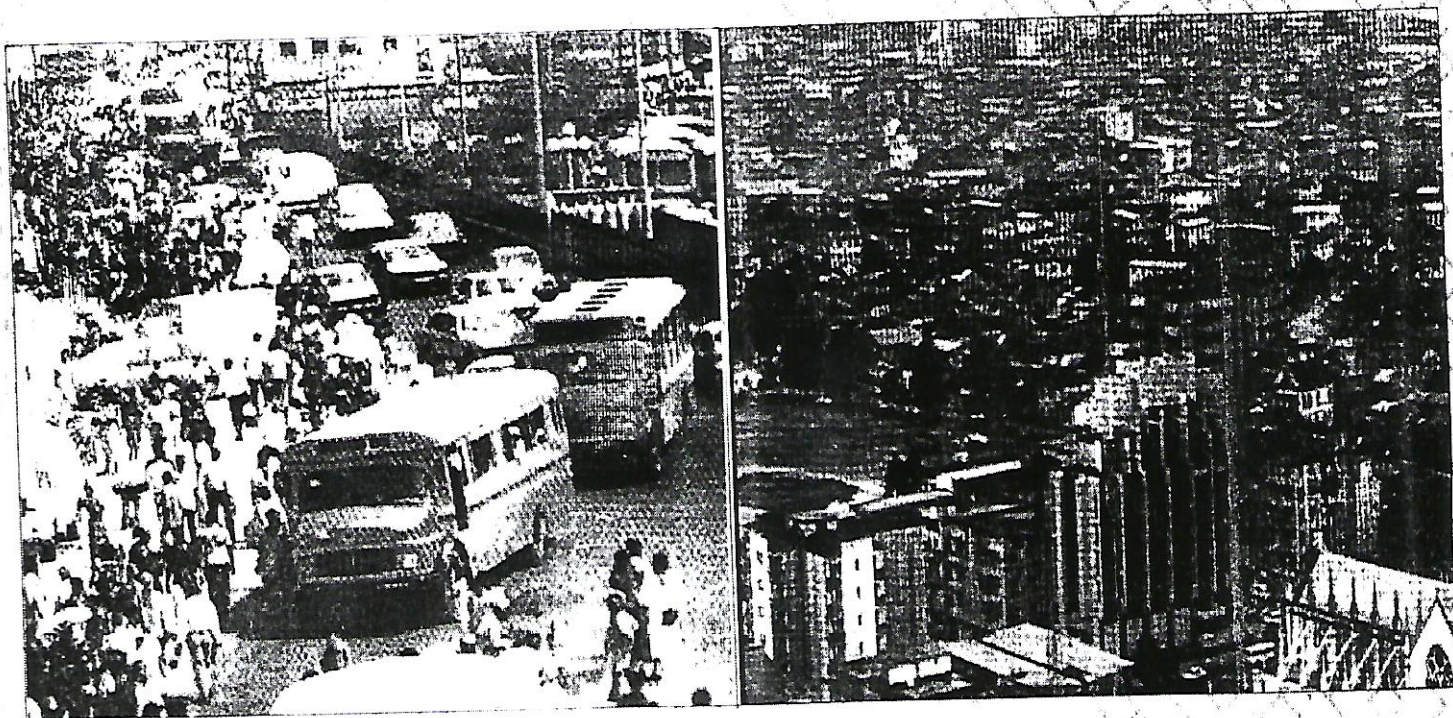


# THE CITY IN NIGERIA

Perspectives • Issues • Challenges • Strategies



Edited By: Dolapo Amole  
Ayo Ajayi  
Afolabi Okewole

# **The City In Nigeria**

## **Perspectives. Issues. Challenges. Strategies**

Proceedings of a National Conference organized by the Faculty of Environmental Design and Management, Obafemi Awolowo University, Ile-Ife and held at the Conference Centre, Obafemi Awolowo University, Ile-Ife, Nigeria. 9<sup>th</sup>-11<sup>th</sup> October 2002.

### **Editors**

**Dolapo Amole**

**Ayo Ajayi**

**Afolabi Okewole**

### Acknowledgements

Our sincere appreciation first of all goes to former Dean of the Faculty, Professor James Ighalo who sowed the seed for this Faculty Conference and to the present Dean, Professor Ayo Ajayi who nurtured it to reality. The faculty is indeed indebted to both of them for making it possible to have the first Faculty Conference at the ripe age of twenty. Our appreciation also goes to all the Professors in the Faculty especially Prof. Bayo Amole for his strong support. We are also grateful to so many reviewers within and outside the faculty.

Many thanks go to the following other members of the Conference Committee for their relentless efforts till the last minute:

Dr. Segun Ogunba	<i>Dept. of Estate Management</i>
Mr. O. Aina	<i>Dept. of Building</i>
Dr. O. Adeleye	<i>Dept. of Urban and Regional Planning</i>
Mr. Ade Yusif	<i>Dept. of Quantity Surveying</i>
Dr. Ademola Adejumo	<i>Dept. of Fine Arts</i>

Special thanks are due to the Obafemi Awolowo University and the friends of the Faculty for their financial support.

We would also like to appreciate our keynote speaker Professor Akin Mabogunje for obliging to address the conference. We must be one of the many asking for this favour.

Finally we wish to thank Mr Okunade, the Fine artist in the Department of Architecture for bailing us out always and to our assistants Ayo Oladejo and John Okpako for the editing and typesetting.



## Preface

This conference was organized to bring together scholars, bureaucrats and administrators from diverse fields to discuss the issues facing Nigerian Cities and also to suggest workable strategies for improving them. While as a Faculty we could have focused on other issues, the city seemed a very pressing and current issue and the only common ground for the varied disciplines in our Faculty.

The response to this conference was really encouraging as we received about seventy papers out of one hundred and twenty abstracts from all the regions of the country. What was more interesting was the fairly even attention given to all aspects of the city. This is an indication that there is a lot of concern for the city in Nigeria. Almost all the presenters are academics but we hope that the results of this conference would be sufficient to encourage them to participate in the future.

This monograph is divided into ten sections. The first section is the keynote address while the second contains the lead papers. The next eight sections, which contain the other papers are based on the sub-themes of the conference.

We hope that this monograph will be a very useful document for all those working to make our cities livable.

Dolapo Amole

## Table of Contents

<i>Acknowledgements</i> .....	ii
<i>Preface</i> .....	iii
<b>Part 1: Keynote address</b>	
<i>Prof. Akin L. Mabogunje</i> Re-constructing the Nigerian City: The New Policy on urban Development and Housing.....	1
<b>Part 2: Lead Papers</b>	
<i>Prof. Abumere</i> Governing the City.....	12
<i>Prof. O. Ogunba</i> The Meaning, Culture and History of the Yoruba City.....	9
<i>Prof. Agbola</i> Urban Land and Infrastructure: Issues, Challenges and Strategies in the Design and Management of Nigerian Cities.....	28.
<i>Prof. J.I. Ighalo</i> The Urban Economy, Urban Growth and Change.....	43
<i>Prof. John Godwin</i> The Architecture of the City.....	65
<i>Prof. Kunle Wahab</i> Urban Housing in Nigeria.....	73
<b>Part 3: Theoretical and Conceptual Issues</b>	
<i>Akinola, S.R (Dr.) and Salawu R.O</i> An Assessment of the Effectiveness of the Private Sector Participation (PSP) Initiatives in Solid Waste Management in Mushin Local Government Area, Lagos State.....	80
<i>Amole, Dolapo (Dr.)</i> Gender Issues In Low-Income Urban Housing In Southwestern Nigeria.....	88
<i>Odeyemi Yetunde</i> Urbanisation and Gender Inequality in Nigeria.....	97
<i>Okeke Donald Chiub</i> Urban Master Planning Approach In Nigeria: A Case For Reconsideration.....	104
<b>Part 4: Meaning, Culture and Recreation</b>	
<i>Adejumo, T.O</i> Development Strategy for Sustainable Public Park System in Metropolitan Lagos.....	112
<i>Akinyoyenu, Afolabi Festus</i> The Role of History, Culture and Meaning in Understanding and Defining Appropriate Strategies For The Survival of Nigerian Cities.....	121
<i>Ayantayo, Kehinde J.(Dr.)</i> Conservation of Cultural Heritage in Cities Through Renewal of Communal Ethics.....	128
<i>Fadamiro, J. A.</i> Open Space and City Development: An Empirical Analysis of Akure Urban Core.....	133
<i>Folarin, Agbo (Prof.)</i> The Cultural Transformation Of Ibadan: From War Camp To Metropolis.....	140
<i>Olajuyin L.O (Prof) and Omisore E.O (Dr.)</i> An Assesment of Conservation Of Cultural Heritage In The City Of Ile-Ife.....	144

## **Part 5: Urban Housing**

*Jaiyeoba, Babatunde and Amole, Dolapo*

A Critique of the Technology of Urban Mass Housing.....	152
<i>Okewole I.A (Dr.)</i>	
Factors Influencing Residential Satisfaction: Some methodological Problems.....	158
<i>Olusola, K.O, Aina, O.O and Ata, O.</i>	
An Appraisal Of The Suitability Of Laterite For Urban Housing In Nigeria.....	168

## **Part 6: Urban Governance**

*Aduda, Gabriel Tanimu*

The Cost of Corruption in the Development and Management of the City in Nigeria.....	176
<i>Danmole, Taiibat Olaitan</i>	
Curbing Urban Violence in the Lagos Metropolis: A Planning Approach.....	180
<i>Okoko Enos</i>	
Safer City Centers and City Centre Management: Lessons from Ibadan and Coventry.....	186
<i>Sanusi, Yekeen A.</i>	
Good Urban Governance and Participatory Land Development Control in Nigeria.....	191

## **Part 7: Urban Art and Aesthetics**

*Abejide, F.M*

An Exploratory Description Of Forms And Graphic Representations In Urban Aesthetics In Nigeria.....	204
<i>Adejumo, Ademola (Dr.)</i>	
Urban Art and Aesthetics in Nigeria.....	212
<i>Eben, Sheba (Dr.)</i>	
Outdoor Communication Media In Nigerian Cities.....	219
<i>Okpako, John</i>	
The Challenge of Urban Aesthetics Control in Lagos.....	223

## **Part 8: Urban Infrastructure**

*Afon, A.O*

Urban Solid Waste Management in Nigeria: Poverty Factor as a Constraint.....	230
<i>Akaninyene, Mendie and Jacob Atser</i>	
Solid Waste Characterization and Management Issues in Uyo Municipality, Nigeria.....	241
<i>Aribigbola Afolabi &amp; Omosulu S.B</i>	
Water Supply Situation In Owo, Ondo State.....	246
<i>Fadare S. O.(Dr.) and Akinbami, F.K</i>	
Energy Crises Impacts on Road Transportation in Nigerian Cities: A Preliminary Analysis.....	252
<i>Nkamnebe Anayo</i>	
Consumption Pattern As Correlates Of Environmental Degradation: A Case Study Of Some Cities In Anambra State.....	263
<i>Ogunmodede Lekan &amp; Ajegunmo Gbenga</i>	
The Need for Utility Information System in Urban Centres: A Case Study of Owo.....	269
<i>Oladejo, Ayobami Abiodun</i>	
The Development of an e-Enabled City in Nigeria. A Study of its Prospects, Limitations and Implementation.....	276

### **Part 9: Urban Land**

*Aina, O. O.; Ata, O. and Olusola, K. O.*

Land Reclamation Practices in Lagos Metropolis.....282

*Aluko, B.T (Dr.)*

Urban Housing for the Low-Income in Lagos:

The Land Question.....288

*Aluko, B.T (Dr.) & Olawuni P. O.*

Regularising Land Titling Problem in Squatter Settlements of Metropolitan

Lagos: Challenges for Policy Makers.....295

*Oduwaye 'Leke*

Residential Land Use Determinants in Metropolitan Lagos.....306

### **Part 10: Urban Economy**

*Asaju A..S (Dr.)*

Globalization, Urban Property Market and the Search for Sustainable

City Development.....316

*Asaju A.S (Dr.) and Olawuni P.O*

A Study of the Rental Housing Market in Osogbo, Osun State of Nigeria.....325

*Fawehinmi A.S and Allinson O.F*

Affordability of Private Rental Houses in Lagos.....335

*Nubi Timothy Olugbenga*

Financing Low Income Housing in Nigerian Cities: Need For

Paradigm Shift.....340

*Ogunba O (Dr.) Olaleye A. & Oloyede S.*

Financing Home Ownership in the City: Searching for the Most

Viable Options.....346

*Ogunba, Olusegun (Dr.)*

Urban Property Development: Addressing the Downside Risks.....353

*Nghai Ezekiel Suleman*

Private Sector Involvement in Reshaping The Inner City. The Case

of The Renewal of The, Ali Akilu Estate.....361

*Oloyede, S.A*

Owner-Built Housing For the Masses in the City: Criteria for Success.....366

*Babalola, O.*

Cost Implications of Fire Hazards in Nigerian Urban Centres.....373

*Nwokoro I and Okusipe, O.*

*Urban Health and Urban Infrastructure: A spatial Analysis of low-income*

*communities in Lagos*.....378

*Okedele, Niyi*

Application of City Design Building Process.....384



## **FINANCING LOW INCOME HOUSING IN NIGERIA CITIES: NEED FOR PARADIGM SHIFT**

**TIMOTHY OLUGBENGA NUBI**

Department of Estate Management, Faculty of Environmental Sciences,  
University of Lagos, Lagos, Nigeria.

### **Abstract**

*Thomas Jefferson American president in 1785 wrote, "The small landholders are the most precious part of a state". To the American founding fathers, the combination of liberty and property was clear. Jefferson's vision was widespread home ownership through the society. However, widespread home ownership cannot be achieved without robust housing finance built on mortgage finance institutions. In Nigeria cities, as in many cities of developed countries the supply of new low income housing according to Omirin (1992) has been dwindling. It was not until the 1990s that research findings (Omirin 1992, The National Housing Policy, 1991, Nubi, 2000) started revealing the significance of housing finance and the appalling state of the housing finance sector of Nigeria economy. This paper examines the National Housing Policy of 1991, the problems and prospects of Mortgage Finance. It takes a look at how America attained 65% home ownership and suggested ways of adapting their model. The paper recommends that a model, which will integrate informal finance system into the formal system should be used in Nigeria.*

### **Background**

The Global Strategy for shelter for the year 2000, adopted by the United Nations in 1988, observed that more than one million people worldwide have shelter unfit for human habitation (HABITAT, 1996). Since the 1900's, this figure has been rising and shows two trends. First, the largest number of the poorly housed are to be found in the developing countries; and secondly, cities in the developing countries are absorbing greater numbers of the poor and are not able to provide adequate and affordable housing. By 1995, for instance, it was estimated that half of the population of developing countries (about 1.5 billion) were living under inadequate shelter conditions, most of them in urban areas. There are two major socio-economic forces responsible for this trend. The first is attributable to large movements of people from the rural to the urban areas in response to economic stimuli. The second force has been the mismatch between economic growth within sectors and demographic growth. The factors that inhibit efficient provision for the poor include high costs of land and building materials, inefficient land markets, and poor access to finance from the formal finance systems in many countries. The World Bank has noted that the absence of formal financial arrangements is acknowledged to be a major constraint to the development of efficient housing markets (World Bank, 1993). Traditionally, the poor have been considered a high-risk group by most financial institutions since they don't guarantee a high return on money borrowed. This failure by the formal financial institutions to provide finance for the poor

calls for the emergence of informal financial systems tailored to satisfy the demand for financial services for the poor. The problem of housing has become an every day discussion in all quarters of the public and private sectors of the developing countries of Africa. It has become increasingly glaring that most of the urban population live in dehumanising housing environment while those that have access to average housing do so at very high costs. According to Onibokun (1986) and Nubi (1991), rent in major cities of Nigeria is about 60% of an average workers disposable income. This is much higher than the 20-30% recommended by United Nations.

In a tight money market, housing is one of the first area to suffer, since neither the builders nor the consumers can readily obtain finance for housing. The supply of new housing has not been able to match the demand, infact, the present economic depression coupled with the exalating cost of construction is further restricting the supply of both public and private sector housing Oluwatodimu, (1990) and Wahab, (1999), put national housing shortage at 867,000 units; Iyagba and Asunmo (1995) put housing deficit in Lagos are alone at moderate estimate of 76,000 units. But Mabogunje (2002) put the national shortage at 8 million units.

As an attempt towards finding a lasting solution to the housing finance problem, the Nigeria government promulgated a National Housing Policy (1991) and a National Housing Fund decree in 1992. The Fund mandated all sectors of the economy and all workers to compulsorily save a stipulated per cent towards housing finance. Till date more than 5 billion naira (N5 billion) had been contributed but less than N400



million was disbursed. The paper will attempt to look into the operation of the housing finance market and its associated problems and recommend approaches towards solving the problem.

### **Methods of Housing Finance**

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

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

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

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

**Specialised Development Banks:** This category includes the Nigerian Industrial Development Bank (NIDB) and the Urban Development Bank. They are established to grant long term finance that could last sometimes up to 25 years for industrial, commercial, agricultural and housing development. Though perfect for housing finance, their success in housing finance has been very limited due to inadequate funding and diversion of the little available funds into the short-term sector.

**Insurance Companies:** Life funds of insurance companies are long-term savings. The long-term nature of the funds enables them to invest primarily on long-term capital assets like real estate investment. Insurance companies are and equipped to finance housing

development but due to their preference for higher returns, the Nigerian Insurance industry has not played a significant role in housing finance.

**Corporate Bodies:** By 1979, it had become evident that despite most companies' huge profits, there was total neglect of the need to solve the obvious housing problems of their workers. This compelled the promulgation of Employees Housing Scheme (Special provision) Decree 54 of 1979. The main provision of the decree is that any employer of up to 500 employees should provide a minimum of 50 housing units out of which three-quarters should be made available for non-executive staff. This program is very laudable in the sense that the end users of housing can easily be reached. The Satellite town in Lagos is the only reminiscence of the decree with only nineteen (19) participating companies. The problems of ownership after the staff who occupied the houses for years retired made nonsense of the programme.

**Developers/Contractor Financed:** Private property developers and other investors have applied various financing techniques like: Turnkey, Pre-letting and, Joint financing, (loan syndication) to finance housing projects in Nigeria. Recently, procurement methods like Build Operate and Transfer (BOT) in different forms are being introduced. Unfortunately, the overall housing demand is so enormous that their impact is minimal.

**The Informal Sector:** The informal sector of an economy according to Akanji (1998) is distinguished from the formal sector by the extent to which government is functionally cognisant of the activities carried on. It is amazing to realise that this sector accounts for about 60% of the urban labour force (Nubi, 2000). Some informal sector finance sources for housing are as follows: Personal or Family Savings, Individual moneylenders and, Voluntary Housing Movements.

### **The Federal Mortgage Bank**

The evolution of Mortgage banking in Nigeria can be traced to the establishment of the Nigeria Building Society in 1956. The vehicle used for this capital investment was the Common Wealth Development Corporation with an advance share capital of 81,625,000, GB pound. The society collapsed in the early seventies due to its inability to perform its statutory function. This led to the government injecting N20m and changing its name to Federal Mortgage Bank of Nigeria (FMBN).

This bank took off in 1977, with a take off capital of N20 million from the Federal government. The bank was at no time was able to



meet up with the demand. In 1979, outstanding applications amounted to N223.8 million and the available Fund was N127.0 million, that is ratio of 2:1. This degenerated to a ratio of 4:1 in 1986 when the outstanding application increased to N465.8 million and only N105.3 million was available. (FOS) 1986. It is clear from these figures that despite the high demands, the bank has never been able to meet up with such demand. The failure of the FMBN over the years and the acute shortage of housing led to the promulgation of the National Housing Policy of 1991. There is no doubt that both the National Housing Policy of 1991 and the decree of 1992 were promulgated to strengthen the housing industry especially its financial sector. The mandatory savings provision of the policies was meant to resolve this.

Banks and Insurance Companies were mandated to contribute 10% of their loanable fund to the fund. The contribution was N19.9 million in 1992, only increased to N5.26 billion in 2000 (FMBN 2002). This is mainly a deduction from the salaries of government workers and very few private companies. It is less than 10% of the projected collection for the period. By September 2000 only 489 people had benefited from the Fund. In comparison with the number of people that had housing needs, very few people applied for the loans. In a study, two hundred and fifty workers in government establishment were interviewed to identify the reasons for the poor response to loan opportunities offered by the fund despite the 2.5% deduction from their income. Table 1 shows their responses.

#### **Poverty:**

The concept of housing poverty was introduced in 1996 by UNCHS (Habitat), Global Report in Human Settlement. Housing poverty is described as a measure of an individual or a household's access to safe, secure and healthy shelter with basic infrastructure such as pipe-borne water and adequate sanitation, drainage and refuse disposal. According to Okunmadewa (1996), Addison (1996), poverty has been a long-standing issue in Nigeria. While income data are sparse, historically low social indices highlight that poor living conditions have existed for decades. Poverty in Nigeria used to be rural based, but between 1985 and 1992 the number of the poor in rural areas fell sharply, from 26.3 million to 22.8 million, while those in urban poverty rose from 9.7 million to 11.9 million. Housing availability quality is a strong index in poverty assessment.

#### **Cost of Construction**

According to Windapo (2000) and Okupe (2000) the gap between income and shelter cost in

Nigeria is very wide. The high cost of housing construction have been attributed to the following: Rising cost of building materials, the rate of inflation in the economy, the high standards of quality adopted by designers, the professional fees involved in housing designs and construction, the excessive profit of contractors and the 10% interest payable on NHF. The selling price of 2-bedroom bungalows at Otedola Estate in Lagos, (which according to Governor Marwa (1999) was the cheapest, anywhere) and the 2-bedroom flats at Ikorodu, Lagos, by Lagos State Property Development Corporation (LSDPC) a government parastatal was N1.7 million. This was a bad omen because it meant that no paid worker in the civil service could afford even the house built through the public sector. Under the present civilian administration, the cost of a 2-bedroom flat ranges between N1.2 million and N4.5 million depending on location. These are called affordable houses. But how affordable are they?

Savings: Whatever organisational form a housing financing system takes - savings and loans association, building society, national housing bank, or some combination of these - no single aspect of its operation is likely to determine its success or failure than its ability to mobilise savings (Christian, 1980). It has been observed that Nigerians have a poor savings culture. In Nigeria the operations of the financial institutions, commercial banks, finance houses and merchant banks did not help matters. Many of these got distressed in the 1990s. Many people lost their savings to distressed and liquidated banks creating a high reluctance to save.

#### **Unstable Macro-economic Environment:**

Macroeconomic stability is very important for several reasons. First it has a major effect on the demand for mortgages. High rates of inflation and nominal interest rates are typical features of volatile economies. These features have the effect of reducing the affordability of conventional mortgages. Since the introduction of the Structural Adjustment Programme (SAP) in 1986, the 1990s witnessed extensive depreciation of the Naira's exchange rate. The depreciation rates associated with 1987, 1979, 1989, 1992 and 1993 were 49.7%, 38.9%, 42.7% and 21.5% respectively. From an autonomous/official exchange rate of N1.00 to \$1.00 in 1987, today, the exchange rate in the autonomous market is N132 to 1 U. S. dollar. Export remained predominantly oil accounting for 94.9%, 96.7% of total export earning in 1993 and 1997 respectively. The propensity for foreign goods and increased demand for it has continued to encourage inflation push. The present day economy in Nigeria is very volatile. Interest rates



as well as inflation have risen to as high as 72.8% in 1995. Although this dropped to 29.3% by 1996 to 8.5% in 1997, being an import based economy the weak value of naira against the US dollar accounts for the high prices of consumer goods and high level of poverty (FOS) 1998.

#### **Land Accessibility Constraints:**

A well functioning title and lien registry is an important underpinning of both the primary and secondary mortgage market. Without good titles, borrowers cannot use their homes as effective collateral for loans and investors will not view securities backed by such loans as safe. Accessibility to land is a big problem in Nigeria. Urban land price varies from N250, 000.00 – N10million and in some cases up to N50 million (Monday Guardian, 2000). The cost of transfer and documentation of titles are very expensive; sometimes it may be as high as the cost of land. For example: plot of (900 m<sup>2</sup>) at medium income estate like Omole, Amuwo Odofin, Ogudu GRA, Ojota Lagos attracts the following: Land cost N3.5m, Agency fees @10%, Legal fees @10%, Governor's consent @15%, Stamp duty @3%, Capital gain tax @10%, Registration @1%, Legal fee @10%; grand total of 59%. 59% of N3.5m = N2.07m. Not only is the land registration cost high, it may also take as long as a year to process the registration of titles. This is counter-productive in a dynamic and volatile economy.

Poorly structured mortgage market: For successful housing finance programme, mortgages must be attractive investments. The interest rates on the mortgages must be market determined and must provide investors with a positive, real risk-adjusted rate of return. The cash flows from mortgages must be predictable. There must be a relative standardisation of the instrument, documentation, and underwriting. Standardisation of the mortgage instrument is a key factor in secondary market development. Presently, Primary Mortgage Institution originates, funds, underwrites, and services. In other words, mortgage is unbundled. This does not allow for transparency of information, but rather creates high-risk mortgages. During the auditing of failed banks in the 90's, it was discovered that political party registration cards were used as collateral. Lands that were not in existence or not registered in the land registries were equally used. Foreclosure procedure is equally difficult. Properties mortgaged are often vandalised before foreclosure is effected and in most cases, the property values are overestimated. The secondary market is yet to be developed.

#### **Lesson from the American Model**

Housing finance in America after many years of its evolution emerged as one of the best models in the world. The inherent quality of the model, which enables about 65% of the populace to acquire houses and equally helped in creating a million units every year has become very attractive to other nations. Housing finance in U.S., which started as thrift and banking has today a secondary dimension. The secondary market removed the problem of illiquidity and subsequent risks that are associated with it by involving long term investors who purchased the originated mortgage as bonds or securities. The success of the mortgage finance in America can be traced to societal ideology that believed in mass home ownership, unrelenting efforts at ensuring affordable housing through market dynamics and the enactment of an enabling status.

The United States model presents a vivid example of a nation that believes in free market. It perceives housing as an economic good, acknowledging the role of individuals at originating loan rather than paternalistic approaches of subsidy. The mortgage market is the bane of housing finance in America. The mortgages were financed with low-cost government-insured deposits. The thrifts provided all the major aspects of mortgage lending-origination, servicing, funding, and accepting credit risks-and they held the majority of mortgages. Today the thrifts are considerably less important as mortgage investors, with more than half of all mortgages sold into the secondary market. This major change, brought on largely by the secondary markets, has been the unbundling of the major aspects of mortgage lending. A mortgage now can be:

1. Originated by a mortgage broker who makes money only from origination;
2. Serviced by a mortgage banker who did not originate the loan and may have bought the right to service the loan from another mortgage banker;
3. Originated with the credit risk taken by one of the secondary market institutions, perhaps along with a mortgage insurance company; and
4. Funded by a mortgagebacked security (MBS) sold into the capital markets, and the MBS can be packaged as a bundle of derivative securities that separate interest rate and prepayment risk among different investors.

In 2001, housing proved to be an economic powerhouse, credited with preventing an even deeper recession and contributing to the recovery. Last year alone, consumers spent \$1.7 trillion on housing related goods and service



making it the number one consumer product. Because of strong public policies in support of housing, the United States housing market is dynamic, durable, and critical to the performance of the national economy. In fact, it is the cornerstone of U.S. economy.

Fannie Mae plays an important role in the U.S.'s largest source of financing for home mortgages. Fannie Mae is a private, shareholder-owned company with a public mission to provide financial products and services that make it possible for low-, Moderate-, and middle-income families to buy homes of their own. The company does not lend money directly to homebuyers, but buys mortgages from a variety of institutions that lend money directly to borrowers. Fannie Mae then holds these mortgages in portfolio or issues Mortgage backed Securities (MBS). The lenders, in turn, can use the funds provided through the sale of mortgages to Fannie Mae to extend more loans to homebuyers.

Since 1968, Fannie Mae has provided more than \$3.8 trillion in home financing for 44 million American families, reducing the cost of buying a home and increasing the homeownership rates in America. Fannie Mae is also America's largest investor in multifamily rental housing, helping to expand the stock of decent and affordable homes for the more than 34 million Americans who rent.(Fannie Mae, 2002).

#### **Strategic planning for Housing Finance:**

**Future Outlook** - The key to shelter for all is embedded in a cluster of interrelated approaches. For any strategy to be successful action needs to be taken from several fronts; political and participatory; fiscal and financial; physical and spatial. However, this paper will highlight some strategies for housing finance based on the previous discussions.

#### **Fiscal and financial Strategies.**

A key objective should be the mobilization of financial resources for the production, improvement and maintenance of infrastructure and shelter. The financing of shelter ought to be considered as part of a wide effort to develop the whole finance sector – mobilising savings, reducing costs, improving the effectiveness of the financial intermediaries and promoting the free movement of capital. The cost of housing finance should be reduced to a minimum level based on sound financial and economic principles. Official regulations, which can greatly increase these costs, should be reviewed to make credit more accessible to the increasingly larger sections of the population. Macro and micro economic and policies should be anti-inflationary. There must be conscious efforts at

integrating the informal source of finance into the formal section. The manufacturing sector should be boosted with attention paid to import substitution. Nigeria has tested local alternatives. Secondary mortgage market should be introduced gradually over a five to ten year period.

The capital market should be encouraged to develop through proper regulation that ensures prudence and accountability in all sectors of the economy. However, financing should not be directed only towards owner-occupied housing. Rental housing meets an important and rising need in the rapidly expanding cities of the developing world. Rental housing for all income levels must be financed by ensuring that it is sufficiently profitable to attract investors. Ultimately, an increased supply of rental housing is the best way to achieve lower and fairer rental costs for tenants. Rent-control regulations should not only benefit some privilege tenants but rather the majority of those requiring rental housing. Lines of credit to upgrade housing considered to be "sub-standard" are needed. A well-designed system of subsidies for housing has to be compassionate, equitable and efficient. Shelter subsidies should form part of a general strategy for meeting the needs of the Door and the destitute.

#### **Conclusion**

The paper explored issues related to housing production and distribution in Nigeria. It identified the limitations of each of the sources of housing finance presently as well as the role of the Federal Mortgage bank in housing finance. It also examined lessons that may be learnt from the American Model of Housing Finance and concludes by suggesting some ways in which this model may be accepted. Other strategies for stimulating housing finance were also identified.

#### **References**

- Agbola, S. B. Olatubara C. O. (1992): "Cost Recovery in Nigerian Public Housing" *Habitat International* Vol. 16, No. 1, pp. 83-94.
- Bichi, K. M. (2000): "The Role of Federal Mortgage Bank of Nigeria in the Financing and procurement of Housing and Infrastructure in Nigeria": A paper presented at a National Workshop on Finance and Procurement of Housing and Infrastructure. Organised by Nigerian Institute of Quantity Surveyors.
- Chionuma, O. M. (2000): "The Role of Primary Mortgage Institution in the provision of Housing in Nigeria": A paper presented at a National workshop on Finance and Procurement of



Housing and Infrastructure. Organised by Nigerian Institute of Quantity Surveyors.

**Christian, J. (1980):** Housing Finance for Developing Country. Prepared for International Union of Building Society and Saving Association U.K. FMBFN, (1997): Handbook on establishment of Mortgage Institutions. & Five years of the National Housing Fund. (NHF). Lagos.

**Fannie Mae (2002):** "Housing fuel US economy: Fannie Mae's role in US housing finance system has Worldwide impact". International Union for Housing Finance - Newsletter. June 2002.

**FMBN, (2000):** An in-house Journal of Federal Mortgage Bank of Nigeria. March 2000. Federal Office of Statistics, (FOS) (1999): Poverty Assessment in Nigeria between 1985-1995. Iyagba,

**Lee J & Lee S, (2000):** "Restructuring the Housing Finance system and Broadening the linkage with capital market in the Republic of Korea". In Watanabe M., ed., New Direction in Asian Housing Finance: Washington, D. C. International Finance Corporation.

**Mabogunje .A. (2002):** Inaugural address made at the first General meeting of Real Estate Developers Association of Nigeria. Abuja. Nigeria.

**Nubi, T. Olu (2000):** "Financing Urban Housing": Being a paper delivered in a workshop Organised by Nigeria Institute of Building and Road Research.

**Okunmadewa, F. (1998)** "Nigeria: Poverty Reducing Growth Strategies and Options" collaborative study proceedings of the workshop

on Nigeria prospect CBN/World Bank for Development a.k.a. Vision p 6-20

**Omirin, (1997)** "Land accessibility and Low-income House building activity in Lagos metropolitan area". The Lagos Journal of Environmental Studies - vol. 1. pp. 76-91.

**Omirin, (1992)** "Land for private Low-income Housing: An evaluation of the effect of land Nationalising Policy in Lagos metropolitan area; 1968 - 1988". An unpublished Ph.D. thesis submitted to Land Economy Department, University of Cambridge, England.

**Osamwanyi & Megbolugbe (1987):** "The Structure of Housing Finance System in Nigeria", Journal of Federal Mortgage Bank of Nigeria, Vol. 2, No. 1, 1987.

**R. & Asunmo, (1997):** Housing crisis in Nigeria's Urban and Rural Areas - a challenge to the construction industry and technology. The Lagos Journal of Environmental Studies. Vol. 1 pp.39-47.

**Stanton T. H. (2000):** "Government - sponsored enterprises and Transformation of the American Housing Finance System in Secondary Mortgage Market: International Perspective, in International

Union of Housing Finance. September edition.

**Wahab, K. A. (1983)** "More Than Shelter" An Inaugural Lecture. University of Ife, Inaugural Lecture Series.

**Windapo, A. (2000):** Constrains of the Construction Industry in an Unstable Economy. A seminar paper on effective approach to housing delivery. Organised by Nigeria Institute of Building, Ibadan.

Table 1: **Factors Contributing to the Poor Access to Housing Finance**

Reasons for non-participation	No. of respondents	Percentage %
a. Not clear on how to access the fund.	120	48
b. Apathy (they will not approve it. It is fraud).	36	14
c. Conditionalities especially the demand for approved building plans and registered land title.	20	80
d. The mortgage bank I open account with no longer operating.	57	23
e. The money I am entitled to can not build me a house.	53	21
f. Fear of being a debtor.	18	72
g. High interest rate.	3	12
h. I don't need a house.	1	4

Source: Nubi (2001).