

INTRODUCTION

It has been estimated that Nigeria requires about 17.5 million units of housing to close the existing gap between the demand and availability of residential dwellings. Nowhere is the problem more acute than Nigeria's commercial capital Lagos which has a population of close to 20 million.

As with elsewhere in Nigeria, a major factor responsible for the weak supply of housing in Lagos is the near absence of long term mortgage financing. Government interventions at the Federal and State levels in Nigeria to boost the supply of housing has been grossly inefficient, often promoting access to real estate rents rather than providing affordable house to the poor in accordance with explicit policy aim.

In August 2010, the Lagos State Government established the Lagos Home-Ownership Mortgage Scheme (LagosHOMS) with a Mortgage Board which will "generate a conducive environment to enable access to mortgage as well as protect Lagosians and the State Government from the evil practices that will not enhance good living conditions for the people".

In this presentation we examine the extent to which the State Lagos Home-Ownership Mortgage Scheme (LagosHOMS) recognizes and addresses the limitations of ineffective interventions in the housing sector and its likely impact in boosting housing supply and improving the access of key socio-economic groups to efficiently priced and decent housing

DEMOGRAPHY OF LAGOS STATE AND HOUSING POLICY

- Lagos State is the smallest state in Nigeria from a land area of 4km² on the Island, and an estimated population of 28, 518 in 1871 to an area of 62.8km² and population of 126,108 in 1931. Currently, the geographical area has expanded to about 356,861 hectares of which about 21% equivalent to 75,755 hectares are wetlands, yet it has the highest estimated population of 18 million representing 12% out of a national estimate of 150 million with annual growth rate of between 6% and 8% compared to 4 -5% country growth rate and global 2% growth rate. The increment in population is complimented by vibrant economic status which continued to encourage population growth
- Lagos is the second most populous city in Africa after Cairo in Egypt and estimated to be the fastest growing city in Africa and the seventh fastest growing in the world with a population increase of about 600,000 persons per annum. Lagos population is growing ten times faster than New York and Los Angeles with grave implication for housing delivery. At its present growth rate, the United Nations had estimated that, Lagos state will be the third largest mega city in the world by the Year 2015 after Tokyo in Japan and Bombay in India.

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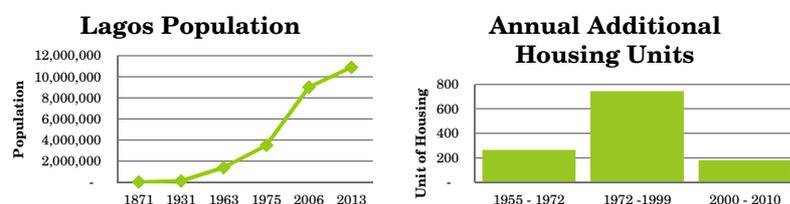
DEMOGRAPHY OF LAGOS STATE AND HOUSING POLICY

- Over 91% of the total population lives in the metropolis with a population density of about 20, 000 persons per square kilometer in the built-up areas of Metropolitan Lagos. The occupancy ratio is 8 – 10 persons per room with 72.5% of households occupying one-room apartment (Lagos State Ministry of Housing, 2010). The high urbanization rates and dense population is considered as the major factor responsible for high level of poverty level Lagos. The Lagos State Government estimates in 2004 put 51% of men and 54% of women residing in Lagos as living below the poverty line. Urban poverty is the scourge of most cities of the 3rd world countries and Lagos is not an exemption. This is clearly manifested in the growing number of largely unskilled, unemployed and homeless migrants from the rural areas of the country into Lagos, who find it convenient and affordable to live in existing slum communities or create new ones that are not serviced by basic urban facilities, services and amenities.

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DEMOGRAPHY OF LAGOS STATE AND HOUSING POLICY

- The growth of the population in the metropolitan Lagos has assumed a geometrical proportion, the provision of urban infrastructure and housing to meet this demand is, not at commensurate level. This has resulted in acute shortage of housing to the teeming population.



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LAGOS STATE GOVERNMENT INTERVENTIONS IN HOUSING

- Thus between 1972 and 1999, LSDPC was able to delivered 20, 120 housing units while 1, 818 housing units were delivered from 2000 to 2010. It is important to note that the population rose from 3.5 million in 1975 to 10.28 million in 1995 and from 13.42 million in 2000 to about 18 million in 2010. The total stock from LSDPC excluding the proposed units over the 38 year period is 22, 419 housing units, that is an average of 590 units per annum (LSDPC, 2010).
- Lagos State Government in 1980 also established the New Towns Development Authority (NTDA) which organ provided site and service schemes for individual middle-income housing. A very laudable idea but it has not impacted much on the housing delivery in Lagos. Their attempt has included Lekki scheme 1 and 2, Amuwo Odofin and Isheri North

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LAGOS STATE GOVERNMENT INTERVENTIONS IN HOUSING

- In recent times the Ministry of Housing and Lagos Building and Investment Company (LBIC) did commence direct construction of houses in Lagos thus compromising the mandate of LSDPC. The Ministry of Housing till date has constructed 18 No. housing estates with 5 others under construction. The total units of this strategy are less than 5, 000 units while the LBIC intervention will yield less than 1, 500 units
- Aside the direct construction approach, the Ministry and other government agencies adopted other options of delivering houses to the citizens, among which are:
 - public private partnership;
 - urban renewal and regeneration program, establishment of new towns, provision of site and service scheme.
- All the programs embarked upon by the Lagos State government and its different agencies are aimed at sustaining environmental quality and increasing housing supply.

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FACTORS AFFECTING HOUSING DELIVERY IN LAGOS

- A combination of factors had been identified as the bane of effective and sustainable housing delivery in Lagos. They are:
 1. The problem of land accessibility;
 2. Stunted financial and mortgage system;
 3. Exorbitant prices of building materials
 4. Disproportional capacity building in the sector.

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LAGOS HOUSING POLICY IN 2012

- Given the provision in the 2011 National Housing Policy, that give room to state government to formulate its own housing policy and programs within the overall framework and in the spirit of the National Housing Policy; the Lagos state government in an attempt to address the challenge of mortgage finance for housing by the low income group in the state, recently introduced a policy referred to as Lagos Home Ownership Scheme (Lagos H.O.M. S) in 2012. The policy that was designed to assist the prospective house owners have access to mortgage facilities, especially, the civil servants and those, who are in paid employment. The take off period of the scheme is the first quarter of 2013, according to the state Commissioner for Housing, Mr. Bosun Jeje.

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THE LAGOS HOME OWNERSHIP SCHEME (LAGOS H.O.M. S)

- **FEATURES OF THE SCHEME**
- • Tenor minimum of 10 years and maximum of 20 years.
- • Facility Amount. This will be subject to the 70% balance of the cost of the type of Houses purchased.
- • Equity Contribution: Applicant would be required to make a minimum equity contribution of 30% value of the property he/she intends to buy.
- • Pricing
 - Interest rate 6%
 - Fee N10,000 (Civil Servant)
 - Admin. Charges N25,000 (Others)
 - No other charge
- • Repayment
 - Equal periodic principal repayment. Interest to be paid on reducing balance or
 - Equal monthly installment of both principal and interest.
- • Security
- Deed of Mortgage over the property to be acquired.

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THE LAGOS HOME OWNERSHIP SCHEME (LAGOS H.O.M. S)

○ **MODE OF OPERATION FOR THE SCHEME**

- • Interested Applicants must obtain a form from Ministry of Housing or download form from the Lagos State Government website (www.lagosstate.gov.ng).
- • Applicants should fill the form and submit to Ministry of Housing accompanied with payment of N1,000 for the Application Form.
- • Applicants who have submitted his/her application forms will be directed to any of the three receiving banks for pre-qualification.
- • All Applicants pre-qualified and recommended by any of the receiving Banks will be issued with Letter of Offer.
- • Applicants are expected to pay the 30% equity contribution to any of the three collaborating banks.
- • Applicants to submit proof of payment and an acceptance Letter to Ministry of Housing.
- • Ministry of Housing refers documents to Ministry of Justice to prepare and execute Contract of Sales and Deed of Mortgage Agreements.
- • Housing releases Letter of Confirmation of Allocation and keys to successful Applicants.

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THE LAGOS HOME OWNERSHIP SCHEME (LAGOS H.O.M. S)

○ **CONDITIONS/ELIGIBILITY FOR QUALIFYING FOR THE MORTGAGE SCHEME**

- - Applicant must reside in Lagos
- - Applicant must be under 60 years of age.
- - Applicant must have a verifiable means of income.
- - Applicants should be credit worthy.
- - Successful Applicants are expected to pay 30% of the value of the house they intend to purchase.
- - Houses purchased under the scheme must be occupied by the beneficiary and cannot be transferred or rented out until all obligations has been fulfilled
- - Beneficiaries are to pay 6% interest rate on the mortgage loan.
- - Applicants must have been working for his/her current employer for at least six months (and must be so confirmed by employer).
- - Applicants must be first time Home Buyers.

○ **FUNDING**

- The Lagos HOMS is a mortgage scheme that is completely funded by the Lagos State Government. Apart from providing the pool of Houses, Government also provide the funds for the mortgage facility being granted.

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THE LAGOS HOME OWNERSHIP SCHEME (LAGOS H.O.M. S)

GLOBAL TERM SHEET FOR LAGOS HOME OWNERSHIP AND MORTGAGE SCHEME

- This term sheet tends to provide a standardization for administering the Lagos State Home Ownership and Mortgage Scheme to all residents of Lagos State. Though priority will be given to Civil Servants in Lagos State Ministries and Parastatals, the target market is all residents of the state (irrespective of tribe), that is Lagosians. The purpose of the scheme is to encourage first time home buyers with verifiable source of income to own their own houses. To administer this scheme for LASG, three banks have been nominated; FBN Mortgages, Skye Mortgages and Zenith Bank Plc.

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THE LAGOS HOME OWNERSHIP SCHEME (LAGOS H.O.M. S)

- **Risk Acceptance Criteria**
- Pre – Qualification /Screening Process:
 - 1. Lagos State Government will first pre-qualify the intending beneficiary who must a first time home owner in Lagos State and the claim of first time home ownership must be administered under an Oath.
 - 2. The pre-qualified individual must open an individual current account with Bank. The account will serve for both the purpose of paying 30% equity contribution and also for monthly repayment.
 - 3. The beneficiary will submit his/her allocation paper from LASG to the bank along with request letter and apply for a mortgage scheme under Lagos State Home Ownership Mortgage Scheme.
 - 4. Upon meeting the Risk Acceptance Criteria tabulated above, approval will be conveyed via an offer letter and monthly repayment schedule communicated to the beneficiary.
 - 5. For proof of affordability, salary earners are to submit pay slips for the past 6 months and salary account statement for the past one year while self employed would submit company profile, three years audited account statement and business personal account statement for the past 12 months.
 - 6. Monthly repayment as stated in the repayment schedule commences as soon as offer is accepted and condition precedent to commencement of monthly repayment is met.
 - 7. Bank will communicate acceptance and approval to LASG for release of Keys to the beneficiary to take possession.
 - 8. Update on monthly repayment will be given to LASG on monthly basis.
 - 9. A dedicated account will be opened which will warehouse all monthly payment from the buyers which would have joint signatories from the Ministry of Housing & Ministry of Finance.

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THE LAGOS HOME OWNERSHIP SCHEME (LAGOS H.O.M. S)

○ **Event of Default**

This occurs:

- 1. If the beneficiary fails to make repayments for three consecutive times.
- 2. If repayment has not been regular and there has been defaults at three different times which in the opinion of the banker has raised doubt on the ability of the beneficiary to continue with the repayment, such issues will be reported to LASG who will take steps towards foreclosure.
- 3. Foreclosure of Security: The interest on the properties resides with Lagos State Government, hence the right to foreclose lies with them.

Monitoring Tracking of Repayment:

- This shall be the joint responsibilities of LASG and Bank. Bank on a monthly basis will be updating LASG on the repayment update that shall aggressively follow up with any loan defaulters for regularization.

○ **Accelerated Repayment:**

- This shall be allowed so far 90 days' notice is given which shall also be communicated to LASG.

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ACCESS TO HOUSING FINANCE IN NIGERIA: THE COMPARISM OF FEDERAL GOVERNMENT NATIONAL HOUSING FUND WITH THE LAGOS STATE H.O.M.S

- Prior to the introduction of Lagos H.O.M. S, in 2012, the only window for all Nigerians to access financial facility for land, housing and basic services is the National Housing Fund (NHF) established in 1992. It is pertinent to note that the two schemes have similar objectives and targets. Though the NHF has wider coverage in terms of target beneficiaries, Lagos state residents was by implication the focus and dominant beneficiary, as 63 or about 64% of the operator of the scheme, the Primary Mortgage Institutions (PMIs) are located in Lagos. The Lagos H.O.M.S on the other hand is restricted to resident of Lagos, however irrespective of their state of origin.
- At 6 percent per annum, both schemes charge the same rate of interest. The tenors of their loan were between 10 to 20 years for the LagosH.O.M.S and 25 years for the NHF. Also, while the loan amount that could be granted by the LagosH.O.M.S is flexible and depended on the cost of the housing required by the beneficiary, the maximum loan offer by the NHF is N 15 million.

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ACCESS TO HOUSING FINANCE IN NIGERIA: THE COMPARISM OF FEDERAL GOVERNMENT NATIONAL HOUSING FUND WITH THE LAGOS STATE H.O.M.S

Table comparing the NHF and the LagosH.O.M.S.

	The Lagos H.O.M.S	National Housing Fund (NHF)
Coverage	Lagos Residents	Nigerians
Maximum Loan	Depend of the house	N15 million
Tenor	10 to 20 years	25 years
Interest Rates	6% per annum	6% per annum
To Qualify	30% Equity contribution	2.5% of Monthly Salary for 6 months
Fee	N10,000 for Civil Servant	Fix by PMI
Admin Charges	N23,000 Admin Charges for Non Civil Servant	Fix by PMI
Funding	Lagos State Government	Federal Government

ACCESS TO HOUSING FINANCE IN NIGERIA: THE COMPARISM OF FEDERAL GOVERNMENT NATIONAL HOUSING FUND WITH THE LAGOS STATE H.O.M.S

To qualify to access the LagosH.O.M.S, the beneficiary must make available 30% of the required housing cost as equity contribution. For the NHF, the condition is monthly contribution of 2.5% of the workers monthly salary. The LagosHOMS has advantage over the NHF in this respect, because while the house choice of the contributor with the NHF is restricted to savings determined by six months pays, the LagosHOMS beneficiaries can rely on savings outside monthly pay to determine the choice of housing. This could have been responsible for the low performance of the NHF scheme going by the rate of disbursement. It was reported that some Nigerians in the informal sectors were locked out of the scheme because of the inability of PMI's operators to track their monthly income. However, the NHF has the advantage of lower the default rate, because the ability of the beneficiary is assured with the income contribution attachment.

CONCLUSIONS

In view of the fact that provision of Accommodation is by nature capital intensive, affordability will required a bridging fund which has been lacking with the inadequate mortgage system in Nigeria. The federal government therefore through the 2011 National Housing Policy place priority on restructuring the mortgage sector, as this has been identified as the greatest obstacle to achieving the goal of housing for all

Thus, the Federal government set up the National Housing Fund (NHF) to provide mortgage finance to Nigerians through the Primary Mortgage Institutions set up across the country. In pursuant of this objective, the Lagos state government set machinery in place to ensure sustainable housing delivery by setting up a scheme known as the Lagos State Home Ownership and Mortgage Scheme (The Lagos HOMS). The scheme was designed to ensure that residents of the state irrespective of their level of income, be it low or medium, are able to buy houses, at affordable term.

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CONCLUSIONS

The objective of the state government is to show the way for private sector by investing in delivering the houses. The state government invested in building the structure and recovers the cost by spreading the payment over a period of 10 to 15 years through the Lagos HOMS scheme. The houses are built in categories of one, two and three bedrooms so that income earners of every category would benefit, taking the opportunity according to their capability. The payment system is also made easy in such a way that applicants only pay about 30 per cent of the cost to own the house and the remaining is paid over a period of 10 – 15 years.

The Lagos state model if well pursued and sustained could to some extent ease housing scarcity in the state. The model could be adopted by all other stakeholders, the federal government other tiers of government, and private building developers. This will go a long way in ensuring enduring housing program in the country. However, the major obstacle to the model could be political instability. The effect of this could be minimized if the focus of Nigerian politician change from that of discrediting political opponents to ensuring continuity in service delivery.

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8th May 2013

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