

Problems Mitigating Housing Finance Through Primary Mortgage Institutions In Lagos

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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 centres 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 includes 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 chal-

lenges 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 manufacture, 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.

Key words: Housing; Institution; Finance; Mortgage; Bank; Policy

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INTRODUCTION

(1) Background of Study

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.

1. ISSUES OF HOUSING 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).

The problem of inadequate supply of housing in Nigeria stems 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.

1.1 Housing Policy and Housing Fund Decree

The Federal Government of Nigeria in 1991 launched the National Housing Policy to serve as a palliative measure to ensuring better housing for Nigerians.

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.

The Nigerian National housing fund Decree no 3 of 1992 is an instrument formulated to give leverage to housing delivery. 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 Nigerians have access to decent housing accommodation at affordable cost by year 2000AD by ensuring continuous flow of long term fund for housing development and providing affordable loans for income housing.

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

- a. To facilitate the mobilization of funds for provision of houses for Nigerians at affordable prices and the constant supply loans for building, purchase and renovation.
- b. To provide incentives for the capital market to invest in property development.
- c. To encourage the development of specific programmes that would ensure effective financing of housing development in particular for low income workers, and t proper policy control over allocation of funds between the various sectors of the Nigerian economy.
- d. To provide long term loans to mortgage institutions for on lending to contributors to the fund.

2. FINANCE SYSTEMS IN NIGERIA

Mortgage banking development in Nigeria can be traced to the establishment of the Nigeria Building Society in 1956. 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. 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.

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.

2.1 Current Housing Finance Systems

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

The Informal Sector constitutes the larger proportion of housing providers in Nigeria. It involves direct labour assistance and includes donations of land, building materials, cash assistance or sometimes any of these could be in form of loan. It is an informal organization based on trust, love and friendship.

The Formal Sector can be classified into Non-specialized Housing Funding Institutions and the Specialized Housing Funding Institutions.

The Non-Specialized Housing Funding Institutions sector includes the Employees Housing Schemes, Commercial, Merchant Banks and Insurance Companies.

The Specialized housing funding institutions

include the Federal Mortgage Bank of Nigeria, Primary Mortgage Institutions, Housing Corporations and Urban Development Bank.

2.2 The Federal Mortgage Bank of Nigeria

It was established in 1977, with the inheritance of the assets and liabilities of the Nigerian Building Society (NBS), which was dissolved, in the same year

2.3 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. The role of FMBN henceforth remains as the apex and regulatory body.

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.

3. 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 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 accounts/deposits, product marketing strategies, loan approval criteria, loan 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 presents 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 3.

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 South-East, 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, 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 sampled. 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 administration. 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 were collected through primary and secondary sources. The primary sources are through oral interview and the administration of two types of questionnaires. The questionnaires are for the PMIs officials i.e. staff and the other 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. Out 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 districts based on concentration of commercial activities of which PMIs are 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).

4. 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.

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. 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 place 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.

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 4 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 overdraft 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 4, 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%.

Table 4
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

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 5, 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 5
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.

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 (Distrust)	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 situation always puts 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 loans 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.

5. 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, own-

ership 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 result of the

field survey 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 pool 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 least 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.

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%).

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.

6. RECOMMENDATIONS

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, 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 of the problems. These are followed by the national economic climate and the competitive finance market.

The next problematic areas 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 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 notwithstanding 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 a 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, a large proportion of urban dwellers in Lagos are underemployed while significant proportion are unemployed. This is the major problem in the mobilization of saving deposits 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 continues 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 a 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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