 12.50% of the total 16 PMIs sampled. In the Lagos Central which is relatively the largest built-up area of Lagos covering Agege, Ogba, Ikeja, Opebi, Oshodi, Anthony, Maryland, Somolu, Palmgrove, Bariga, Ebute-metta, Mushin, Itire, Iponri and Oyingbo. In these areas 6 (24.91%) PMIs exist and a total of 2 (12.5%) of them were sample. In the Lagos South-East i.e. Victoria Island , Ikoyi, Lekki, Ibeju, Ajah, Akodo a total of 43 (66.15%) PMIs exist and 9 (56.25%) were sampled. The highest number of PMIs in this zone is also due to the high rate of commercial activities springing up in Victoria Island , Ikoyi, Lekki and Ajah. In the Lagos South-West consisting of Apapa, Ajegunle, Iba, Ojo, Festac, Mile 2, Ijanikin data collected from the FMBN showed that 4 (6.15%) PMIs exist in this district and 10 (6.25%) of them were sampled with questionnaire amdinsitration. In the Lagos North-East consisting of Ikorodu, Mile 12, Ajegunle amongst other settlements 2 (3.08%) PMIs exist in this area, thus 1 (6.25%) was sampled. In the Lagos North-West consisting of Ipaja, Igando, Egbeda, Ikotun, among other settlements 3 (4.65%) PMIs exist and 1 (6.25%) of was sampled.

Data for the research wee collected through primary and secondary sources. The one for the customers. Secondary data were collected through review of literature comprising of textbooks, journals, technical reports and unpublished works. Most of these are government publications decrees, FMBN publication amongst others. As discussed extensively in the sampling procedure, the information collected from the FMBN showed that 65 PMIs branches are active in Lagos. Pot of this number the study selected i.e. 25% of the PMIs office in Lagos for questionnaire administration. Also the selection was guided to spatially cover all districts of Lagos. To achieve this, the study divided Lagos into six district based on concentration of commercial activities of which PMIs one. The six districts are Lagos Island and Obalende, Lagos Central (Ikeja, Agege, Mushin, Ogba, Opebi, Oshodi, Anthony, Itire, Iponrin and Oyigbo). Lagos South-East (Victoria Island, Ikoyi, Lekki, Ibeju, Aja, Akodo), Lagos South West (Apapa, Ajegunle, Iba, Ojo, Festac, Mile 2, Ijanikin), Lagos North-East (Ikorodu, Mile 12, Ajegunle) and Lagos North -West (Igando, Egbeda, Ikotun).

8. ANALYSIS OF PRIMARY MORTGAGE INSTITUTIONS RESPONSES TO FIELD SURVEY

Issues examined and discussed in this section include the following: the nature of business engagements of the PMIs, PMIs ownership, number of employee/workers, the number of professionals among their staff, products offered, number of applicants and disbursement of loans applications meeting loans repayment obligations, type of accounts and deposits available to customers, services/marketing of product strategies, length of time for loan application processing, and nature of problems confronting the PMIs.

Table 4: Nature of Business Transactions

Variables	Frequency	% of Total
Commercial Banking	16	100.00
LPO Financing	16	100.00
Merchandising	9	56.25
Property Agency/Sales	12	75.00
Transport	3	18.75
Others	6	37.50

Source: Field Survey, 2008

Apart from the main stream mortgage banking of saving and disbursement of mortgage loan facilities to customers and the public in general, the economic situation has made PMIs to be more creative in their service delivery. From the field survey it was gathered from the PMIs that out of the 16 PMIs sampled all of them are involved in commercial banking and LPO financing. Also 9 (56.25%) are engaged in merchandising, while 12(75%) are involved with property agency, purchase and sale of properties. While Only 3 (18.75%) of them are involved in transportation business.

The examination of the organization structures in terms of operational departments of the PMIs sampled showed that all of them have the following departments corporate/administration, operations, mortgage and marketing. Only 6 (37.50%) have legal department. It was observed that many of them places the legal unit under the corporate/administrative department as their legal practitioner usually serves as the company secretary. 5 (31.25%) claimed that they have human resources department.

The field survey showed that all the PMIs offer the following products and services namely: NHF Loan, estate development, loan, commercial loan and LPO financing. Only 10 (62.50%) offer pension-limited loan while 12 (75%) offer overdraft facilities to their customers.

Table 5: Proportion of Applicants and Loan Disbursements Under Each Product/Service Category

Product/Service	Applicant % of Total	% of Disbursements out of Total Applicant
NHF Loan	21%	40%
Estate Development Loan	11%	60%
Commercial Loan	17%	65%
Pension-Linked Loan	3%	10%
LPO Financing	22%	70%
Overdraft Facilities	26%	75%

Source: Field Survey, 2008

The initial intention of the research was to collect information on the actual numbers of loan applications received and the actual numbers of loan disbursements to applicants from the PMIs. Unfortunately they were reluctant to provide information on them. Therefore the research asked the PMIs officials to provide proportion of their loan applicants in term of percentage, when the application for the type of loan products and services are compared with each other. They were also asked to do the same thing for the loan disbursements. The field survey revealed that most of the loan applications received were for non-landed properties/real estate related mortgage loan. For example as shown in table 10 it was discovered that 26% of the applications were for short time overdraft facilities for their customers. Also 22% were for LPO financing, while 21% were for NHF loan, 11% and 17% for estate development and commercial loan application respectively. In terms of actual approval and disbursement the field survey showed that considering the proportion of loan approved and disbursed in each category the PMIs approval responses are as follows over-draft facilities 75%, LPO financing 70%, pension-linked loan application, 10%, commercial loan approval 65% of the applications in this category, estate development 60% while NHF loan application disbursement was only 40% of the application received. The result of the field survey here is not encouraging as the PMIs seem to have abandoned the primary functions i.e. the NHF loan financing for other short-term higher interest rate returns of commercial loans, LPO financing and estate development. One of the constraints of this research was that the PMIs officials were reluctant to provide absolute figures on some specific questions. One of such questions is on the number of applicants that honours their loan repayment obligations. However they were persuaded to provide proportion of loan beneficiaries honouring their repayment terms. As shown in table 11, those on overdraft facilities scored 87%. For other categories the results are as follows NHF loans 40%, estate development loan 65%, commercial loans 80%, LPO financing 85% and overdraft facilities 87%.

Specifically the research investigated the type of accounts made available to the public. The result of the survey showed that all the PMIs offer saving and flexible account, while other accounts made for the public is as follows: target account 13(81.25%), retirement accounts 11(85%), thrift account, 7 (42%) and rent account 13(81.25%).

The research investigated the system used by the PMIs to market their products and services to the public. The result of the field survey as shown in table 17, was that all the PMIs sampled employ introduction of customers by staff and they all confirmed that reasonable proportion of their customers just walked into the PMIs offices, make inquiries and ended up opening accounts with them. Also 13(81.2%) of them engage the use of advertisement in print and electronic media means to canvass for customers. The use of agents has been employed by 11(68.75%) of them, specifically targeted towards special interest groups such as co-operatives, trade unions, staff associations etc. The period it takes to process mortgage loan application by the PMIs is not less than three months. When the PMIs were asked to pick the most common period for loan processing in their offices, the result shows that 12(75%) of them indicated more than 12 months, while only 2(12.50) indicated that it takes between 10 - 12 months to process mortgage loan with them. One each respectively indicated that it takes between 4 - 6 months. However the reason given by the PMIs for the relatively long period is that many applications are not accompanied with appropriate documents. They also said since most documents will have to be verified with government agencies such as the survey plan with the Surveyor Generals office, town planning approval with the town planning office, land title with lands department, collateral document to check the genuity, all these agencies make things difficult due to their un-cooperative attitudes.

Table 6: Nature of Challenges Confronting PMIs in Lagos

Problems/challenges	Problem	% of Total
NHF Policy	16	100.00
Structure of PMIs	11	68.75
National Economic Climate	16	100.00
High Cost of Building Materials	16	100.00

High Cost of Labour	16	100.00
Public Apathy about PMI (Distruct)	14	87.50
Difficult access to Land	13	81.25
Land Documentation Constraint	15	93.75
Poor Saving Habits/Capacity	15	93.75
Poor Collateral and Security for Loan	13	81.25
High Interest Rates	12	75.00
Competitive Finance Market	16	100.00

Source: Field Survey, 2008

Table 6 shows the views of the PMIs sampled on the nature of challenge and problems confronting their operations thus serving as bottlenecks to the successful and meaningful impact of the PMIs in housing finance in Lagos. For this purpose twelve items identified in literature were outlined and they were asked to indicate if any of them are obstacle to their operations. The field survey showed that all the PMIs sampled indicated that the following are obstacles to significant contribution of the PMIs to housing finance in Lagos. First, is the NHF Act/Policy itself. They are of the view that the policy should be reviewed to make housing loan application more public friendly especially loan application under the NHF. The high cost of building materials and high cost of labour are other factors which all of them indicated as major obstacles to housing finance and housing delivery in Lagos. All of them also complain about the competitive finance market as they are left to compete for fund with other finance institution and instruments such as commercial and merchant banks, the stock market, insurance, bonds, micro-finance institutions among others. Many of these finance institution are in a better competitive advantage more than them, thus they are more fund investment friendly than them. This situations always put them in a gasping for survival situation. The situation has not been helped by many organizations which have refused to participate in the NHF scheme.

Other problem areas identified by the PMIs are as follows: structure of PMIs had 11(68.75%) complaint response, public apathy about PMIs 14(87.50%), difficult access to land 13(81.25%), land documentation constraints 15(93.75%), poor savings habits and capacity by the public 15 (93.75%), poor collateral security for loan 13(81.25%), high interest rates which is between 16-20% for commercial and estate development loan, both of which could have been a major housing stock increase mechanism were identified as a constraints. This is because most of the loan applications received under the commercial and estate development schemes are for high income social groups housing who constitute the minority. The commercial loan also are in many cases not housing loans. They are most often for the development of commercial properties such as shopping complexes, petrol filling/services station amongst others.

9. ANALYSIS OF CUSTOMERS RESPONSES TO FIELD SURVEY QUESTIONNAIRES

Data were collected on the socio-economic characteristics of the PMIs. This was done to highlight the relationships of customers background and housing finance capabilities. The issues addressed include age and gender of respondents, marital status, highest educational qualifications, occupation, length of working experience, income, ownership of a house and the construction finance source(s). Other issues discussed about the customers are how long they have been contributing to the NHF, to know if they have applied for loan from any PMI and how long they have submitted such application. Also the customers were asked to rate/rank the problems they observed or have experienced in the operations of the PMIs. The following section discusses the issues presented above.

Findings on gender, age and marital status distribution of customers respondent showed that 92(57.5%) of the 160 customers sampled are male while 68(42.5%) are female. This showed that more male are interested in the services of the PMIs in Lagos . Probably this might be due to the fact that in Nigeria generally the male are usually the head of the household and naturally it is a mandatory expectation of the society that they to provide shelter for their households.

On age distribution of the customers the survey showed that 5(213%) of the respondents are between the age group of 10-20 years old. The details of other age categories are 21-30 years old 32(20%), 31-40 years old (38.13%), 41-50 years old 47(29.37%), while those above 50 years old constitute 15(9.37%) of the respondents. Here it is important to note that the majority of customers of the PMIs are within the economically active age group of 21-50 years, though with high proportion for those between the age group of 31-40 years old. This is good for the mortgage industry if other age group can still be economically active to be able to pay their mortgage loans before retirement.

Majority of the customers are graduates constituting 56(35%), while those with secondary school/technical school qualifications are 42(26.25%). Those with professional qualifications are 11(6.87%), while others are those with vocational/modern school 18(11.25%), primary school education 26(16.26%) and those with no formal education are only 7(4.38%). The implication of these results is that those who can easily comprehend the mechanism of mortgage lending are in the majority especially those with vocational and modern school qualifications. This is good for the mortgage industry. In terms of the occupation structure of their customers, the result of the survey showed that majority are company workers which constitute 57(35.63%), while those in the civil services are 35(21.87%), those who are self employed are 37(23.12%). Students constitute 26(16.25%) and the unemployed 5(3.13%). The income profile showed that those who earn less than N20000 per month are 31(19.37%), while other income bands are those earning N20001-40000 24(15%), N40001-60000 are 36(22.50%), N60001-80000 are 27(16.89%), N80001-100000 are 19(11.88%), N100001-120000 are 23(14.38%). .

The field survey investigated the house ownership situation of PMIs customers and the sources of finance for the construction of the house(s). The results of the field survey are shown in the table 11, which shows that 145(90.63%) of the customers do not have any house of their own. This means that they are either tenants of residents in the house that is not owned by them. Only 15(9.37%) indicated that they have ownership of at least one house. With these findings it means there is large poll within the customer of the PMIs who should have course to apply for one form of mortgage loan or the other with the PMIs, but there is need to make the mortgage lending more public friendly and attractive for these large pool who are within the low income bracket if they are to benefit from mortgage facilities of the PMIs.

Those with ownership of at lease of a home of their own were asked about the source(s) of funds for the construction of the house(s), the survey revealed that 12(80%) of the 15(9.37%) financed the construction of their house(s) through personal efforts while 1(6.67%) acquired the houses through inheritance. Those who constructed their house(s) through loan are only 2(13.33%) of the customer respondents. These results showed that with good mortgage transaction environment many people will be able to manage the construction of their houses.

Table 7: Type of Main Account(S) With PMIS

Types of Account	Number	% of Total
NHF Saving Account	93	58.13
Target Account	14	8.75
Flexible Account	11	6.87
Retirement Account	7	4.37
Thrift Account	29	18.13
Rent Account	6	3.75
Total	**160**	**100.00**

Source: Field Survey, 2008

The result of the survey showed that majority of them operate the NHF Saving Account. This group constitute 93(58.13%) of the customers. The implication of this is that they are patronizing the PMIs with the intention of benefiting from the NHF loan scheme. Status of other account holders with the PMIs are as follows: target account 14(8.75%), flexible account 11(4.37%), retirement account 7(4.37%), thrift account 29(18.13%) and rent account 6(3.75%). (see Table7)

Table 13: Customers Ranking of Problems Confronting The Operations of PMIS In Lagos

Problems/Challenges	Ranking	
	Number	% of Total
NHF Policy	143	89.38
Structure of PMIs	120	75.00
National Economic Climate	156	97.5
High Cost of Building Materials	160	100.00
High Cost of Labour	160	100.00
Public Apathy about PMI	123	76.88
Difficult Access to Land	147	91.88
Land Documentation Constraint	142	88.75
Poor Saving Habits and Capacity	131	81.88
Poor Collateral and Security for Loan	136	85.00
High Interest Rates	149	93.13
Competitive Finance Market	123	76.88

Source: Field Survey, 2008

As shown in table 8 customers were also asked to indicate the level of the problems. However similar to what was done in the case of the PMIs officials on the same issues they were allowed to provide multiple responses. The customers rated national economic climate as one of the most severe problem with 156(97.5%) response. Other results showed that those who felt the NHF policy itself is a problem are 143(89.38%), structure of the PMIs are 120(75%). However all the customers indicated that the high cost of labour and building materials are major obstacles to the activities of the PMIs in housing finance in Lagos . Those who indicated that public apathy about PMIs and distrust as problem are 123(76.88%). For other factors 147(91.88%) indicated that difficult access to land is a major problem while 142(88.75%) indicated that the process involved in land documentation is a problem. Those with the view that poor saving habits of the public and the low capacity of the public to saving due to low income constitute 131(81.88%). Poor collateral and poor security to loan are obstacles from the view of 136(85%) of the respondents. The high interest rate which is between 16-20% and competitive finance market were indicated by the customers as other challenges confronting the PMIs.

10. RECOMMENDATIONS

Based on the research findings, the focus of the recommendations is based on the areas identified by the PMIs officials and the customers as major challenges confronting their operations. These are classified into severe problems being those identified by the officials and customers as major problems based on the number of respondents, thus under the severe problems the study identified high cost of building materials and high cost of labour as the most severe problems. These are followed by the national economic climate and the competitive finance market. The next areas of problems are land documentation constraints and high interest rates followed by problems of access to land, poor saving habits of the people and public apathy to the activities of the PMIs. The structure of the PMIs and the NHF policy though are identified to be significant problems but they are not as serious as the problems earlier mentioned. Thus the recommendations of this study are presented as solution to the problems identified.

The government should encourage local industries producing building materials in all possible ways such as through tax rebate, low interest rate, and the creation of special sources of funding for building material producers. This should cover all sub-sections such as timber supply system, roofing, hardware, electrical components, sand and granite, cement etc. Labour in the building industry should also be assisted especially the trade-groups/craftsmen specifically in the area of equipment and training, so that they can learn new methods that will improve the quality of their works and time of delivery. These will subsequently reduce the overhead cost since there is a relationship between time and money. The establishment of labour village should be encouraged near new sites. In such labour villages, trade groups can form co-operatives through which the co-operatives societies can purchase equipment which they can loan members at reduced rates. Such equipment will be used optimally and be well maintained by the cooperative societies, and subsequently this will led to reduction in labour cost.

On the national economic effect on the operations of the PMIs, unfortunately this in a general micro-economic problem at national and global levels. This not withstanding there should be creative ways of increasing the national housing stock. One of the ways this could be done is through the creation of additional avenues to the NHF sources. The government should source for cheap funds for housing human settlements and infrastructure finance and allow the PMIs to be active beneficiaries of such funds. This will provide cheap pool of fund for the PMIs . Access to such fund should be based on the number of mortgage loan beneficiaries from PMIs.

The issues of access to land has been complicated by the Nigeria Land Use Decree of 1979 which ceded lands in urban areas to the government of each state. The first implication of this is that all persons intending to have statutory title on any piece of land will have to apply to the government. In a highly populated city where the rate of housing demand is very high, it could be imagined how the governor who is also pre-occupied with other pressing state needs which ranges from socio-economic, cultural, infrastructural, security and many environmental issue will have time to attend to the issuance of the statutorily recognized title document called "Certificate of Occupancy". This has been a major land accessibility constraints to people who seek legitimate access to land title not only in Lagos but the whole of Nigeria.

It has been discovered that apart from the high level of corruption encountered in the processing of certificate of occupancy multiple allocation of land are also encountered by applicants. This has led to frustrations and disillusionment. Unfortunately this is a major document required by the PMIs before mortgage loan can be approved for applicants. Also in cases where the public attempt to procure the Certificate of Occupancy the process and associated documents required are cumbersome and financially very expensive. Thus there is urgent need to review the land use law in Nigeria so that people can easily have access to land on which they can build houses.

Generally large proportion of urban dwellers in Lagos are underemployed while significant proportion are unemployed. This is the major problems in the mobilization of saving deposit with the PMIs in Lagos . Also the PMIs have poor history of integrity due to their failure to meet up with the expectation of their customers in the mid-1990s. The incidence of this period are always referred to by the public to gauge the capacity and integrity of the PMIs in term of their trustworthiness qualities. Thus the public apathy towards opening accounts with them. Solution to this is for the PMIs to deliver tangible mortgage products at reasonable prices to the public. This will rekindle public interest in their operations.

CONCLUSION

Lagos being the most populated city in Nigeria and the economic nerve centre of the West African sub-region, housing demand continue to increase amidst situations where the housing stock is grossly inadequate in terms of quality and quantity. One of the major obstacles to efforts at increasing housing stock has been finance, thus the need to constantly research into how this problem can be alleviated to reasonable extent. Therefore this research has unraveled the problems militating against the hope and aspiration of Lagosians who saw the emergence of the PMIs about two decades ago as a solution to housing finance in Nigeria and in Lagos in particular. It is hoped that the findings and recommendations of this research will contribute meaningfully to existing literature on housing finance in Nigeria.

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