



# **Housing** *Today*

**The Journal of Association of  
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## AFFORDABLE HOUSING DELIVERY IN NIGERIA: STRATEGIC DIRECTION FOR FEDERAL HOUSING AUTHORITY AND STATE HOUSING CORPORATIONS

By

Timothy Gbenga Nubi (Ph. D) & Yacob Abiodun

### Background

*Housing remains one of the basic needs of man. Its supply both in quantity and quality had been a major concern to most people in most places at different times in human history. Unfortunately, as urbanization and globalization deepens, so also is the problem of housing getting worse. This paper examines the current housing problem in Nigeria viz-a-viz past efforts at solving it. The authors worked with the Technical Board of Federal Housing Authority between 2006 and 2007. During the tenure of the Board, efforts were made to put in place a Blue Print towards a sustainable affordable housing delivery in Nigeria in line with the new direction of the Federal Government. It is our belief that the model presented in this paper will go a long way to resolving the nation's housing problem. The states Housing Corporations are also encouraged to adopt it at the state level to ensure a quick spread of the gains of the model across the country.*

### INTRODUCTION

Housing is globally acknowledged as a process as well as a product. As a process, it involves a large number of human resources that ranges from professionals such as surveyors, planners, architects, builders and engineers; skilled labor such as carpenters, bricklayers, electrician, plumbers, etc and unskilled labour. The engagement of these large numbers of people will help to solve problem of chronic unemployment and poverty in the country. As a product, the sale of houses and its management is a whole web of business through the development of the real estate market, mortgage sector, facility management, land administration and building construction etc. the housing development process can be used to **kick start an industrial revolution in the country.**

Overwhelming evidence indicates that housing construction has a strong accelerating effect on economic growth. Given the right focus and commitment, a buoyant housing sector will contribute to significant growth in GDP, employment generation, poverty reduction and the promotion of social welfare thereby addressing the MDGs (Goal 7, target 11). It is pertinent to note that there are tangible benefits derivable from a robust social housing stock, enhances tax base of government, and promotes sustainable development through urban renewal and its attendant multiplier effect on the national economy. This emphasizes the need for government intervention in the housing sector as an enabler and also fulfilling its social responsibility to the citizenry.

Research has demonstrated that housing has the potential of becoming an engine of economic growth because of its high yield on invested resources, a high multiplier effect, and a host of forward and backward linkages in the economy. Both building construction and real estate constitute an important sub-sector of the economy as they are important contributors to the generation of employment. In 2001 and 2004, real estate contributed N219 billion and N444.68bn to the GDP respectively, while the contribution of building construction during the same period rose from N30.6bn in 2001 to N80.1bn, more than doubling over the period. Presently, the informal sector is largely responsible for activities in the housing sector and there is need for the formal sector to provide leadership in the housing sector.

### The Nigerian Housing Need

Decent and adequate shelter is one of the basic needs of the individual, family and the community. As the house and the residential environment have profound influence on human health, efficiency, social behaviour and satisfaction, the importance of providing an adequate number of dwellings, which satisfy reasonable standards of comfort and hygiene and also contain essential utilities and services for community life, cannot be overemphasized. Housing is a universal basic need and therefore the lack of it is one of the



worst forms of poverty

An overview of the housing sector in Nigeria clearly reveals that access to adequate and affordable housing remains elusive to many Nigerians both in the urban and rural areas. The supply and demand disequilibrium for housing has continued to widen as population growth continues to outpace the production of housing units.

About 60% of the present population of 140 million lack "adequate housing" in Nigeria with the current housing deficit estimate at **12 million units**. While housing inadequacy is felt more by the less advantaged groups (low income, displaced, youths, elderly, physically challenged etc), even more Nigerians are impacted. This deficiency and the projected demographic trends points to the need for several million housing units to be built across the country in the coming years.

The housing problem is more acute in urban than in rural areas, where annual growth is in excess of 5.8% per annum in fast growing urban areas such as Lagos, Kano and Port Harcourt. Globally, the Sub-Saharan Africa has the highest proportion of slum dwellers with a figure of 71.8% and annual growth rate of 4.53%. In Nigeria the slum population is put at 70% with a higher annual growth rate of 4.55%. The slum population in Nigeria has been growing at an astronomical rate rising from 24.1 million in 1990 to almost 51 million in 2005. The poor state of housing in Nigeria is reflected in table 1. While mortgage constitute more than 70% of GDP in advance economies, it is less than 0.8% in Nigeria.

#### Residential mortgages as percentage of GDP

Rank	Country	%
1	Denmark	87.5
2	USA	71.0
3	UK	70.4
4	Germany	54.3
5	Portugal	50.6

6	Sweden	50.0
7	Ireland	45.0
8	Spain	42.1
9	Finland	35.6
10	Hong Kong	31.0
11	Nigeria	<0.8

Source: UN-HABITAT 2005 Report on "Financing Urban Shelter" p29

The widespread development of slums nationwide is the physical manifestation in towns and cities of poverty in its entire ramification. Slums are a very significant visible dimension of urban poverty as the relationship between housing, sustainable development and poverty is interwoven.

#### Failure of Past policies

The history of housing development in Nigeria of both the public and private sectors reveals that effective solutions to housing problems are yet to be found. Recognizing housing as a basic human need, past and present governments have enunciated various public policies and programmes aimed at solving housing problems plaguing the nation. Such policy interventions ranged from the use of local building materials, strengthening of housing financial institutions, amendment of the Land Use Act, adoption of realistic building/housing design standards, infrastructure development, alternative strategies to housing delivery (site and services), appropriate institutional framework, research and development of local building materials etc. However, the aspiration of the average Nigerian for adequate housing has not been met.

In spite of all the various interventions, the housing situation in Nigeria has remained in a very deplorable state. With the accompanying high rate of urbanization, it has emerged as one of the major problems facing Nigeria, most especially in the urban areas. The increasing number of the less privileged population with no shelter at all and the percentage of



inhabitants living in slums and squatter settlements justify this fact. This number will continue to grow in the years ahead unless remedial measures are taken to stem the trend. This informs the need for a viable option for mass housing provision for the less privileged majority in Nigeria.

### **Social Housing: Solution to National Housing Crisis.**

The major premise for the proposed social housing drive to be championed the Federal Housing Authority (FHA) is that majority of Nigerians do not have access to affordable and decent housing via existing structures of housing provision in the country. Furthermore, where citizens have access to decent housing, it is via rental rather than home ownership. These facts about Nigeria housing conditions have placed the country far below global norms in national housing provision and require concerted implementation efforts of a novel strategy to address them. Consequently, the social housing scheme has been proposed for FHA as a sustainable solution through which the challenges of housing can truly be addressed in Nigeria, with adequate government support.

Furthermore, the proposed social housing scheme will also ensure that the less advantaged group (low income earners, youth, physically challenged etc) own decent, safe and aesthetically pleasant accommodation at accessible cost as opposed to affordable cost. This fits in perfectly with the globally agreed role and responsibility of Government to provide a safety net for the vulnerable segments of its population.

Beyond the obvious merits of national housing provision and reduction of the country's housing deficit (currently estimated at 12 million units), focused implementation of the housing program also shows great potential to contribute significantly to GDP growth, employment generation, poverty reduction and the promotion of social welfare. Provision of adequate shelter is therefore critical for achieving sustainable development and poverty reduction and indeed represents a viable strategy for government to achieve

the Millennium Development Goals (MDGs), directly or indirectly

### **Reforms in the Nigerian Housing Sector (1999 – 2006)**

For any Nation, the issues of housing and development are paramount as they affect the lives of the citizenry. They also serve as indicators of how well the citizens of a nation live, the buoyancy or otherwise of its economy and the overall sustainability of its environment. For development to take place and likewise be sustained, no government in a democratic dispensation can lay claim to have impacted in a positive manner on the lives of the citizenry who gave it a mandate except it addresses adequately and solves for a majority of its citizens, the twin problem of shelter and good living conditions. The Nigerian government under the leadership of Chief Olusegun Obasanjo demonstrated full appreciation of this fact, and made effort to address the housing issue.

Accordingly, a gamut of policy interventions and reforms has been undertaken by government in the last eight years, aimed at ameliorating the housing crisis plaguing the country. These include the following:

- a) Presidential Committee on Housing and Urban Development set up on May 21, 2001 to review existing policies on housing and urban development, and formulate a new policy for the two sectors.
- b) Presidential Technical Committee on Housing and Urban development set up in January 2002 to work out the organizational structure of the newly created Federal Ministry of Housing and Urban development; and to also restructure all the parastatals of Government with housing – related functions viz: FMBN, FHA and UDBN.
- c) Establishment of a Federal Ministry specifically for Housing and urban Development in August 2003
- d) Restructuring and Repositioning of the Federal Mortgage Bank of Nigeria (FMBN) in 2003 for effective performance. FMBN now has a new organizational structure for secondary



mortgage and capital market operations. The bank has been re-capitalised from N100 million to N5 billion under a new ownership structure comprising Federal Government 50%, CBN 30% and NSITF 26%.

- e) Establishment of Real Estate Developers Association of Nigeria (REDAN) in May, 2002 for mass housing development.
- f) Establishment of the Building Materials Producers Association of Nigeria (BUMPAN) in March, 2004 to enhance domestic production of building materials in a coordinated and regulated manner.
- g) Legislative amendments to seven housing related laws which include the FMBN Act 1977, The Insurance Act 2002, The Investment and Securities Act 1999, The Mortgage Institutions Act 1989, The National Housing Fund Act 1992, The Nigeria Social Insurance Trust Fund Act 1993 and The Trustees Investment Act 1962.
- h) Promotion of Public-Private Partnership (PPP) in housing delivery. Memorandum of Understanding (MOU) had been signed with over 50 Real Estate Developers in the last four years and some of the private developers have started building mass housing sequel to land allocation by Federal Ministry of Housing and Urban Development (FMHUD).
- i) National Housing Fund management and operations have been reformed to make the fund easily accessible to prospective borrowers. Since 2006, interest loan on estate loan has been reduced from 15% to 10% and on loan to individual contributor from 9% to 6% per annum with a longer repayment period of 30 years as against 25 years previously.
- j) National Technical Committee on Niger Delta was set up in July 2006 to develop a framework for the implementation of housing programme in the Niger Delta Region.
- k) Diagnostic review of the Federal Housing Authority (FHA) was

conducted by KPMG an international consulting firm in 2005 focusing on FHA's mandate and operational framework. On the recommendation of KPMG report, a new mandate was approved by Government for FHA to henceforth focus on social housing provision for low and middle income groups and special groups e.g physically challenged, elderly, widows, youths etc.

### **FHA New Mandate and Strategic Direction**

In line with the reform of Federal Government, the housing industry driven by the diagnostic review of the FHA by KPMG- an international consultant in 2005, the Federal Executive Council (FEC) approved the restructuring and transformation of the Federal Housing Authority (FHA), and set up a Technical Board to reposition the Authority. The mandate of FHA as approved by the FEC describes the Authority as; "AN organization focused on the provision of social Housing to low and middle income groups and special groups (old people etc) of the economy and commercial sites and infrastructure services to middle and high income groups of the economy in all states of the Federation and the Federal capital Territory"

Based on the new mandate; a new strategic direction was defined for the Authority encompassing new vision and mission statements as follows:

**Vision:** To be the leading facilitator of access to sustainable housing solutions in Nigeria and become a model government agency in the world.

**Mission:** To promote housing delivery in sustainable settlements through cooperatives and other end-user driven initiatives, as a catalyst for socio economic development in Nigeria.

To implement this strategic direction, the new role of FHA as defined in the implementation of social housing will be focused on:

- i Identifying intervention opportunities for increasing housing stock through new buildings or upgrading
- ii Evaluating Housing Development proposals from end users; and
- iii Supporting end users in form of:



Training, Technical Assistance, Funding Application, Community Management, Monitor Development of the housing projects and capacity building and research towards accelerated housing delivery.

### Objectives of Social Housing

The key policy objectives of the proposed FHA's social housing framework are to:

- Provide a sustainable approach for reducing the huge housing deficit (estimated at about 12 million) and demonstrate the political will of Government to ensure provision of decent housing as a social responsibility to its citizenry,
- Promote and support end-user driven initiatives in housing delivery e.g. use of housing cooperatives.
- Facilitate access to funding from social housing financiers and multilateral agencies,
- Promote and support public-private sector partnerships in social housing delivery and
- Contribute to urban regeneration/redevelopment and slum upgrading.

In line with these policy objectives, it is highly imperative that FHA should not deliver less than two (2) million housing units across the country within the first five years with at least ten thousand (10,000) units in the first year of its operation in social housing.

### Social Housing Framework

The key thrusts that will drive FHA's activities in executing its social housing mandate have been defined in a framework that is unique to the Nigerian context. The draft social housing framework defines the key elements, target population, and proposed funding and delivery mechanisms, the key elements of the framework are sustainability, end-user driven approach, focus on low and middle income groups, focus on consumers with predictable income source, delivery of house ownership, and use of targeted subsidies to specific income groups. The target groups defined include public sector employees, private sector workers, informal sector, displaced people and special groups including elderly, youth hostels, the homeless and disadvantaged locations such as the Niger

delta creeks, deserts etc.

### SOCIAL HOUSING DELIVERY MODELS

To deliver 2 million housing units within the time frame of 5 years requires mobilizing all available resources and exploiting every possible avenue. Five different models had been identified through which social housing shall be delivered. They are:

#### *Cooperative Home Ownership Incentive Scheme (CHOIS)*

This is fully discussed in the next section. It is the traditional method of people coming together to solve their housing need.

#### *Objectives of CHOIS*

In order to facilitate public enlightenment, the housing cooperatives initiative is branded as "Cooperative Home ownership Incentive Scheme (CHOIS)", with the catch phrase "Supporting the people's housing choice". The concept is to achieve the following objectives.

- To create a sustainable model for government intervention in housing delivery and urban management based on end users initiatives.
- To promote a viable national template to actualize effective housing delivery through cooperative.
- To become the dominant mode of housing delivery in Nigeria for medium and low income households.

### Slum Upgrading

The menace of slum in most urban centres of Nigeria has reached an alarming proportion causing a national embarrassment. The usual characteristics of slum are that they harbour drug addicts, commercial sex workers and criminals which call for urgent attention. In the year 2000, Nigeria along with 52 other nations subscribed to the Millennium Development Goals (MDGs) which has its section 7 article 11 devoted to improving the lives of 100 million slum dwellers. In order to achieve this development target, FHA plans to mobilize landlords into Associations for urban renewal and community management.

### Supported Housing

This group will seek to address the problem of Niger Delta, the street beggars and street boys and girls popularly referred to as "Area Boys" in the south and "Almanjiris" in the north.



Special housing projects will be developed for this group with facilities for skill acquisition. Addressing the housing needs of this special group has been successfully utilized in various developed countries to solve the problem of youth delinquencies, crime and unemployment. The problem of Niger Delta which has reduced the level of the nation's oil production by 26% requires urgent attention. We are convinced that supported housing can resolve some of these problems.

### **New Town**

Some of the gains of mass production of affordable housing as mentioned earlier are first, the inherent opportunity to enforce the National Building Code for orderly spatial development and second, the prospect to discourage urban sprawl. FHA plans to acquire land in locations with effective demand for social housing, prepare a comprehensive Master Plan and basic primary infrastructure before allocating the parcel of land to social housing providers who will only develop the secondary infrastructure and the houses. New Town development allows for agglomeration of housing development, a prerequisite for housing industrialization. It will also make it possible for us to be proactive in determining the direction of our urban growth thereby creating liveable sustainable human settlements.

### **Housing Associations**

Housing associations are very popular mode of affordable housing delivery in developed economies, such as UK and the United States of America. This category of housing often leverage on government subsidies and support. FHA plans to consciously develop this model in Nigeria. Faith Based Organisations will be encouraged to set up Housing Associations to build houses for their teeming population. YWCA offers a renaissance of this approach with their Youth Hostels all over the world. Employers of Labour will equally be encouraged to form Housing Associations for their employees. Existing cooperatives will also be encouraged to form secondary cooperatives after meeting the need of its members. This will afford them to use their acquired housing development skills.

## **COOPERATIVE HOME OWNERSHIP INCENTIVE SCHEME (CHOIS)**

### **CHOIS Concept**

End-User participation and drive has been defined as a foundational element of FHA's social housing program. To achieve this, the use of Housing Cooperatives has been defined as the delivery mechanism for the proposed social housing program.

This approach is designed to address lessons learnt from the failure of past housing programs as a high proportion of the target population never had access to the houses developed due to lack of adequate end user participation. Non-involvement of end users in the housing delivery process often leads to increase in the cost of construction and large numbers of unoccupied houses in the midst of acute shortage in our urban areas. This justifies the new focus on end-user driven programs through cooperatives which ensure ownership of every project right from the point of conception.

Housing cooperatives are defined as registered voluntary associations of individuals, who have come together to promote the housing interest of their members. This concept shows great potential due to its ability to build on the well established cooperatives network across the country thereby ensuring a national spread of the housing program within a short period of time.

### **Access to CHOIS for the Nation.**

In implementing the CHOIS program, various avenues have been defined to facilitate access by the targeted end-users. These are:

### **Existing Cooperatives**

There are quite a large number of cooperatives in Nigeria today currently operating as credit unions and thrift societies within the formal and informal sectors of the national economy. Many of these have embarked upon housing projects for their members but failed to deliver on large scales due to their poor access to structured finance, land and technical support. Based on our strategy, this group only requires support and



will form the bedrock of the first year operation of FHA. We already have applications for **12,000 housing units** from this category and believe that it will increase as soon as the operations commence in the regional offices.

### Key Workers Program

The recent monetization policy of government involving sales of Federal Government Staff Quarters to their present occupants is laudable. However, adequate considerations must be made to ensure the next generation of civil servants – key workers in our urban centers – is adequately housed. Failure to this will create serious socio-economic problems in the near-term with majority of the key workers living outside the urban centres where they serve.

The CHOIS program of FHA is positioned to provide a sustainable approach to address this need, in line with best practices of providing for key workers and low income earners all over the world. Key workers include police, medical officials, teachers, junior government officials, etc.

### Trade Union Associations

In order for the social housing drive to be all-

of the informal sector. To ensure sustainability and effectiveness in this regard, implementation of the CHOIS initiative will be driven through this group. These categories have large membership and a strong demand potential. FHA will provide necessary support as required.

### Employee Housing Scheme

The Employee Housing Decree of 1979 mandated every employer of 50 and more employees to develop staff housing estates. The Satellite Town in Lagos is the only legacy of this decree but FHA intends to actualize the intent of the Decree, through encouraging employers to mobilize their workers into cooperatives, and provide every support necessary to achieve home ownership.

### Mobilisation for the Pilot Project

The Authority has set a goal to deliver 2 million housing units in five (5) years with 10,000 houses in the first year. Under the Cooperative Home Ownership Incentive Scheme (CHOIS) pilot projects are being packaged to drive the Social Housing Program. At an average cost of N2.5m per unit, the sum of Twenty Five Billion Naira would be required in the first year for 10,000 houses. The table below shoes the summary of the distribution of the 10,000 housing units within the six geopolitical zones and the actual number of applications received from the cooperatives across the country till date.

encompassing, it would also address the need

**Table 2: SUMMARY OF PROPOSED COOPERATIVE HOME OWNERSHIP INCENTIVE SCHEME (CHOIS) FOR 2007.**

S/N	Zone	Housing Units proposed Development		Received Application	
		Propo sed	Amount @ N2.5m/unit ₦	No of Units	Loan Amount ₦
(a)	(b)	(c)	(d)	(e)	(f)
1	FCT, Abuja	2,000	5,000,000,000.00	1,201	5,314,282,149.06
2	North Central	1,000	2,500,000,000.00	717	1,833,069,369.40
3	North West	1,000	2,500,000,000.00	1,442	2,318,080,000.00
4	North East	1,000	2,500,000,000.00	291	831,700,000.00
5	South West	2,000	5,000,000,000.00	180	725,000,000.00



	(Lagos)				
6	South East	1,000	2,500,000,000.00	364	1,916,000,000.00
7	South South (Niger Delta)	2,000	5,000,000,000.00	6,330	3,076,151,723.56
8	<b>GRAND TOTAL</b>	<b>10,000</b>	<b>25,000,000,000.00</b>	<b>10,525</b>	<b>16,014,283,242.02</b>

Source: Federal Housing Authority (2007)

The first batches of applications for 6 cooperatives requesting for a total number of 524 housing units with a total value of (₦2.66bn) are currently being processed by Federal Mortgage Bank of Nigeria (FMBN). While this project represents a good starting point for implementing the scheme, it will also present the opportunity to confirm the adequacy of the National Housing Fund (NHF) to fund the nation's housing requirements.

Based on the large scale of housing programs proposed by FHA, there is a need for government intervention. In view of competing demands for government resources, part of the required funding would be sourced from the private sector. However, contributions by Government would facilitate take-off of the program and encourage others to invest in the scheme.

### Government Funding

Funding is an important element to ensure success of this initiative. As part of the funding mechanism, the Authority is requesting that the Federal Government set aside 20% of the revenue from the sale lease or redevelopment of government landed properties across the country. The fund (Social Housing Trust fund) would be treated as a revolving fund for social housing delivery, and will encourage private sector participation in the fund. Furthermore, the contribution could be reviewed as partial re-investment of the proceeds of previous Government investment in housing.

### Financing Affordable Housing The National Challenge

The success recorded on various efforts made in the past to build an efficient housing

finance system in Nigeria is evidenced of the disconnection between its component parts. This disconnection is obvious in the administration of the National housing Fund which over time has limited access by the targeted low and middle income earners that constitute about 70% of the contributions to the Fund.

As part of the policy reforms of Federal Government, several efforts have been made to re-engineer the mortgage finance system in the country in line with the best practices of housing finance in most countries. Notable among these efforts include the restructuring of Federal Mortgage Bank of Nigeria (FMBN) under the able leadership of Professor Mabogunje and the setting up of National Committee on Mortgage Finance chaired by Mallam Nasir El Rufai. The recommendation of the committee to the FEC was that government should inject funds to kick start the mortgage finance system.

### Sustainable Solution: A Road Map

As part of the efforts towards achieving the government goal of sustainable housing finance, FHA and FMBN in January 2007 set up a joint committee to develop a model that will enable housing cooperatives have access to the National Housing Fund to the develop the much desired robust mortgage finance system. Figure 2 below shows the model of interaction between the main actors in the cooperative housing finance system. It is important to emphasize that under the arrangement; the fund should reside with CBN/FMBN and will be released to the PMIs who will later release it to the Social Housing Development Agents while FHA will act as guarantor and quality assurance agent. The involvement of all the stakeholders ensures checks and balances.



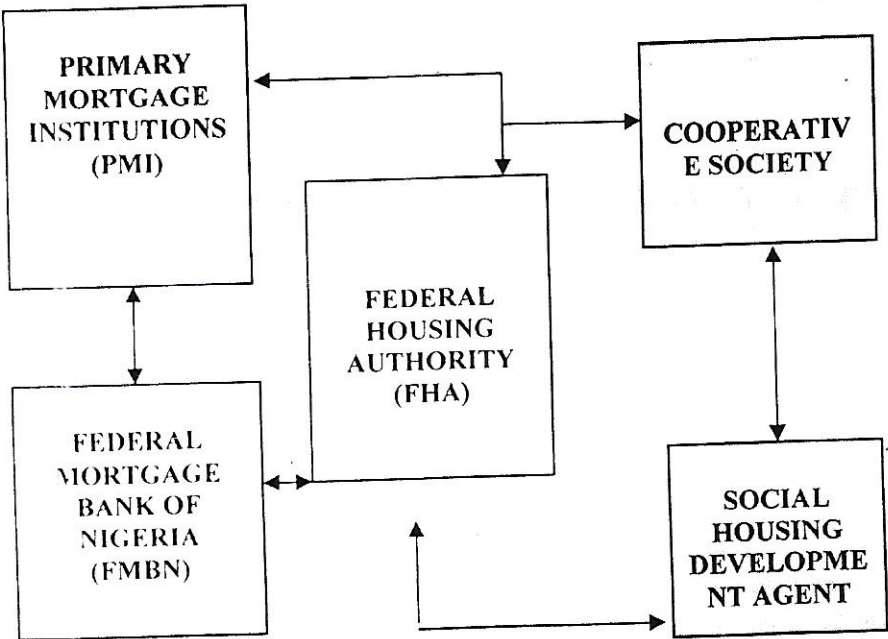


Figure 1: Model of Interaction between Main Actors in Cooperative Housing Finance by P.O. Reis and T.G. Nubi (2007)

Definition of Roles

It was resolved at the meeting that the following roles should be specified for each member of the tripartite arrangement for smooth operation and workability of the programme and thus the following definitions were adopted:

- a. Loan Initiator (Originator): The Loan Initiator is defined to be the Cooperative society who is expected to collect applications for Home Ownership from its members and present a single application to FHA.
- b. Loan Guarantor: FHA is defined as the loan guarantor, which include

- c. regulation and processing of applications submitted to it by Cooperative Societies for onward delivery to FMBN.
- d. Loan Financier: FMBN is defined as the Loan Provider, which means that it will provide funds for all applications submitted to it by FHA on behalf of members of the Cooperative societies.
- e. Loan custodians: The Primary Mortgage Institutions (PMIs) are to be the Loan Custodians.
- f. Social Housing development Agents: These are builders and developers accredited by FHA: they would be responsible for physical construction of the houses and infrastructure.

The roles of key parties as agreed are as follows:

STAKEHOLDER	ROLES
THE COOPERATIVE SOCIETIES	<ul style="list-style-type: none"><li>• Create awareness of the existence of Home Ownership Loan windows to members who are contributors to the fund.</li><li>• Facilitate packaging of Loan Applications on behalf of its members.</li><li>• Provide all necessary information required by its members concerning their applications.</li><li>• Ensure compliance with all requirements for a loan from the</li></ul>



	<p>Cooperative Home Ownership Scheme.</p> <ul style="list-style-type: none"> <li>• Ensure loan repayment by members as at when due.</li> </ul>
<b>THE FEDERAL HOUSING AUTHORITY (FHA)</b>	<ul style="list-style-type: none"> <li>• Provide checklist of requirements for cooperative Societies wishing to access funds from Home Ownership Loan scheme</li> <li>• Regulate activities of the cooperative societies seeking for Finance from the Home Ownership Loan scheme.</li> <li>• Nurture the growth of the Cooperative Home ownership Scheme.</li> <li>• Provide Technical quality and Performance Guarantee (TQPG) to Cooperative societies wishing to access the Home Ownership Loan Scheme</li> <li>• Guarantee the loans given by the FMBN</li> <li>• Collect and appraise application for Home Ownership Loan from Cooperative Societies for onward delivery to FMBN</li> <li>• Monitor and ensure judicious utilization of funds disbursed to members of cooperative societies</li> <li>• Facilitate the appointment of PMIs for disbursement of funds secured from FMBN</li> <li>• Provide necessary technical support and information towards the growth of Cooperative societies.</li> <li>• Approve the social Housing development Agent that will be funded by the cooperative.</li> </ul>
<b>THE FEDERAL MORTGAGE BANK OF NIGERIA (FMBN)</b>	<ul style="list-style-type: none"> <li>• Appraise applications submitted by FHA on behalf of cooperative societies for Home Ownership Loan Scheme</li> <li>• Provide finance from the NHF at an interest rate of 4% for tenure of 30 years maximum to members of Cooperative societies.</li> <li>• Administer the fund obtained from government grant strictly for cooperative housing finance.</li> <li>• Assessment of applications.</li> <li>• Provide support for the nationwide campaign for cooperatives formation.</li> <li>• Embark upon aggressive campaign to bring all workers into NHF programme.</li> <li>• Approve PMIs that will be used to disburse funds to Social Housing Agents.</li> </ul>



	<ul style="list-style-type: none"> <li>• Monitor the repayment performance of cooperatives to PMIs</li> <li>• Work towards sensitization of mortgage portfolio within the next 5 years.</li> </ul>
<b>THE PRIMARY MORTGAGE INSTITUTIONS (PMI)</b>	<ul style="list-style-type: none"> <li>• Serve as custodian of funds accessed by cooperative societies from FMBN Home Ownership Window.</li> <li>• Disburse funds to the cooperative societies Social Housing Development Agents as approved by FHA</li> <li>• Collect loan repayment from cooperative societies members that benefited from the home Ownership Loan scheme</li> <li>• Provide information on the financial status of individual cooperative members to FHA and the cooperative societies' governing council</li> <li>• Execute a deed of legal mortgage between the PMI and members of the cooperative societies that are beneficiaries of the Home Ownership Loan Scheme.</li> </ul>
<b>SOCIAL HOUSING DEVELOPMENT AGENTS</b>	<ul style="list-style-type: none"> <li>• Embark upon the construction of houses and infrastructure.</li> <li>• Exploit the possibility of using alternative construction methods that will ensure a timely and cost efficient delivery of houses.</li> <li>• Maintain high standards in the quality of the houses.</li> <li>• Put in place post occupation maintenance policy.</li> </ul>

#### Other imperatives for success.

- a) The National Housing Fund Mortgage Loan should be made available to cooperatives with social Housing Initiatives which should be regarded as a distinct financing window. The window shall be called Cooperatives Home Ownership Loan (CHOL)
- b) The cooperative shall act as the Loan Initiator on behalf of its members while, FHA shall act as the Loan Guarantor and appraise their applications prior to submitting it to FMBN (the Loan Financiers). In this regard, FHA shall collate all required documentations and prepare a credit write-up (justification for the loan) for approval by FMBN.
- c) FMBN shall disburse loans through FHA's designated PMI who shall serve as Loan Custodians and execute a deed of legal mortgage with the end user. The PMI shall also be the receiving agents from the loan repayment.
- d) Interest rates on the CHOL shall be 6% (4% for FMBN who currently gets the NHF at 2.5% and 2% for both the PMIs and FHA).
- e) Under the current arrangement, loan repayment term cannot exceed the year the beneficiary is 60 years old. The option of loan amortization which allows a successor or heir of the beneficiary (21 years and above and younger than the beneficiary), to guarantee the tenor of the loan after the beneficiary is over 60 years can be adopted.



- f) A moratorium of 6 months shall be granted by FMBN before commencement of loan repayment.
- g) Technical Quality and Performance Guarantee (TQPG) shall be provided by FHA. FHA may also employ the use of Housing Management/Development Agents (to reduce overhead cost) to carry out routine inspection on development sites while they play an oversight role as well as take full responsibility for the total quality assurance of the project.
- h) Cooperatives will only be allowed to participate in the NHF Mortgage Loan window after three (3) months post certification, (all newly constituted cooperatives are expected to be in existence for a minimum period of twelve (12) months before certification). This represents a total of fifteen (15) months of existence.
- i) FMBN shall not incorporate the use of any grants from the government or other sources of fund (except the National Housing Fund (NHF)) in its product paper on the CHOL as a financing window to avoid ambiguity.
- j) PMIs need not engage in any form of marketing for the Home Ownership Loan scheme.
- k) The ratio of contribution by the cooperatives to loan requirements shall be 1:10
- l) PMIs shall not be entitled to charge Commission on Turnovers (COT) as this will reduce the value of the funds approved for the cooperatives.
- m) The Project Management fees which are included in the Bill of Quantities shall be used to fund the activities of the Social Housing Management/Development Agents and FHA monitoring team.
- n) Upon application, cooperatives shall submit a schedule of beneficiaries stating the names of individual members, age, income levels, projected cost of Housing Units, beneficiaries, etc
- o) FHA/selected agents shall be required to sign-off on various stages of development with the leadership of the cooperatives.

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