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RE-ENGINEERING HOUSING FINANCE IN NIGERIA

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ABSTRACT

The paper sets out to answer the question 'why has housing finance system remained passive and irrelevant in the drive towards Housing delivery? Evaluation of the existing housing finance structure is carried out through the review of the evolution of Nigerian socio-economic development. Secondary data were obtained from existing literature on construction industry and housing finance market. The National Housing Policy provided a solid background needed for understanding the operation of the market. Realizing the imperative for a robust housing finance system, the Federal Government in 2002, approved the current policy on Housing and Urban Development for the country to kick-start wide ranging housing sector reforms in Nigeria. The operations of the NHF under a new management at the Federal Mortgage Bank of Nigeria improved remarkably over the past 5 – 6 years as a result of the recent restructuring exercise in the Bank and the general reforms in the housing sector implemented This historical survey approach revealed the reasons for failure of existing housing finance and delivery practice. Nigeria cannot copy models from other nations but rather evolve workable models based on our socio-cultural background.
Keywords:.

KEYWORDS: Housing Finance, Existing Housing, Socio-Economic Development, National Housing Policy, Housing Delivery Practice

INTRODUCTION

The problem of housing has become an everyday discussion in all quarters of the public and private services of the developing countries of Africa (Agbola, 2000). It has become increasingly glaring that most of the urban population live in dehumanising housing environment while those that have access to average housing do so at abnormal costs. According to Onibokun (1985), Nubi (2002), rent in major cities of Nigeria is about 60% of an average workers disposable income. This is far higher than the 20-30% recommended by the United Nations. Iyagba et al (1998) explained that the rate of demand for new houses was in part predicated on the rate of formation of new houses and in part, on the rate of replacement of old housing stock. With estimated population of 150 million as quoted in1991 census report, Nigeria needs to produce 720,000 housing units per annum based on an estimate of 9 dwelling units a year per 1,000 of population (Ajanlekoko, 2002). This is a very big challenge to the building industry. Despite Federal Government access to factors of housing production, the country could at best expect 4.2% of the annual requirement from her. Substantial contribution is expected from other public and private sectors. It should be acknowledged that private sector developers account for 83% of urban housing (Federal Office of Statistics, Lagos 1983). Unfortunately, the private sector is saddled with numerous problems which make supply always fall far short of demand. Of these, the most limiting is Finance.

Various studies have, at different times, revealed the problems of housing production. Onibokun (1985), Agbola (2000) recognised finance as a housing problem but ranked land and building materials higher. This led to intensive researches in these areas. Their findings influenced government housing policies and subsequent establishment of some relevant programmes and institutions like the Site and Service Programme and the National Institute of Road and Building Research. The drought of information and working knowledge of housing finance operation is a major problem today.
In a tight money market, housing is the first area to suffer, since neither the builder nor the consumer can readily obtain finance for housing. Many builders have difficulty obtaining capital for their projects even in normal times.

This study aims at critically examine the housing policy in Nigeria, efforts made at addressing the housing problems, the housing finance strategies and efforts made at mobilizing funds towards housing ownership in the country.

According to Onabule (1996) 245 Primary Mortgage Institutions were established under the National Housing Policy (NHP) between1991-1996. Unfortunately, only 54 are now operating, mainly in South Western part of the country and Abuja.

According to Abiodun (1999), National Housing Fund operators/agents collected about 4 billion naira from salary earners through the Mandatory Saving Scheme. Out of N300 million loan approved by Federal Mortgage Bank of Nigeria (FMBN), only N100million was advanced. The problem in this case is not availability of fund but stringent measures to prevent default. Hence, the housing problems persist.

Inadequate housing as a social problem

The literature on economic development abounds with references to the 'social' nature of housing requirement. This phrase is used to distinguish the housing sector from other capital intensive sectors of developing economies such as manufacturing. The implication, which is often made very explicit, indeed, is that while there is no 'economic' need for housing investment since the market demand for it appears very weak, it ultimately must be provided in order to solve a "social problem." The housing sector is regarded as a drag upon the process of economic growth. While it is admitted that housing must be provided or improved eventually, many national economic development programmes regard housing as a form of investment eminently able to be postponed. The longer it can be put off, the reason goes, the worst the result for the nation as a whole.

How does housing come to be excluded from the category of 'economic good's' so that it must be bestowed as a kind of social security benefit? Housing as a 'social good' is not a universal concept. There are portions of the world in which the satisfaction of demand for housing and housing improvement is a rewarding private business which does not lack eager participants and which seems to produce, as in the United States, a general level of housing welfare which is widely envied. Nevertheless, in many parts of the world, housing is regarded as a demand, which cannot and should be not satisfied by the market and, hence, must be distributed as a form of public largesse.

The perception of housing as either 'economic good' or 'social-good' will determine the level of investment and government involvement in its production and distribution. When seen as a 'social good', housing market is subjected to political uncertainty and statutory intervention.

In such circumstances, private involvement is discouraged for investors will be unwilling to take the risk. Our land policy is an example of such restraint. The 1996 Rent Control in Lagos was a discriminatory one. The rent control was limited to low income housing. This discrimination led to investment in high income housing as shown in Lagos and Abuja cities today.

Pursuit of the export promotion, import substitution strategy did increase income and did induce migration of surplus labour from the rural to the urban sector. This migration, however, together with natural population increase, created growing housing needs. The needs were manifested in overcrowded, unsanitary living conditions and the sprawl of squatter settlements in urban centres. 70% of Metropolitan Lagos was declared slum in 1996, according to United Nations' report (UNHabitat, 2001). Despite this, there is still a strong belief that people are too poor to save or to repay housing loans. This led to heavy housing subsidy e.g. allocating a standard plot of land in Lagos at the rate of N1, 000 for high density, N1, 500 for medium density and N2, 000 for medium density (Nubi 2008) and sale of Shagari core housing at N6, 000.00 and N15, 000.00 respectively for one bedroom and 3 bedroom bungalow during the Shagari administration in the first republic in the 80s- a paternalistic approach that could not be sustained.

Housing Finance: A Neglected Element Of Development Strategy

Commercial banks and commercial banking activities have been present in Nigeria at least since the colonial period. Owing partly to commercial banking tradition and partly to their role in international finance and trade during the colonial period, commercial banks primarily serve the financial needs of commerce. Supplying venture capital has typically been the role of merchants or investment bankers, who in the colonial period tended to operate from Europe (Nubi, 2008).

Except for a restricted clientele, commercial banks did not then nor do they now serve the financial needs of households. Early efforts to supplement foreign venture capital through the establishment of both industrial and generalised development banks did not live up to expectation, largely because:

i. They failed to mobilise domestic saving;
ii. They attempted to lend at concessional interest rate;
iii. They never succeeded in breaking their dependence on limited government budget sources and loans from international lending agencies, and
iv. They relied on government deposits.

The financial sectors of Nigeria thus did not broaden appreciably beyond the commercial banking sector, savings growth and domestic financing of domestic investment, continued to lag behind the growth of income.

In this process, the household sector was overlooked as a significant source of domestic saving. This was at least in part due to the postulate of development theory that the vast majority of individual families were too poor to save and in part to the fact that development strategy militated against the allocation of domestic resources to household investment (Omotosho, 1981). Given the view, for example, that credit for housing, like credit for the purchase of automobile or household equipment, constitutes the financing of consumption expenditure that, in the grand design, should be deferred until self-sustaining economic growth had been achieved. Little or no encouragement was provided for the development of household oriented financial institutions (Nubi, 2008).

The metamorphosis of Nigerian Building society into Federal Mortgage Bank with a capital base of N20m, which was later increased to N150m in 1979, was a big distortion in the mortgage banking evolution. This laid the foundation for its imminent failure as experienced, even today. The Federal Mortgage Bank is like a big and old eagle that cannot fly. Consequently, individual families remain then, as they do today, the largest sources of untapped savings in a developing economy as ours.

Evaluation of Existing Methods of Finance: Traditional Methods

Prior to the colonial period, many methods of housing finance were adopted in different parts of the country. Amongst these are Esusu and Ajo, Age grade association, Village development scheme, and Town unions of people living outside their place of birth. Others are Men's revolving loan association, Loans from traditional moneylenders, Social club contributions, Aaro or Owe where members contribute in kind by providing labour on members' site until the circle is completed (Omotosho, 2009). All of these methods were successful in the provision of finance for housing and its delivery in the traditional setting. But with the complexity in economic activities, these methods faded away and are "to be replaced" by modern methods.

Trends and Overview of Housing Finance in Nigeria

According to Arilesere (1997), Abiodun (2000), Okupe et al (2000) the history of housing finance in Nigeria had been an appalling one. The sudden leap from Agro-based to Petro-Naira based economy did not help matters. The assertion that "money was not our problem but how to spend it" accredited to one of our Heads of state, is a summary of a Nation that lacked focus in the formative years. This situation together with unprecedented population growth has remained unchecked ever since.

The Apex Mortgage Institution – Federal Mortgage Bank of Nigeria (FMBN) started the role of major medium for housing finance delivery in 1956 as a retail mortgage outfit known as Nigerian Building Society (NBS). This was a joint British/Nigeria venture. Omotosho (2005) agreed that Nigeria has witnessed three principal housing development periods vis-à-vis pre-independence (1914 – 1960), post-independence (1960 – 1979) and a second civilian administration period (1979 – 1983). Housing finance during the colonial days was limited to the expatriate staff and few selected indigenous senior civil servants in the urban countries. The establishment of Lagos Executive Development Board (LEDB) in 1928; Nigeria Building Society (NBS) in1956; formation of State Housing Corporations between 1956 and 1960; National Council of Housing 1971 and, Federal Mortgage Bank of Nigeria (FMBN) 1977 with a takeoff capital of N20m which was increased to N150m in 1979, are very familiar developments in our history.

The World Bank assistance was obtained in 1979. This led to housing projects in eight states of Nigeria with Bauchi State having a share of N 24.6 million and Imo State, N63.8 million. The 1980 – 1985 fourth National Development Programs also proposed a budget of N1.9 billion for housing. During this period N600m was spent on housing construction. The failure of these incremental housing production programs and the ever-increasing housing needs led to the promulgation of National Housing Policy of 1991.

1991 Housing Policy was observed as a bold step taken by the Federal Government of Nigeria at addressing the vexing issue of lack of finance for housing development. This policy was predicated on two major stands as follows:

i. The mortgage institutions decree (now ACT) No. 53 of 1989. This was promulgated to signal the establishment of financial institutions (i.e Primary Mortgage Institutions- PMIs) or mortgage savings for on-lending property development and mortgage creation. A secondary mortgage institution to serve as the Apex mortgage institution for regulation was equally established through the Act.
ii. The establishment of the National Housing Fund (NHF) through decree (now Act No. 3) of 1992. This is to serve as a pool or collating centre of long term funds mobilized from workers both from the private and public sector obligatory monthly

(deductions) contributions. Private participation through mortgage banks and insurance companies with sustained contribution from the Federal Government was aimed at providing cheap loans for the provision of affordable housing for Nigerian workers

The aim of the government through the mission statement of the secondary mortgage institution is to supply the mortgage markets with sustainable liquidity for the advancement of house ownership among Nigerian anchored in mortgage financing. By this, the government desires to make access to decent housing easy and affordable. Federal Mortgage Bank of Nigeria performed the role of licensing, supervising and regulating Primary Mortgage Institutions from 1989 to 1997. This role was consequently ceded to the Central Bank of Nigeria in 1997. However while most of the PMIs became bankrupt during the economic depression of the nineties the advent of civil rule in 1999 injected some life into the system. This was achieved through the housing reform in 2002. The Apex bank was transformed into a truly government sponsored secondary mortgage operator in 2004 as a major goal of the policy towards a robust mortgage finance system by linking the housing finance markets to the capital market.

Nigeria Mortgage Refinance Company)

The Nigeria Mortgage Refinance Company (NMRC) was established to bridge the funding cost of residential mortgages and promote the availability as well as the affordability of good housing to Nigerians by providing increased liquidity in the mortgage market though the mortgage and commercial banks. . NMRC was incorporated on 24th of June, 2013 as Nigeria Mortgage Refinance Company Plc. It obtained an Approval-in-principle from the CBN on 20th June, 2013.

The company is driven by substantial private sector participation consisting of commercial banks, primary mortgage banks, insurance companies, private equity investors and international financial institutions through the Ministry of Finance with the public purpose of developing primary and secondary mortgage markets, raising long-term funds from both domestic capital market and foreign markets to provide accessible and affordable housing to Nigerians.

The NMRC is a key component of the Nigeria Housing Finance Programme which was initiated by the Federal Ministry of Finance (FMOF), the Central Bank of Nigeria (CBN), The Federal Ministry of Lands, Urban Development & Housing and the World Bank/IFC, with the principal objective of addressing the long-term funding constraints hindering the growth of the primary mortgage market, and reducing the cost of residential mortgages and increase availability of housing to working Nigerians.

The business objectives of the NMRC include the following:

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

It is intended that these objectives will be executed in phases in order to enable the NMRC operate as efficiently as possible in the Nigerian environment and lay the foundations for supporting other key sectors of the economy.

The program will also develop a guarantee program, which is intended to increase the eligibility of low income earners to meet their equity contributions for a mortgage loan. If a low-income household applies for a loan that requires a down payment of 30% of the loan, the intention is that this product could cover up to 50% of the value of the down payment.

NMRC will provide mortgage-lending institutions with access to long-term finance at an affordable interest rate, thereby enabling mortgages to be issued by these institutions to Nigerians, at longer tenors and affordable rates. The provision of mortgage loans at longer tenors will provide the average working Nigerian citizens an opportunity to buy a home and conveniently pay for it. In simple words, NMRC is government inspired but a private sector led effort to provide affordable housing for Nigerians through loans accessed from mortgage and commercial banks. NMRC will contribute to a better alignment of the Housing Finance Programme.

Housing Finance Status in the Present Decade

Realizing the imperative for a robust housing finance system, the Federal Government in 2002, approved the current policy on Housing and Urban Development for the country to kick-start wide ranging housing sector reforms in Nigeria. From all indications, the operations of the NHF under a new management at the Federal Mortgage Bank of Nigeria improved remarkably over the past 5 – 6 years as a result of the recent restructuring exercise in the Bank and the general reforms in the housing sector implemented by a presidential committee headed by Professor Akin Mabogunje.

Thus the NHF has been geared to offer improved services delivery for home-ownership to its contributors. Some important steps taken to review its operations, bring innovations and make loans cheaper and more affordable to contributors are as follows:

i. Lowering of interest rate from 9% to 6% for lending to contributors to the Fund by Primary Mortgage Institutions.
ii. Increase of lending limits (loan ceiling to contributors) from N1.5million to N5 million per fund contributor.
iii. Extension of amortization (repayment) period to 30 years from 25 to lighten the burden of repayment and to enhance affordability.
iv. Effecting a change in the mortgage equity contribution, which are now FMBN 90% and Mortgagor 10% instead of the previous 80% and 20% by FMBN and the mortgagor respectively.
v. Expansion of borrower's income from which no more than one-third is applicable for loan servicing to include rental income, dividend and other income aside from salary.
vi. Inclusion of house expansion as an acceptable purpose for NHF mortgage loans.
vii. The introduction of multiple lending windows to accommodate PMIs, private housing estate developers, State Housing Corporations and Housing Cooperatives.
viii. The encouragement of the production of target priced mass houses (of between N1. to N5m) by private housing Estate Developers, State Housing Corporations and Housing Cooperatives who can now access the NHF at interest rate reduced from 15% to 10% for a maximum tenor of 24 months (with 18 months moratorium)
ix. The removal of the emphasis on "block of existing mortgages" as the preferred security for assessing loans and the introduction of a plurality of alternative securities acceptable from PMIs for NHF loans including property owned by applicants company, property owned by Director of the applicant company, Bank Guarantee acceptable to FMBN, Insurance Bond/Guarantee, Debenture, Treasury Bills and other financial instruments and Tripartite Collaborative Agreements.
x. Decentralization of refund processing to shorten the period it takes.

The sources of housing finance in existence today can be grouped into two, that is, Formal and Informal. The formal sector comprises institutions operating within the statutory guideline stated by Federal Government. Among these are:

FMBN

The Federal Mortgage Bank of Nigeria (FMBN) started operation in 1977 with the following main functions: The provision of long term credit facilities to mortgage institutions in the country; the encouragement and supervision of the activities of the mortgage institutions; provision of long term loan to individual and property developers for house building, produce saving facility, carry out research on mortgage finance. These activities have been marred by administrative ineptitude, political instability and uncoordinated policies.

Commercial Banks

These categories of bank are retail bankers by operation. They only lend on short-term basis because they have to meet the withdrawal request at the shortest notice. This has not been compatible with housing finance, which requires long term finance. This has limited their success in housing finance.

Merchant Banks

These accept only large time deposits, from corporate organisations and high net worth individuals, with maturity dates up to five years. They hold little cash reserves and unlike commercial banks, offer bridging loans or interim funds to real estate developers and others at very competitive rates of interest, usually on short-term basis.

Specialised Development Banks

This category includes the Nigeria Industrial Development Bank (NIDB) now Bank of Industry (BOI), Urban Development Bank etc. they are established to grant long term finance that could last sometimes up to 25 years for industrial, commercial, agricultural and housing development.

Though perfect for housing finance, their success in housing finance has been very limited due to inadequate funding and diversion of the little available funds into the short-term sector.

Insurance Companies.

Life funds of insurance companies are long term savings in form of annuities or endowment policies, which can only mature at the occurrence of certain known events, like death, accident or retirement. Their long term sources of funds enables life assurance companies to invest primarily on long term capital assets like real estate investment and get involved in the following: Loan for real estate development based on capital value of the policies, investment in mortgage and debentures; direct investment in or development of real property, i.e. acquiring or developing landed properties apart from those meant for their own occupation.

Insurance companies are suited and equipped to finance housing development but due to their preference for higher return, the Nigerian Insurance industry has not played a significant role in housing finance, so far.

Pension Fund
The National Providence Fund collects funds from employers and employees towards their retirement. This gives them access to long term funds and put them in good position to finance housing development. Thus, they usually look for investment that offer long term prospects and are inflation proof like real property development or acquisition. They also offer loans on long-term basis to building societies and mortgage institutions.

The Informal Sector
The informal sector of an economy according to Akanji (1998) is distinguished from the formal sector by the extent to which government is functionally cognisant of the activities carried on. As an illustration, most informal sector transactions are not taxed nor are they registered in the national income accounts. It is amazing to realise that this sector accounts for about 60% of urban labour force (Nubi, 2008). Some informal sector finance sources for housing are as follows: Personal or Family Savings, Individual money lenders and, Voluntary Housing Movements.

Corporate Bodies
By 1979, it had become evident that despite most companies' huge profit, there was total neglect of the need to solve the obvious housing problems of their workers. This compelled the promulgation of Employees Housing Scheme (Special provision) Decree 54 of 1979. The main provision of the decree is that any employer of up to 500 employees should provide minimum of 50 housing units out of which three-quarters should be made available for non-executive staff. The decree put in place a structure for identification of such category of employees and implementation of the decree. It also provided for the establishment of a Housing Loan Board by the state. This program is very laudable in the sense than the end users of housing can easily be reached. With enabling environment created, it would have been the best way to finance housing without going through intermediaries which eventually increase cost. Satellite town in Lagos is the only reminiscence of the decree with only nineteen (19) participating companies. The problem of ownership after retirement of occupying staff made nonsense of the decree.

Developers/Contractor Financed
Private property developer and other investors have applied various financing techniques like: Turnkey, Pre-letting and, Joint financing, (loan syndication) to finance housing project in Nigeria. Unfortunately, the overall housing demand is so enormous that their impact is minimal.

National housing policy and housing finance
The committee set up to produce a draft of National Housing Policy acknowledged, finance as constituting the centre piece, among other major pillars, of housing delivery (Abiodun, 1999). The poor performance of Federal Mortgage Bank of Nigeria (FMBN), which gave loan to 8,874 out of 10,000 applications between 1977 and 1990 was very worrisome. It was very obvious that the FMBN should undergo serious re-engineering to be able to cope with the enormous task of housing finance. This re-engineering resulted into a framework of two – tier financial structure

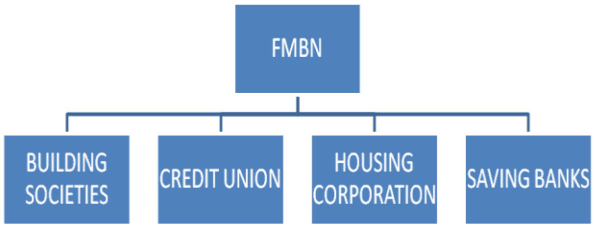

Figure 1: two tie housing structure
Source. Author (From NHP).

Arilesere 1998, summarised the major strategies and guidelines of the National Housing policy (NHP, 1991) on Housing finance as follows:

i) Mobilisation of savings into Mortgage Institutions
ii) Provision of incentives for the capital market to invest in property development
iii) Provision of policy controls over the allocation of resources between the housing sector and other sectors of the economy.
iv) Facilitation of flow of domestic and international resources into the priority housing areas, such as low income housing.
v) Need for government to establish voluntary schemes, mandatory schemes and provide substantial budgetary allocations and financial transfer to the housing finance system.
vi) Establishment of National Housing Fund (NHF) to be administered by the Federal Mortgage Bank.
vii) Ensuring that Commercial Banks, Merchant Banks and Insurance Companies are given

reasonable conditions to encourage them to invest in mortgage business.

viii) To develop a secondary mortgage market for housing finance to improve the liquidity of the system

ix) To act as guarantor for loan stock floated by the primary mortgage institutions

x) To manage the National Housing Fund

HOUSING FINANCE PROBLEMS

Cost of Construction and Income

It is within the scope of this paper to dwell elaborately on the abnormal cost of housing as we experience today. Since cost or price is a function of demand and supply, the cost at which the houses are offered for sale in the property market will go a long way to determine their affordability. Where per unit cost is abnormally high as we have today, the simple implication is that few people will be able to afford it. The limited finance will not be able to spread around the potential homeowners. As a result of low repayment terms, repayment period is increased making it impossible to revolve the loan around many people within a short period.

According to Windapo (2000) and Okupe (2000) the gap between income and shelter cost in Nigeria is very wide. This has eliminated the low-income earners from the housing market.

High cost had been attributed to the following: Rising cost of building materials, high inflation rate in the economy, high space and quality standard adopted by designers, fees of professional involved in housing designs and construction, excessive profit of contractors and 10% interest payable on NHF. The sale of 2-bedroom bungalows at Sunshine Estate at Oba-Ile, Akure, and 2 bedrooms flat at Oda Road, Akure at over N2.0 million is unaffordable by majority of the low income earners. Most of the estates were developed without considering the effective demand. The Zion Estate in Akure is a case in point. 5 bedrooms detached house was put for sale for N22.0 million without any effective purchase leading the developer to turn it to University Campus (Omotosho et al, 2006).

Land

Land constitutes a major problem in home ownership or housing development. The degree of accessibility in terms of availability and cost remain a big challenge. The cost of urban land is a big discouragement to the urban poor. Only marginal land, with no title document and infrastructure at the periphery are available for the poor to build on. This has resulted into urban sprawl and housing development that cannot qualify as homes. The cost of processing title document is exorbitant and also a major concern. Perfecting land documents takes minimum of two years and is like the camel passing through the proverbial eye of the needle. Cost of land and documentation account, in most cases, for about half of what is required for housing development (Ajanlekoko,2002).

Construction Industry

According to Zubairu (2000), the absence of large real estate development companies with access to the relevant technology and financial muscle to develop cheap houses on mass scale for the urban poor is a drawback to our housing delivery system. This absence of big time developers has discouraged the development and local production of low cost building materials on a commercial basis. Cappa and Dalberto, solely own Oregun Clay Industry. For a very long time they have been enjoying the monopoly of clay brick production. This monopolistic market has not helped to reduce the price of this alternative to blocks. Today, bricks are more expensive than blocks; the reliance of more builders on imported conventional building materials has led to high cost of construction, thereby compounding the problem of affordability. Proliferation of low quality contractors is also a major problem in the building industry. According to Windapo (1991), Zubairu (2000) and Windapo (2000) the reliance on quacks is one of major drawbacks in the industry. There is acute shortage of skilled personnel in various trades. The large multinational firms employ the few skilled persons.

Savings

Whatever organisational form a housing financing system takes - saving and loan association, building society, national housing bank, or some combination of these – no single aspect of its operation is likely to determine its success or failure than its ability to mobilise savings (Christian, 1980). This involves a proper understanding of the three basic motives for holding money - transaction balance, contingency balance and investment balance.

There is a presumption that saving or fund market divide between transaction balances, which gravitate towards commercial banks. Contingency balance, which are the natural milieu of housing finance institutions, and investment balance, under which money tends to flow to the highest bidder and constitute a major source of fund for the broader capital market.

Inability to understand the need for balance has led to loss of saving habit. Before the Structural Adjustment Program when the economy was enjoying boom, Nigerians developed propensity to consume indiscriminately. Our attitude towards materialism has led to lack of value and perversion of every known social ethics.

Voluntary Savings
The operation of the financial institutions industry, commercial banks, finance houses, merchant's banks did not help matters. Many lost their savings to distress and liquidated banks creating a big distortion in the saving culture. The poor response to NHF in terms of voluntary savings is not unconnected to the poor performance of these institutions in the 90's.

Compulsory Savings
National Housing Fund provided that 2.5% of the income of workers be paid to the fund as mandatory savings. This has generated a lot of controversy and criticism. Nubi and Omirin (2000) called for the abrogation of the scheme. Abiodun (1999) demonstrated how similar scheme was used to transform the housing sector in Korea. The advantage of compulsory saving scheme according to Christian (1980), is that it can mobilise relatively large amount of funds in a short period of time and if continued, can provide a stable flow of resources to a housing finance institutions.

National Housing Fund (NHF)
Performance statistics on the NHF show that collections, registered contributors, loans advanced and refund to contributors have more than doubled since the housing sector reform commenced in 2002. As at December 2009, the scorecard was as follows:
1. Number of contributing states: from 2 states and the FCT to twenty (24)
2. Registered contributions: from 1,884,685 to 3,689,817
3. Total collection: from N10.4 billion to N41.96 billion.
4. Loans disbursed to PMIs: from N1.3 billion to N21.10 billion
5. Total number of NHF mortgage loan beneficiaries from 2,995 to 18,576.
6. Estate development loans disbursed from N406.5million to N22.2 billion.
7. Total number of housing units funded 662 to 36,853
8. Total refund to contributors: from N50.6million to N670.8million
9. Total refund to contributors: from 9,948 to 42, 162.

The FMBN in realization of its central role in implementing the reforms for robust housing system in Nigeria made its foray into the capital market with the successful issuance of the first trenched of its N 100b mortgage backed bone in which the sum N 126b was raised from the capital market to finance the sale of Federal Government houses in Abuja (FMBN, 2009).

Experience of other nations
A former Federal Minister of Works and Housing; Chief Anenih in February 2000 expressed concern over the appalling state of housing finance in Nigeria. He saw no reason why Mortgage banking that worked in other nations could not work in Nigeria. Previous studies by Abiodun (1999) and Okupe (2000) reported on housing finance in Korea and Germany respectively. These works revealed the success stories of the two countries in the area of housing finance. Examining countries where the policies have failed as well as where Mortgage banking originated and have recorded success stories will allow inferences to be drawn.

Suggested Approaches for Improved Housing Finance in Nigeria
Integrated Rural Development: Government must pursue radical development of the rural economy. Any policy that encourages rural development will help eliminate unemployment, slum formation, and perpetual increases in demand for housing and stress on urban infrastructure. It will also check mass rural-urban migration. Rural housing problem is qualitative. Adequate measure should be taken to provide the much-needed infrastructure to gear up the economy.

Housing Education
It was only in the year 2000 that Housing as a course of study at MSc level commenced at the University of Ibadan. This is belated but it is better late than never. More housing programs should be run by our Educational Institutions. This will provide the expertise and direction needed. Apart from that, there is need to embark on public enlightenment programmes capable of giving the right focus to housing.

FMBN Loan Conditionalities
There had been bitter complaints by PMI operators on conditionalities put forward by FMBN for accessing the fund. According to Chionuma (2000) the conditions are to regulate PM, FMBN. Report s of disbursements should be examined. How did those that obtained the loan satisfy the FMBN requirement? Nigeria's socio-economic development does not support laxity in loan disbursement. It must be grave concern of FMBN to ensure access. Their success and relevance should be based on their contribution to the housing stock.

Federal Ministry of Housing
The current state of housing in Nigeria and the deficit of housing stock that requires millions of units to satisfy require a more dedicated, committed and aggressive policy on and attention to housing development. The present incremental approach of uncoordinated institutions cannot achieve anything. There is need for a comprehensive approach through a ministry whose day to day responsibility is housing.

Corroborative Societies/Building Associations
The importance of co-operative societies was recognised in the National Housing Policy.

Co-operative societies form part of the second tier of the mortgage banking structure. It is therefore imperative that the legal framework for their formation and how they can access the fund be made clear and popularised. This appears to be a more feasible option considering their existence in our traditional settings and their success story in thrift business. Membership of a recognised society is enough to access the fund. The loan is given to the societies which distributes it to their members (Omotosho, 2009). This can help to eliminate the bottleneck of stringent conditionalities that prevent people from applying for loans from the fund. Loan guarantees by Co-operatives should be sufficient. The informal societies have success stories of assisting their members to finance businesses, purchase vehicles and build houses. They should be given recognition in Nigeria.

House improvement Loan

If cost of constructing new houses is not within the reach of people, revitalising the existing stock can increase housing stock (Omotosho 1981; 2005). Loans should be made available in kind and cash for house improvement. Variants of this are roof, sanitary/conveniences and decoration loans. Evidence of ownership of existing building offers better collateral security. Approved building plan in this case should be sufficient for mortgage loans.

Implementation of Decree 54 (1979)

Employee Housing Scheme (Decree 54 of 1979) should be implemented. Audited Annual Report of companies that fall under the scheme should include information on housing provision for their staff. The housing units should be owner-occupied. Existing logjam at Satellite towns and site and services scheme nationwide should be resolved with immediate effect to show the seriousness of the government and her commitment to the scheme.

Building Cost / Income

Increase in income is of little relevance if the cost of construction remains high. Increase wage in this circumstance will only satisfy the propensity of Nigerian towards materialism. A situation where one bedroom flat goes for N1.7million – N2.5million needs to be redressed.

- Alternative building approach such as system housing should be exploited.
- Local Building materials should be used for government projects. This leadership by example is long overdue. Like West Africa Portland Cement Company.
- Building materials manufacturing companies should be privatised to ensure profitability.
- Industrialisation of housing and development of construction sector should receive government's urgent attention.

Land

A Section of the National Housing Policy (1991) promised to look into the land policy for possible revision where necessary. After 36 years, the failure of the Land Use Decree (LUD) to create easy accessibility to urban land for development is increasingly apparent with prohibitive costs of serviceable urban land, difficulty of government acquiring urban land for development, ineffective identification and inventory of urban land systems and the increasing growth and expansion of informal settlements. These problems are not unconnected with the continued resilience of customary land tenure system, prevalent scarcity of serviced urban land, increase in urban land speculation, the difficulty in securing urban land tenure and cumbersome, time-consuming and expensive land titling and registration procedure etc. Its requirement of certificate of occupancy, which is not easy to obtain, is a major problem to those seeking mortgage loan.

Housing Finance through Bond

There had been sharp criticism of over design and consumption of imported building material. Some countries use compulsory bond purchase as a condition of building permit issue or the granting of a mortgage loan. Often such approaches have a dual purpose – to discourage the construction of luxury housing and to provide a special fund for low – income housing or infrastructure. In this mode, the value of the required bond purchase is scaled to the cost of construction cost, such that for building permit above a certain level of construction cost, bond equivalent to, say 15% of the cost of construction is purchased. Below a certain level, no bond purchase is required as a precondition for issuance of a building permit or mortgage loan. This should be considered for adoption.

Securitisation as an Alternative Source of Housing Finance

Securitisation of real estate financing is the conversion of assets (illiquid assets i.e. bank loans) into readily tradable financial assets i.e. securities. Securities are appropriate vehicles for the repackaging/restructuring of risk assets into forms that are liquid, divisible i.e. unitizable, qualitative and market friendly. It is also an excellent receptacle pool for equities. Securities will open the world of commercial and mortgage properties to the investing and general public.

That will allow property to be more actively traded in, with increased turnover, income and investment pull. Securitisation will help overcome the intrinsic negative perception of property as a poor, inefficient investment medium.

A restructure of real estate finance through securitisation will benefit all the parties in the real estate finance market, investors, banks etc.

Furthermore, real property needs to be depersonalised and this is what securitisation does and by this, makes home mortgage to become a bond (security).

Support Facilities and Saving Promotion

Saving promotion is an essential element of savings mobilisation, but in other to mobilise and retain a major share of potential savings, a housing finance institution must not only provide security for the depositor fund and access to long-term mortgage credit, it must also offer an "adequate" rate of return in deposits. Adequate rate of return depends on:
- Rate of interest paid by other financial institutions for comparable deposit
- Degree of competition for fund in savings.
- Rate of inflation and
- Effective demand for mortgage credit.

Rather than being abolished this should be properly administered. In nations where it worked best, the ministry of works and Housing is always involved. This allows for investment in infrastructure development from the fund. With this, the poor are guaranteed access to pipe borne water, electricity etc.

Banks & Insurance Companies

The National Housing Policy mandated: (i) Every commercial and merchant banks to subscribe 10% of their loans and advances. (ii) Insurance company: a minimum of 20% of its non-life and 40% of its life funds in real property development- out of which not less than 50% shall be paid into the fund through FMBN. Operators in both industries have condemned this.

According to Bichi (2000) proposals for review of certain provision of Decree 3 of 1992 were submitted to Federal government in 1994 and in subsequent years but unfortunately these are yet to be effected. This is an indictment. The Federal government should respond to by taking necessary action. Governments' position should be made known to the operators and the public.

Immediately the conditions are made favourable, these financial bodies should be mobilized.

Their role in NHF and housing delivery is so significant that further delay may in fact be dangerous.

CONCLUSION

The significance of this study lies in its addressing several burning issues on housing delivery and the recommendation of alternative approaches for the mobilization of saving towards a more efficient regime in housing finance in Nigeria. There need for a strong and adequate political will to implement these ideas for the desirable change to be achieved. It is therefore very important that the existing structures be re-engineered as noted in the study and enabling environment be provided.

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