Chapter 17

Exploring the Market for Home Improvement Financing in Urban Areas

Basirat Oyalowo[1], Oluwaseun Muraina[2], Timothy Nubi[3], Yetunde Ohiro[4], Basheer Oshodi[5] and Raymond Gold[6]

Abstract

Accessibility of finance for new housing construction has been a significant preoccupation in research, policy, and advocacy circles. Access to finance for maintenance and improvement of the home once acquired remains a relatively under-researched area. This chapter aims to explore the state of the home improvement financing market in Lagos to address this gap. Home improvement financing is essential throughout the lifecycle of a property. It is a mechanism to avoid the risk of permanently substandard homes constructed incrementally and a safeguard against obsolescence in already completed homes, especially at a neighbourhood scale. Part of a larger scale study on home improvement financing for the regeneration of informal communities, this chapter presents findings from an interactive stakeholders' meeting with eleven (11) homeowners selected from low-income neighbourhoods in Lagos and representatives of three typologies of home improvement loan providers. The three typologies are a federal financial institution, a private sector mortgage bank, and a microfinance institution. It was found that while there are improvement loans that low-income homeowners could access, issues around proper legal documentation limit uptake for those who live in informal settlements. A re-engineering of the titling framework is required to address this inequality. The diversity of the home improvement loans in the market

[1, 2, 3, 4] Department of Estate Management/Centre for Housing and Sustainable Development, University of Lagos, Lagos, Nigeria
[5] Trustbanc Arthur Group, Lagos, Nigeria
[6] Nigeria Slum and Informal Settlement Federation, Lagos, Nigeria
[1] Email: boyalowo@unilag.edu.ng

will potentially level disparities in access to financial products by low-income families by providing them with a range of alternatives that fits their circumstances. However, the absence of neighbourhood-based home improvement loans limits the feasibility of these loan products for regeneration purposes, even though there is demand for it. In contrast, it creates opportunities for deepening the market with equitable and co-produced loan products.

Keywords: Community regeneration; financing; home improvement; improvement cost; informality

1. Introduction

Once acquired, housing must be maintained and continuously improved to retain decent property standards for the sustained well-being of the occupier and secure the investment in the home. Access to finance to carry out maintenance and renovation is required for both rental and owner-occupied properties. Accessibility of funds for home construction has been the central preoccupation in research, policy, and advocacy circles, while access to home improvement funds remains under-researched. Accessibility to home improvement funds is especially critical for people in low-income brackets. This is because they usually acquire housing with lower standards due to cost constraints and then carry out incremental construction over several years. The costs of maintenance and improvement then add to the housing cost burden by increasing low-income earners' financial obligations.

Lagos has a history of unprecedented urbanization, rapid population growth due to in-migration and spatial expansion. The location grew from a modest coastal community of fishermen and farmers in the pre-colonial times to a stunning urban metropolis. With this change, it has outrun sustainable urban planning, which puts the city and its administrative structure under growing strain (Onwuanyi, 2019). One major urban issue that plagues Lagos and other cities in Africa is the lack of housing that meets qualitative and quantitative needs. The Lagos State Government estimates that its new-build requirement is 2 million housing units and that up to 3 million housing units need to be upgraded to decent standards to improve the lives of close to 70% of Lagosians who reside in several slums across the state (Lagos State Ministry of Economic Planning and Budget, 2013; Nubi, 2015). A comprehensive and integrated system that combines complementary finance, governance, inclusion and manufacturing processes is required to meet not only the pressing need for new housing but to improve existing housing conditions throughout the property's useful life.

Housing's fundamental linkage to good health, well-being and economic development is evidenced in its inclusion in the global and regional development agenda (Oyalowo, 2018). The dual nature of housing, as both an investment and consumption good, exacerbates its position as a social and economic capital (Glaeser & Gyourko, 2017). It is an investment that needs servicing throughout its lifecycle to provide optimum utility and returns. Hence, it is not sufficient for households to have access to finance for home acquisition (whether for ownership or renting); they must also have access to finance the improvement of the physical conditions of their spaces over the entire consumption timespan. Furthermore, housing involves financial commitments with anticipation for recoup throughout the building lifecycle (Afolayan & Etoniru, 2016). When maintenance is kept up to date, the pace of wear and tear extends the home's usable life and shields the owner from financial loss. The reverse is the case where maintenance is not kept up to date.

On the one hand, the need for constant improvement is also crucial, given the prevalence of informal housing characterised by incremental housing construction in many cities in Africa. The ability of owners to improve on existing facilities such as indoor kitchens, toilets, and baths or addition of new rooms to increase income from rental will keep the house in a decent position. When lack of improvement is prevalent at the street or neighbourhood scale, slum-like outlook would become a reality, even if the location did not originate as one. Problems like dirty environment, deteriorating infrastructure and amenities, crumbling buildings, concentrated refuse dumps on the streets, rapid spread of epidemics and other health hazards due to the uncleanness of the surroundings are all pervasive manifestations of the lack of constant improvement of homes at unit and neighbourhood scales.

Despite the strategic role home improvement financing could play in neighbourhood upgrades, it is notable that several studies have focussed on low-income housing finance or housing affordability. This chapter addresses this gap by assessing the state of the home improvement financing market in Lagos. It is part of a more extensive study that aims to catalyse home improvement financing for the regeneration of informal communities through co-produced (equitable) market-based loan products. The chapter is therefore aligns with Goal 11 of the SDGs, which focuses on making cities more sustainable through fostering job and business possibilities, providing secure and affordable housing, and constructing resilient societies, communities, and economies.

2. Literature Review

With the rise of urban populations comes the growth of informal communities, slums, and poor residential neighbourhoods worldwide. Informal communities are residential communities where residents generally lack security of tenure for the land or dwelling they occupy. Neighbourhoods usually lack essential services, and city infrastructure. Hence, housing may or may not conform to planning and building requirements, commonly located in hazardous areas with sensitive geographic and environmental features. Informal communities provide homes to an estimated 25% of the world's urban population, with 213 million people added to the worldwide population since 1990 (UN-Habitat, 2013).

Population growth, rural-urban migration, a lack of affordable housing, poor governance (particularly in policy, planning, and urban management), economic vulnerability and low-paid work, marginalisation, and conflict-motivated displacements, natural disasters, and climate change have all contributed to the emergence of informal communities (UN Habitat, 2015). A community is informal because it was formed through a self-help building and infrastructure provision process and would have two or more characteristics described by Napier (2007). First, most dwellings are self-built by the occupying families with initially utilisation of temporary materials. Second, houses in the community are illegal in some form (land tenure, house construction, or both). Third, the communities are unserved with formal sector facilities. Last, impoverished persons primarily occupy the communities. Unfortunately, many governments fail to acknowledge the existence of informal communities, putting the city's long-term development and prosperity at risk. These settlements remain geographically, economically, socially, and politically cut off from larger urban systems, opportunities, and decision-making (UN-Habitat, 2015).

To combat the negative characteristics of informal settlements, governments must recognise inhabitants' challenges and aggressively engage them in larger metropolitan systems. UN-Habitat (2015) identifies a few key drivers for action that would aid the eradication of informalities in the urban cities by providing affordable and adequate housing, including in situ upgrading and avoidance of forced evictions, and security of tenure and livelihood and employment generation. Housing finance support is a primary driver that should be deeply considered.

Housing improvement significantly impacts occupants' health, security and general well-being, particularly children and women. According to Doling, Vanderberg and Tolentino (2013), it benefits the welfare of households in general and additionally impacts the economy positively. It also has a beneficial effect on the social status of the occupants; this is because nobody likes to live in an old-fashioned house or a shabby apartment. Furthermore, a positive influence on status, health and security will naturally enhance the occupant's approach to life, providing a better living environment. Housing improvement positively influences the economy because it creates a form of construction multiplier as housing construction and improvement activities cause demand for skilled, semi-skilled and unskilled labourers. Also, an improved house has a better chance of being used as collateral for loan acquisition.

Thomson and Pettigrew (2005) conducted a review targeted at developed countries. The researchers find that housing improvement "appears to have the potential to improve health, especially mental health". They argue that while there is a relationship between poor housing and poor health, "the independent effect of poor housing on health remains unknown due to the many confounding factors that are inextricably linked to poor housing" (Thomson & Pettigrew 2005). The major confounding factors include: (i) the degree of individual and neighbourhood deprivation; (ii) the presence of multiple domestic hazards; and (iii) the amount of time spent in the home. Takano and Nakamura (2001) reveal that a quarter of the variability in health status in Japan could be attributed to urban residential quality. Breysse et al. (2004) linked improved housing to children's health. Their paper note that since children spend as much as 80% to 90% of their time inside their homes and schools, the sources of major health risks they face can be attributed to these indoor places. Other studies demonstrating the health benefits of rehousing and house improvements include McGonigle and Kirby (1936), Wilner et al. (1960), Carp (1975), Wells (2000) and Blackman and Harvey (2001). However, each study's impacts on physical health and illness following housing improvement differ (Thomson & Pettigrew, 2005).

At the neighbourhood scale, home improvement is related to theories such as the Broken Glass Theory by Wilson and Kelling (1982) and the neighbourhood effect theories. The Broken Glass Theory contends that any overt indications of criminal activity or civil disorder, such as broken windows (hence the theory's name) foster an urban environment that encourages further illegal activity and disorder. In the context of home improvement, observable problems like abandoned (or unimproved) buildings indicate that a particular neighbourhood is not being cared for.[1] This appearance of disorder is supposed to give potential criminals the impression that crime is acceptable and likely to go unpunished (Kondo, Keene, Hohl, MacDonald & Branas, 2015). Therefore, the safety of communities is seriously threatened by decrepit and abandoned buildings because they act as havens for criminal activities, putting residents in danger. Making credit finance available to homeowners encourages them to recognise these issues and empowers them to make improvements that prevent the expansion of these problems to the neighbourhood scale.

Neighbourhood effect studies are founded on the hypothesis that a place impacts people's character and behaviour and such an influence goes beyond the expected from individual and family characteristics (Holland et al., 2010). A central question in the neighbourhood effects literature is whether living in a disadvantaged neighbourhood causes people to be poor, suffer poor health and have lower general wellbeing (Oyalowo et al.) The answer to this question has significant consequences for a policy response to preventing deprivation in neighbourhoods (van Ham et al., 2013). The implication is that neighbourhood characteristics have positive and negative impacts on both the behaviour and behavioural-being of residents. Interventions supporting the uplift of individual housing units to prevent neighbourhood decay are increasingly important, especially in densely populated cities like Lagos.

3. Home Improvement Financing

While housing affordability has been a constantly topical issue amongst researchers, housing providers and policymakers, the feasibility of addressing neighbourhood degradation with (equitable) market-based financing for home improvements remains relatively obscure. For this chapter, home improvement loans are defined as short to medium term soft loans offered to residential property owners to improve services available to occupiers or to renovate and expand their property. It is well known that limited finances are significant barriers to housing delivery globally (Arilesere, 1997; Abiodun, 2000; Okupe et al., 2000). The capacity of homeowners to preserve and improve their homes and the communities in which they reside should be of equal importance. As Lee (1987) emphasises, our environments, especially those we dwell in for extended periods, impact how we behave and act more than we probably realise. Thus, there is no question that old and unhealthy buildings in a decaying environment lower the quality of life and may contribute to criminality and anti-social behaviour.

Once acquired, housing must be maintained and continuously improved for sustained well-being of occupiers and decent property standards. The need for maintenance is required for both rental and owner-occupied tenures. The need for access to funds to carry out home improvement is especially critical for people in low-income brackets, who probably acquired housing with lower standards due to cost constraints or who carry out incremental construction in stages that will often affect the lifespan of the home. The cost of maintenance and improvement also adds to the housing cost burden and may increase low-income earners' financial obligations.

Many studies have noted several instances where the lack of development of suitable products for off-takers has limited the usage of mortgages by low-income households as a form of housing financing (Tomlinson, 2002; Deininger, 2003: Earley, 2004; Amidu & Aluko, 2006; McCord et al., 2011; Rodriguez-Planas, 2018). The long-term effect of a system where a sizable fraction of households fall into the subprime category has been the self-financed construction of mostly subpar homes in low-quality neighbourhoods. Hence, the ubiquitous slums are prevalent throughout many African cities, including Lagos (Oyalowo, Muraina, Nubi & Okegbenro, 2019).

Improving access to financing for home improvements will increase the likelihood that low-income individuals will build homes that suit their economic situation and satisfy their needs. Contrary to previous studies, Muraina (2017), in a survey on the willingness of homeowners to get loans for home improvement/maintenance, finds that homeowners are willing to improve the current state of their properties and obtain credit for such. Some determinant factors include the need to be conducive, aesthetically pleasing, free of hazards and risks, the required improvement level, loan accessibility, and affordable interest rate. However, the vital issue with the uptake of these products is their awareness. The study further reveals that many respondents are not aware of home improvement finance as many confuse general loans and funds obtained from financial institutions for home improvement loans. Government policies and initiatives should target the low-income population with an emphasis on helping them make improvements to their homes through awareness and simple access to such money.

Many developed economies, like the United States of America, have established home improvement loan programmes to assist low-income owner-occupants of small single-family houses in rural areas with home repairs. In the first-world economies, loan funds are usually available for the following reasons: repairs or improvement or modernisation of homes, fortification of cracks to make houses safer and secured, and enhancement of sanitary or removal of health and safety hazards. For example, the property improvement loan programme created in the United States is the HUD Title I and is a part of the more extensive home improvement finance system.

4. Methodology

This study is based on a qualitative design using an interactive stakeholders meeting as a research strategy. Two categories of participants were invited to the discussion. These are representatives of community development associations and representatives of financial institutions. Eleven (11) executive members of community development associations (CDA) in Ijora, Mushin, Ebute-Metta, Ikorodu, Ojo, Lekki, Isale Eko, and Alimosho areas of Lagos were invited. The participants are property owners because the study required people who could decide on the property. The CDAs were purposefully selected from low-income enclaves in the areas mentioned. The home improvement loan providers in the discussion included representatives from a federal financial institution, a private mortgage bank and two microfinance financial institutions. The representatives were purposefully selected to allow for more diverse participants on all levels.

The focus of the discussion was to engage all key stakeholders to determine the feasibility of various models of housing improvement loans. An open-ended discussion guide was utilised, and the session recordings were taken after obtaining verbal permission from the participants. Thus, in the first session of the interaction, the home improvement loan providers explained the housing improvement loan products they offer, covering the general loan terms and structure, performance and eligibility and documentation requirements. In the second session, the community representatives took turns; they assessed the products' suitability for themselves and the people in their communities. The analysis is carried out through manual extraction of themes from the transcribed proceedings of the records of both sessions. It was possible to discern four themes (availability of home improvement loans, loan product description, terms and conditions associated with the loan, eligibility, and documentation requirements). These are explored in turn.

5. Findings and Discussion

Table 1 shows the general description of financial institutions at the session, the core services they offered, their primary clientele, the explanation of the loan products they had that could be adopted for home improvement, and terms and conditions attached to such loans.

Availability of Home Improvement Loans: In terms of home improvement products, all four financial institutions had specific loans aimed at low-income categories. The federal mortgage institution operated construction financing for individuals to build their homes and another micro-loan to renovate the house. The private mortgage bank had a renovation loan for expansion, rehabilitation of existing buildings and improvements. While the two microfinance banks also operated specific loan financing products, one of them was restricted to offering only services to only staff of its parent institution. In response, the off-taker group requested additional accessibility requirements for specific groups, such as geographical access and eligibility based on religious affiliations, since one of the financial institutions was commonly affiliated with a religious organisation – concerns on equitable access bordered on religious and locational affiliations of the potential loan takers. It was also apparent that all financial institutions could provide these loans to informal sector earners, provided they met the product eligibility requirements. This indicates that there are market-based home-improvement financial products for low-income earners in Lagos State.

Loan Product Description: There is diversity in the type of loans offered, but they were all described as soft loans granted to individuals for home improvements such as renovations, expansion and improvement. The federal mortgage institution offers loans with recognition of the cultural attributes of property ownership in Nigeria relating to family ownership. Thus, it offers loans for family home improvement. One of the microfinance banks provides the loan only in phases as each designated milestone is completed.

***Terms and Conditions Associated with the Loan*:** Loans were restricted to residential housing units across the board, although loans are offered where the property owner wishes to expand for rental purposes. Remarkable differences exist in other terms and conditions across the financial institutions. The federal mortgage institution requires a fixed 6% insurance rate, and microfinance institutions require a 1.5% insurance premium. In comparison, the federal mortgage institution requires two guarantors only rather than the property as collateral. In contrast, the private mortgage bank and microfinance institutions require building properties and other fixed assets. All loans are short to mid-term loans with tenors ranging from 3 to 24 months (microfinance institutions) to 5 years (federal mortgage institutions). Loan repayment structure also varied, with the federal mortgage institution offering ₦1 million ($2,404[2]) with affordability determined by income and age, and repayment deducted from income source with not more than 33% of income removed. The private mortgage bank offered loans based on a 15% interest rate, and one of the microfinance banks offered 2% also deducted from the customer's account with the bank, while the other offered a rate of 3.95% monthly. The microfinance banks provide the lowest rates, while the federal mortgage institution offers the longest tenor. One of the microfinance banks offers a repayment moratorium of 30 days. As expected, the double-digit interest rates were of concern to the off-taker group, and there were no assurances that this would be reduced as the rates were market driven.

		Financial Institutions			
		Federal Mortgage Institution	**Private Mortgage Bank**	**Microfinance 1**	**Microfinance 2 (Tertiary Institution owned)**
General Introduction	**Core services**	The FMBN loan portfolio addresses a wide range of housing needs of individuals ✓Mortgage financing – to buy a house ✓Construction financing – for individuals to build a house ✓Housing micro-loans – to renovate ✓Rent to ownership – renting to own later. The scheme allows individuals to pay monthly rent, after which the property becomes the tenants' own ✓ Loans to individuals are the most affordable interest rates in the Nigerian mortgage market (6% - 7%) Institution	Haggai renovation loan (HAREL): – mainly for expansion, rehabilitation of existing buildings and improvements. Haggai House completion (HAHCOM): To support the actualisation of house completion.	• Loans • Savings • Affordable housing • Clean energy The loan financing product available is "My own home" and "Better home" products. The products are not entirely streamlined for construction home improvement but are based on the needs set of individuals. Acknowledge the fact that homes are also business centres for many. Lapo is heavily into sustainability and would not fund illegal developments and properties in urban slums.	The bank offers various services to meet individual and corporate financial yearnings. Home Improvement Loan - used to aid mainly staff in improving and rehabilitating their homes.
	Major clientele	• FMBN manages the NATIONAL HOUSING FUND (NHF) Scheme, a pool of long-term funds into which Nigerians (public, private, self-employed) contribute and can enjoy low-cost loans. Contributions include • Formal sector - 2.5% of monthly income Informal sector - flat rate of ₦450/month	Key Clients: • Corporate •Ministries •Individuals in businesses •Individuals in Paid employment • Schools •Cooperative Societies •Property Owners/Landlords •Property/Off-takers Developers •Owner Occupiers	• Small Enterprises • Medium Enterprises • Micro Enterprises They are more tilted to the informal sector	Unilag staff Non-Unilag staff: Business owners
	Loan Description	▪ (Federal Housing Renovation Loan) FHRL is a soft loan granted to an individual for home improvement		•Must be an individual loan for housing •Social guarantee is vital, so the loan is disbursed in phases.	The purpose of the product is to support the maintenance, expansion, and rehabilitation of

Table 1: General description of Financial Institutions

		Purposes: ▪ Renovation – making new again ▪ expansion – adding to an existing structure ▪ improvement – replacing with better materials ● Applicable for either a personal or family house			buildings.
	Terms and conditions	Property Type - Residential housing, either personal or family house. Security/Collateral - Security or collateral is not the property, but two (2) guarantors - Employer's undertaking to remit repayment & apply for terminal benefits - Insurance policy Rate - The fixed rate of 6% Max Loan Amount – maximum loan amount is ₦1 million ($2,404), and affordability is determined by income and age to 60 years. Loan repayment – from income, not more than 33% is deducted. Loan tenor - max five years (60 months) or remaining years in service Can be retaken after 5 years	● Loan tenor - Flexible Loan repayment tenor ● Security/Collateral – Property must have proper legal title. The property financing will be used as collateral ● Rate- Attractive and competitive interest rate of 15% ● Property financed must be insured.	Max Loan Amount – ₦100,000 – ₦1 million Rate - The interest rate is 3.95% monthly Mgt fee – 1% of the approved loan amount Insurance premium- 1.5% covering death, disability, fire outbreak and Job loss. Loan tenor - Duration is 3 to 24 months Moratorium – 30 days Cooling off Period – Based on the client's preference Cash flow is taken seriously and monitored	Loan tenor – the 6-to-24-month repayment period No early repayment cancellation penalty applies if the client has paid up to 75% of the loan and approved the new loan application. If otherwise, The client must pay the total outstanding principal plus interest. Rate - The fixed rate of 2% monthly calculated from the disbursement date. Default Charge – 0.3% daily charge on outstanding principal (from the third day of default) Security/Collateral – According to the bank's policy, building/properties and other fixed assets are required. Monitoring and Arrears mgt – All loans are monitored. No diversion of loans The repayment schedule will be deducted from the customer's account with the bank. Instalment overdue will be reported as arrears, and the bank's arrears management will be employed.

Table 2 provides additional eligibility and documentation requirements to uptake home improvement loans.

		Financial Institutions			
		Federal Mortgage Institution	**Private Mortgage Bank**	**Microfinance 1**	**Microfinance 2**
Housing Improvement Loan	**Eligibility**	To qualify for a loan, one must ▪ Be a Nigerian above 18 years of age ▪ Contribute to the NHF Scheme for a minimum period of 6 months ▪ Show satisfactory evidence of income to guarantee loan repayment ▪ A couple can jointly apply	▪ Must open a current account with HMB ▪ Prospect must be above 18 years ▪ Applicants must have satisfactory evidence of the flow of income to service loan repayments.	▪ No requirement for savings with the bank	• The staff of the Parent Institution ▪Employees must already be in employment with the parent organisation for at least six (6) months. **Non- STAFF** ▪ For business owners, the business must have existed for at least 12 months. This will establish that this is a business with a current cash flow. ▪ Must be in the existing location for a minimum of 6 months and within the institution's jurisdiction
	Documentation requirements	Priced Bill of Quantities (BoQs) to support loan amount required	▪ Loan application Letter ▪ Statement of account ▪ Copy of payslips ▪ Financial reports (e.g. Cash flow report) ▪ Verifiable report of income generation for the informal sector) ▪Government approval for renovation/building approval ▪Recent Bill of Quantities ▪ Photocopies of Valid Title Documents ▪Valuation report The legal dept. will profile what the investors have.	▪ C of O or deed of transfer ▪ Guarantors: 1 for loans below 1 million. Two guarantors for loans above 1 million	**STAFF** ▪ Proof of employment and confirmation ▪ Work ID ▪ Payslips **NON-STAFF** Other requirements for both parties: ▪ KYC documents for account opening. ▪Must possess evidence and legal document of land ownership ▪Estimated Bill of Quantities (BoQs) to support loan amount required.

Table 2: Eligibility and documentation requirements for home improvement loans.

Eligibility: Adulthood is a general requirement across all financial institutions, but specific requirements are aligned with each bank's strategic positioning. For instance, the federal mortgage institution requires that up-takers are Nigerians, and one microfinance bank requires that loan up-takers should be employees of its parent institution for individual applications. All but one microfinance bank require that the up-taker should have an account (whether as a contributor to the national scheme or a bank account holder). In addition, there are generally time dimensions to the operation of accounts for individuals and period of business operation for corporate applicants. However, all required satisfactory evidence of income to guarantee loan repayment. The federal mortgage institution do apply some flexibility in the profile of off-taker by offering loans to couples, such as that the credit profiles of both partners are factored into the loan offer to improve access. The microfinance banks were quite agreeable to loan offers to the informal sector because of their corporate existence.

Documentation Requirements**:** Apart from generally applicable loan application letters and bank statements or payslips that support financial credibility, a standard document required for home improvement loans is a bill of quantity to support the loan amount needed, and another general requirement is evidence of legal ownership of land.

6. Conclusion

In this exploratory study, the market environment for home improvement financing was established. The study presents contemporary positions on the availability of home improvement loans, loan product description, terms and conditions associated with the loans, the eligibility and documentation requirements. The commonalities and differences in loan improvement products across four typologies of housing finance institutions have also been ascertained. This chapter uncovers the potential for addressing inequalities in accessing formal housing finance products by bringing attention to the market environment. Simultaneously, it confirmed the persistent inability of traditional finance to accommodate informal communities.

All financial institutions have home improvement loans that low-income earners could take up but are not necessarily suitable for informal property owners in informal communities. The microfinance banks were found to be quite agreeable to loan offers to those employed in the informal sector, which is embedded in their corporate strategy but the requirement of legal titles limits access to loans by owners of informal properties. As expected, access by low-income earners is also hinged upon meeting specific eligibility requirements. However, there were concerns about access by people who are not of the same religious persuasion as the parent company of a financial institution and access by people who are non-staff of the parent institution of another financial institution. Thus, inequality may inevitably be introduced into the market-based system whether the loan seeker possesses the effective demand for the loan product or not.

Across the four typologies of financial institutions studied, evidence of ability to pay back loans, age of adulthood and account with the financial institution for a predetermined number of months are general requirements for obtaining housing improvement loans. The federal mortgage institution shows some uniqueness and flexibility in the off-taker profiling by offering loans to couples so that the credit profiles of both partners are factored into the loan offer to improve access.

However, there is much diversity in the types of loan improvement loans offered, even though products are identifiable as soft loans granted to individuals for home improvements such as renovations, expansion and improvement. Some products possess some differentiation that fit the cultural attributes of property ownership in Nigeria, such as family houses with multiple ownership claims. Diversity also exists in terms of the structure of loans offered, especially in terms of collateral, interest rates and tenor. The microfinance institutions provide the lowest interest rates, while the federal mortgage offers the longest tenor and the most flexibility in terms of collateral. The federal mortgage institution accepts credible guarantors rather than the property as collateral for the loan. It is recognised that product differentiation is a strength in market systems generally, and this would enable low-income households to explore alternatives that fit their circumstances.

The availability of alternative products might balance the inequality in access to housing financial products generally experienced by low-income earners in the formal housing market. However, the diversity might also hinder accessibility in another sense since market information is often opaque, and low-income earners would have to negotiate and navigate the differences across multiple financial institutions. The limitations of digital knowledge, market information and personal risk-taking appetite are potential factors that could limit the uptake of home financing loans. It is required that financial institutions should get to the grassroots with their product marketing. In addition, products that are easy to access should be provided with digital technologies already known to be popular with the low-income market. As expected with market-based financing, the macro-economic conditions that promote double-digit interest rates present a significant disincentive to loan uptake by low-income earners. This calls for safety nets suited for low-income earners, which would become operational when interest rates approach a predetermined rate. Alternatively, emerging non-interest financing models in the Nigerian housing finance sector could present a mechanism for accessing home improvement loans. A third alternative is for financial institutions to rethink loan product development by offering geographically differentiated loan products that would allow standard loans to be adapted to property owners in informal communities.

The most significant hindrance to home improvement financing is closely related to evidence of legal ownership of land, which is a condition that also limits access to construction loans. Legal land ownership is a contentious requirement that is also associated with the informal sector's lack of access to formal financial products. All financial institutions are required to mitigate against the risk of government appropriation of the property during the tenor of the loan. This demands the evolution of recognition of other rights of occupation other than the hard to obtain a certificate of occupancy associated with secure land tenure in Nigeria. Arguably, in this direction, the need for social re-engineering on land rights is inevitable in any attempt at equitable loan products for improvement at individual home and neighbourhood scales.

In conclusion, the absence of neighbourhood-based home improvement loans limits the feasibility of these loan products for regeneration. A gap that remains unfilled in loan offerings is for financing neighbourhood scale improvement, where groups of residents such as community development associations, residents' associations or landlord associations and other housing occupier groups can access loans to uplift their general surroundings. Access to such loans can help to release funds needed to repair neighbourhood roads and drainage, provide night-time lighting, extend water supply into homes, and provide other essential facilities that change the outlook of neighbourhoods. The ability of the financial institutions to respond to this gap for which there is a latent market, given the scale of un-serviced communities, would be determined by a combination of regulatory and market-driven processes that presents directions for further investigations. In any case, the existing gap creates opportunities for deepening the market with an equitable and co-produced product that all stakeholders can take advantage of.

Endnotes

1 Further explanations on the original work as published by Psychology Today https://www.psychologytoday.com/us/basics/broken-windows-theory.

2 At Central Bank of Nigeria official rate of ₦415 to $1 as of 20th July 2022 https://www.ngnrates.com/market/exchange-rates/us-dollar-to-naira/cbn-central-bank-of-nigeria

References

Abiodun A. (2000): *Housing Finance under National Housing Fund*: An appraisal paper presented at the General Meeting of the Nigerian Institute of Town Planners.

Afolayan, A. & Etoniru, O. (2016). Assessment of the Factors Affecting Housing Maintenance Cost in Lagos, Nigeria. (G. K. Babawale, Ed.) Journal of Contemporary Issues in Real Estate, 3(1), 78-88.

Amidu, A. R. & Aluko, B. T. (2006). Performance Analysis of Listed Construction and Real Estate Companies in Nigeria. *Journal of real estate portfolio management*, 177-185.

Arilesere D. (1997): Housing Finance in Nigeria: A paper presented during NIOB Organized workshop on Affordable Housing. Lagos.

Blackman, T. & J. Harvey. (2001): Housing Renewal and Mental Health: A Case Study. *Journal of Mental Health* 10(5): 571-583.

Breysse, P., N. Farr, W. Galke, B. Lanphear, R. Morley, & L. Bergofsky. (2004): The Relationship between Housing and Health: Children at Risk. *Environmental Health Perspectives 112*(15): 1583-1588.

Carp, F. M. (1975): *Impact of Improved Housing on Morale and Life Satisfaction*. Gerontologist 15(6): 511-515.

Deininger, K.W. (2003). Land policies for growth and poverty reduction. *World Bank Publications*, 1-292.

Doling J., Vanderbeg P., & J. Tolentino J. (2013): *Housing and Housing Finance: A Review of the Links to Economic Development and Poverty Reduction*. ADB Economics Working Paper Series. No. 362

Earley, F. (2004). What Explains the Differences in Homeownership Rates in

Europe? *Housing Finance International, 19*(1), 25-30.

Glaeser, E. & Gyourko, J. (2017). The economic implications of housing supply. *Zell/Lurie Working Paper#802*

Holland, S., Burgess, S., Grogan-Kaylor, A. & Delva, J. (2010). Understanding neighbourhoods, communities and environments: new approaches for social work research. *British Journal of Social Work, 41*(4) 689-707. DOI:10.1093/bjsw/bcq123.

Kondo, M. C., Keene, D., Hohl, B. C., MacDonald, J. M., & Branas, C. C. (2015): A difference-In-differences study of the effects of a new abandoned building remediation strategy on safety. *PLOS ONE 10*(8): e0136595. https://doi.org/10.1371/journal.pone.0136595

Lagos State Ministry of Economic Planning (2013). *Lagos State Development Plan 2012-2025*. Lagos, Nigeria: Ministry of Economic Planning

Lee, R (1987). *Building Maintenance Management*, 2nd Edition. London: Granada.

McCord, M. (2011). The implications of mortgage finance on housing market affordability. In McGonigle, G. C. M. & J. Kirby (Eds.). (1936): *Poverty and Public Health*. Golantz, London

Napier, M. (2007) *Informal Settlement Integration, the Environment and Sustainable Livelihoods in sub-Saharan Africa*. Council for Scientific and Industrial Research in South Africa (CSIR)

Nubi, T. (2015, August). *Housing beyond bricks and mortar.* Paper presented at an inaugural lecture of the University of Lagos, Lagos, Nigeria.

Okupe L. (2000): *The Role of Private Sector in Housing Delivery in Nigeria*; A seminar paper on: Effective Approach to Housing Delivery in Nigeria, Organized By Nigerian Institute of Building, Ibadan.

Onwuanyi, N. (2019, October 5). *The unplanned journey led Lagos to become an overwhelmed megacity*. Retrieved from Quartz Africa: https://qz.com/africa/1722706/how-lagos-became-africas-largest-megacity/

Oyalowo, B. A. (2018) An Assessment of Cooperative Societies and Housing Supply in Lagos State. A Thesis Submitted to University of Lagos School of Postgraduate Studies PhD Thesis, 259p.

Oyalowo, B. A., Muraina, O. A., Nubi, T. G., Okegbenro, T. (2019). Borrowing constraints in homeownership and improvement in a Lagos housing sub-market. Housing Finance International, Q2 (2019), 45-53. https://www.covip.cl/wp-content/uploads/2019/07/HFI-2-2019.pdf#page=45

Oyalowo B., Akande L., Lawanson T. O., Elias P., Ojebode A., Nubi T. (2020): Toolkit for Conducting Neighbourhood Level Research: A compilation of papers presented at the SHLC-ESRC-UKRI-GCRF- funded 'Strengthening Neighbourhood Level Research Capacities for Sustainable Cities in Fast Growing Nigerian Cities'. 7 to 11 November 2019; Valley Front View Hotel, Ikeja Lagos.

Rodríguez-Planas, Nuria (2018). Mortgage Finance and Culture, IZA DP No. 11316 DISCUSSION PAPER SERIES: IZA-Institute of labour Economics#

Takano, T. & K. Nakamura. (2001): *An Analysis of Health Levels and Various Indicators of Urban Environments for Healthy Cities Projects.* J Epidemiol Community Health 55:263-270.

Thomson, H., & Pettigrew M. (2005): *Is Housing Improvement a Potential Health Improvement Strategy?* Health Evidence Network Report, WHO Regional Office for Europe, Copenhagen.

U.S. Bureau of the Census (April 1976). Construction Reports: 1975 Annual Report. Residential Alterations and Repairs. Expenditures on Residential Additions, Alterations, Maintenance, and Repairs and Replacements. U.S. Department of Commerce, Washington, D.C.

UN-Habitat. (2013a). *Planning and design for sustainable urban mobility: Global report on human settlements 2013*. Nairobi: UN-Habitat.

UN-Habitat. (2013b). *Streets as public spaces and drivers of urban prosperity*. Nairobi: UN-Habitat.

UN-HABITAT 3. (2015) *22-Informal Settlements.* New York

Van Ham, M., Manley, D., Bailey N., Simpson, L. & Maclennan, D. (2013). *Understanding Neighbourhood Dynamics New Insights for Neighbourhood Effects Research*. Springer

Wells, N. M. (2000): *At Home with Nature: The effects of nearby nature on Children's Cognitive Functioning.* Environment & Behavior 32:775-795.

Wilner, D. M., R. P. Walkley, T. Pinkerton, & M. Tayback. (1960): *The Housing Environment and Family Life. A Longitudinal Study of the Effects of Housing on Morbidity and Mental Health.*

Wilson, J. Q. & Kelling, G. L. (1982): *Broken Windows.* The Atlantic Online. http://www.theatlantic.com/doc/print/198203/broken-windows