

**HOUSING FINANCE IN NIGERIA:
THE ROLE OF THE NATIONAL HOUSING FUND
BEING
A PAPER PRESENTATION**

BY

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All protocols Observed.

It is a great honour for me to address the quality audience of the Management and staff of the University of Ilorin on the benefits of the National Housing Fund. As you are aware, Federal Mortgage Bank of Nigeria has undergone a rebranding process to meet the challenges of the housing delivery in the country. At the end of the rebranding process, the Bank Came up with new logo of three roofs with a new slogan..... Everyone deserves a home. This forum therefore provides a platform for interaction with our major stake holders like you.

1.0 INTRODUCTION

The challenges of housing in Nigeria are enormous and complex; exhibiting marked regional difference which has led to the concern for the provision of decent, affordable mass housing especially for the low and medium income earners. It is estimated that the nation's housing deficit is in the neighborhood of 16 million. According to National Bureau of Statistics and United Nations study estimates, about 12-16 million units are needed to bridge the deficit. This translates to between ~~N~~42- N56 trillion.

Government intervention in housing finance started with the establishment of Nigeria Building society (NBS) in 1956 as a joint venture of the Commonwealth Development Corporation (CDC), the Federal Government and the Eastern Nigeria Government. This entity operated exclusively on the mobilization of savings from the open market to fund individual mortgage loans.

The promulgation of the Indigenization Act of 1973 signalled the full acquisition of the NBS by the Federal Government and its transformation into Federal Mortgage Bank of Nigeria (FMBN) in 1977. However, with the curtailment of mortgage exposures by banks and housing corporations due mainly to interest regulation on mortgage lending and under-funding, the Bank became the sole provider of mortgage loans for individual homeownership.

The policy thrust shifted to direct construction by government in the face of escalating housing shortage to reduce the demand pressure. The outcome is in the 4th National Development Plan (1980-85) which reflected government's direct involvement which led to the low cost housing projects known as the Shagari and Jakande houses. This approach made government the mega financier of housing involving huge capital expenditure that ended in dead capital because the houses had

no legal title which necessitated the launching of the first formal National Housing Policy in 1991. As product of this process, National Housing Fund (NHF) scheme was established in 1992 to address the constraints to the mobilization of long term funds for housing development and also to ensure that every Nigerian has access to housing loans at affordable interest rate

However, the subsequent rise in the shortage of housing (particularly urban housing) revealed the failure of the housing strategies employed in the 1991 housing policy. Consequently, the immediate past administration developed a new national policy on housing and urban development in 2002 representing real effort by government to tackle the housing problem. The policy has since stimulated comprehensive reforms aimed at ensuring access to decent and affordable housing for Nigerians through a robust mortgage finance mechanism.

2.0 MANDATE OF FEDERAL MORTGAGE BANK OF NIGERIA

FMBN's broad mandate includes:

- Collecting and administering the National Housing Fund in accordance with the provision of NHF Act No. 3 of 1992.
- Encouraging the emergence and promotion of the growth of viable Primary Mortgage Institutions to service the need of housing delivery in all parts of the country.
- Mobilizing both domestic and offshore funds into the housing sector.
- Linking the housing market to the Capital Market through establishing and operating a viable secondary market.

2.1 NATIONAL HOUSING FUND (NHF) LOAN WINDOW

2.1.1 NHF Mortgage Loans

This facility is granted at 4% interest to accredited PMIs for on-lending at 6% to NHF contributors over a maximum tenor of 30 years. A contributor can access the Fund through an accredited PMI for a mortgage loan to build, buy, improve or renovate own home after meeting the pre-qualification requirement of six months of continuous

contributions. These lending conditions make the NHF unequalled as a vehicle for affordable housing delivery in Nigeria.

2.1.2 Estate Development Loan (EDL)

The EDL is a facility granted at 10% interest with a maximum repayment period of 24 months to Private Developers, State Housing Corporations and Housing Cooperatives to mass-produce houses for ownership by NHF contributors on mortgage basis. It is a facility devised to facilitate a large-scale production of houses for sale to contributors at a price not more than ₦15million. Until recently the maximum ceiling was ₦5 million.

2.1.3 Housing Cooperative Development Loan (HCDL)

This is another unique loan outlet being currently developed and explored by the Bank. Housing cooperative development loans are granted to housing cooperatives under similar conditions as in EDL. Bulk of the beneficiaries in this category is expected to come from the low-income bracket, which are likely to see this arrangement as a feasible solution to their housing need. University of Ilorin Cooperative Society may also take advantage of this window.

3.0 SPECIFIC BENEFITS TO NHF CONTRIBUTORS

As a contributor to NHF, the following benefits are accruable:

- ❖ Access to the loan after six months of continuous contribution.
- ❖ No collateral. The building to be developed serves as the collateral.
- ❖ The loan attracts low interest (i.e. 6%) and the interest rate is fixed for the duration of the loan.
- ❖ Beneficiaries have a maximum of 30 years to repay the loan and repayment is on monthly basis just like the monthly rent so that repayment does not endanger the standard of living of citizens (i.e. not more than 1/3 of income should be used as loan repayment).
- ❖ Contribution is refunded with interest on leaving the scheme and the amount contributed does not determine the amount an individual can borrow.

4.0 ELIGIBILITY AND CONDITIONS FOR NHF LOAN

4.1 WHO CAN APPLY

- a) Any Nigerian above the age of 18years
- b) Applicant must be a contributor to the National Housing Fund for a minimum period of six months.
- c) Applicant must have satisfactory evidence of regular flow of income to guarantee loan repayment.

4.2 HOW TO APPLY

- a) Applicant is to apply through a duly licensed and accredited Primary Mortgage Institution of his/her choice and not directly to Federal Mortgage Bank of Nigeria (FMBN).
- b) The property for which the loan is sought shall serve as security for the loan and must have valid title document (C of O or Deed of Sublease)

- c) A borrower is entitled to a maximum loan of Fifteen Million Naira only dependent on affordability) repayable over a maximum period of 30years (dependent on age /length of service) at an affordable interest rate of 6% (constant for the duration of the loan).

Equity contribution is based on the loan amounts as follows;

Between ₦ 10.1million - ₦ 15 million - 30%

Between ₦ 5.1 million - ₦10 million - 20%

Between ₦ 0.1 million - ₦ 5 million - 10%

- e) A contributor can only obtain NHF loan facility once in a life time.

4.3 DOCUMENT REQUIRED TO PROCESS A LOAN

- a) Completed application form obtained from a PMI of your choice.
- b) Photocopy of title documents/letter of provisional allocation of housing unit from the developer.
- c) Current valuation report on the proposed house to buy or bills of quantities (BOQ) for the house to build.
- d) Tax clearance certificate.
- e) Evidence of NHF participation (registration and last remittance).
- f) Copy of pay slips for the previous three months.
- g) Equity contribution or personal stake of 30%, 20% or 10% (depending on the loan amount applied for).
- h) Approved layout and building plan.

4.4 BASIC DETERMINANTS OF LOAN AMOUNT

The delivery of mortgage loans to NHF customer is anchored on the following basic underwriting standards:

- A maximum loan- to-value (LTV) ratio of 90%, 80% or 70% (dependent on loan amount)
- A maximum repayment-to-income (RTI) ratio of 33.33%
(i. e. not more than one third of borrower's monthly income is used for loan servicing) - Affordability Test.
- A maximum mortgage loan of N15 million for each borrower.
- The tenor of the loan shall not be more than 30 years such that age of applicant + tenor of loan should be less than or equal to 60 years.

AFFORDABILITY TABLE ON THE NATIONAL HOUSING FUND (NHF)

Tenor (Years)	5	10	15	20	25	30
LOAN AMOUNT	Monthly Loan Repayment	Monthly Loan Repayment	Monthly Loan Repayment	Monthly Loan Repayment	Monthly Loan Repayment	Monthly Loan Repayment
(₦)	(₦)	(₦)	(₦)	(₦)	(₦)	(₦)
2,000,000.00	38,665.60	22,204.10	16,877.14	14,328.62	12,886.03	11,991.01
3,000,000.00	57,998.40	33,306.15	25,315.70	21,492.93	19,329.04	17,986.52
4,000,000.00	77,331.21	44,408.20	33,754.27	28,657.24	25,772.06	23,982.02
5,000,000.00	96,664.01	55,510.25	42,192.84	35,821.55	32,215.07	29,977.53
10,000,000.00	193,328.02	111,020.50	84,385.68	71,643.11	64,430.14	59,955.05
15,000,000.00	289,992.02	166,530.75	126,578.52	107,464.66	96,645.21	89,932.58

4.5 REFUND OF CONTRIBUTIONS.

- The NHF Act No 3 of 1992 provides that refund shall be made to contributor who has not obtained a housing loan upon:
 - ✓ Attaining 60 years of age.
 - ✓ Retirement from employment and subsequent incapability to continue contribution.
 - ✓ Refund is also made to a contributor that has obtained loan, liquidated the loan and has attained the age of 60years.
 - ✓ Refunds are also made to the next-of-kin of deceased Contributors.
- Refund is processed and repayment effected within three months of receipt of the application.

5.0 SUMMARY OF NATIONAL HOUSING FUND (NHF) ACTIVITIES FROM INCEPTION TO 30TH SEPTEMBER 2011.

NHF Collection:	₦ 76,115,793,919.01
NHF Refunds:	₦ 1,257,011,911.38
No. of Refund Beneficiaries:	67,049
Registered Employers:	20,192
Registered employees:	3,640,546
Loans approved to PMIs:	₦ 59, 623, 069, 910, 80
Number of Beneficiaries:	18,239
Loans disbursed to PMIs:	₦ 31,370,829,761.64
Approved to EDs:	₦ 89,787,365,294.21
Number of Beneficiaries:	32,321
Loans Disbursed to EDs:	₦ 46,109,750,994.58

6.0 CONCLUSION

In conclusion, I will urge you to take advantage of the National Housing Fund and own your home. To assist you in this direction, we have also invited representatives of Developers/PMIs to address you as well. As we look forward to your applications for NHF loans, I thank you for your attention.

THANK YOU

QUESTIONS AND ANSWERS