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CHALLENGES OF PRIMARY MORTGAGE INSTITUTIONS IN SUSTAINABLE DEVELOPMENT OF HOUSING FINANCE IN NIGERIA

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ABSTRACT

This study investigated the challenges of primary mortgage institution on housing finance in Lagos State Nigeria. The study examined the structure of primary mortgage banking in Nigeria, assessed the activities of primary mortgage institutions in housing finance, identified major challenges confronting housing finance efforts of primary mortgage institutions in Nigeria, evaluated the relative impact of the challenges on housing development in Nigeria and suggested sustainable and effective resource mobilization strategies for primary mortgage institutions in Nigeria. A descriptive survey design was adopted and the study made use of both primary and secondary source of data in which 25 copies of questionnaire were administered and retrieved through snowball sampling technique. Financial intermediation was the theory used in the study. Data generated was analysed using descriptive statistics and F-statisticwas

Introduction:

Shelter is universally accepted as a basic and second most essential human need coming next to food. However, housing in all ramifications is more than mere shelter since it embraces all the social services and utilities that goes to make a community or neighbourhood and liveable environment. In Nigeria, the problems of housing are enormous and complex, and effective solutions to them are yet to be found. In spite of the growing interest and efforts by governments to involve the primary mortgage institutions to provide housing facilities to the people, lack or inaccessibility of funds on the part of individuals to develop and use their residential

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used to test the hypothesis on the influence of challenges confronting PMIs on house financing in Lagos State. The finding revealed that challenges confronting PMIs have significant influence on house financing in Lagos State($F.stat_{(9,15)}$= 3.782 >F.tab = 1.21, P(.011)<.05).The study found out that 88.0% of the PMIs situated in Lagos State were privately owned and had engaged in various mortgage finance activities such as mortgage finance, acceptance of mortgage-focused demand deposits, real estate construction finance, financial advisory services and drawing mortgage funds for on-lending, but acceptance of saving deposit and time/term deposit were rarely practiced by PMIs in Lagos State. With the regard of challenges facing PMIs house financing effort, the study revealed the following challenges inconsistence in NHF policy, public apathy, high cost of building materials, national economic climate change and high interest rate, PMIs structure, poor collateral, land documentation constraints, competitive finance market and difficulty of access to land. The study therefore recommended that government should provide mechanism to reduce interest rates of mortgage loans, PMIs should scale down on their stringent lending requirements for a building loan, other financial institutions such as the commercial and merchant banks, through the CBN guidelines should be directed to increase their housing loan investments and services and channel through the FMBN, the FMBN and other lending institutions in the metropolis should review the loan agreement to enable the property developers who could not complete their houses secure additional loans so that the houses can be completed on time.

***Keywords**: Housing finance, Primary Mortgage Institutions, Sustainable housing development*

Properties from PMIs are worrisome problems facing housing sector in Lagos State. Even the effort of the PMIs to provide loans have been thwarted at various stages of implementation due to various challenges like structure of PMIs, slow disbursement of NHF to the PMIs, the national economic climate, high cost of building materials, and public apathy, difficulty of access to land and land documentation constraints, poor collaterals, high interest rates and competitive finance market, making it difficult for PMIs to discharge adequate and efficient credit delivery to the housing sector. For that reasons, these study examined the challenges of PMIs in housing financing in Lagos State.

Housing development is multidimensional in nature. It ranges from converting dreams in mind and ideas on papers into true properties, to source for funds, purchase of new parcels of land, developing such lands, or renovation of existing buildings, among others. Housing is one of the basic needs of man. From the ancient days till now, human beings always seek for an abode. From the rural settings to the urban areas, the provision of shelter is highly envisaged by the public (Ubom & Ubom, 2014). The phenomenal rise in population, number and size of cities in recent years have manifested in the acute shortage of dwelling units which resulted in overcrowding, high rents, poor urban living conditions, and low infrastructure services and indeed high crime rates in Lagos State (Anayochukwu, 2011).

The crisis situation in urban housing in the Lagos State calls for urgent attention. The housing sector no wonder then plays a more critical role in a country's welfare than is always recognized, as it directly affects not only the well-being of the citizenry, but also the performance of other sectors of the economy. Adequate housing provision has since the early 1970s consequently engaged the attention of most countries, especially the developing ones, for a number of reasons. First, it is one of the three most important basic needs of mankind-the others being food and clothing. Second, housing is a very important durable consumer item, which impacts positively on productivity, as decent housing significantly increases workers' health and well-being, and consequently, growth. Third, it is one of the indices for measuring the standard of people across societies (Sanusi, 2003).

Consequently, programmes of assistance in the areas of finance, provision of infrastructure and research have been designed by governments to enhance its adequate delivery. The focus on house finance has, however, been very prominent for obvious reasons. This is because housing provision requires huge capital outlay, which is often beyond the capacity of the medium income/low income groups (Anayochukwu, 2011). Housing finance constitutes one of the major pillars of housing delivery system. Indeed, without a well-organized and efficient housing finance mechanism, the goal of a housing development policy will be largely unattainable (Taiwo, Adeboye & Aderonmu, 2011).

Similarly, housing finance has been recognised as an important, almost indispensable factor in the housing delivery system (Soludo, 2003; Abdulsalam, 2008). This is because only the very few in any nation can afford to pay cash for a house (Oduwaye, 2004). Most other people must have to finance their house through loans, personal savings, assistance from relatives or friends and gifts. Majority of Nigerians fall into this latter category of informal housing finance (Taiwo, et al 2011). This housing finance system is prevalent among the low-income citizens, who relied on their meagre savings, borrowing from friends and family members, gifts and sometimes from cooperative societies to erect their buildings.

Nigeria has had a momentous restructuring of its housing finance system in the last two decades in appreciation of the significance of financing to housing (Taiwo et al 2011).The federal government of Nigeria has made efforts through Federal Mortgage Bank which was established to assist customers by providing them with loan facilities for the acquisition of accommodation, and through the National Housing Scheme to assist and encourage citizens of the country to acquire and own houses; but (Ubom & Ubom, 2014) affirmed that no serious impact has been made. On the other hand, State governments in Nigeria particularly the Lagos State has also made attempts to provide shelter. In some states like Osun, Oyo, and Ogun, governments provided one hundred unit housing scheme in most of the local governments, but many more Nigerians do not have houses to live in (Ubom & Ubom, 2014). For instance, 72 million Nigerians (i.e. 44%) out of a total inhabitant of 165 million Nigerians are homeless (Ojewumi, 1997). This implies that only 66% of the country's total populations are being accommodated in one form of houses or the other, while some of those people that are homeless live under bridges and flyovers, and many others hang out at drinking spots especially in the cities. Others make use of abandoned vehicles as their houses. Many sleep in stores, to mention but a few. In addition, for those that can acquire a room or one to stay, (Yinusa 2011) found that more than twenty people sleeping in a 4x4 room.

In addition, primary mortgage institutions (PMIs) were established to provide housing facilities to the people. Notwithstanding these efforts, the housing problem is still persisting. In Lagos state in particular, the major problem is that most Nigerians cannot afford to pay for accommodation, house rents are so high that the salary of a common man (an average working class person) cannot afford (Alebiosu, 2009). According to Anayochukwu (2011), government's intervention has not been sufficient to attract or sustain significant PMIs involvement in large–scale housing development. Major areas of concern which include the NHF policy, sourcing of loanable funds for the PMI, the disbursement and overall structure and management of the housing finance and various challenges of PMIs in housing financing still need to be assessed. It is in recognition of the aforementioned that this study investigated the challenges of primary mortgage institution in housing finance in Lagos State.

Understanding the challenges facing primary mortgage banks in Lagos State and the extent to which those challenges influence housing development in Lagos State helped to sensitize primary mortgage institutions, in finding necessary solution to the lingering problems of housing financing in the state. Findings emerged from this study aid the management of PMIs in their decision-making and loan disbursement processes of selecting alternative strategies that have the strongest capabilities to bring about distinct outcomes in terms of housing development. The findings from this study also enhanced greater understanding of PMIs activities in Nigeria and other developing countries across the globe. In addition, the study's outcome served as a pointer to National Housing Funds (NHF) policy options and resource mobilization strategies that should be adopted by stakeholders in mortgage banking industry.

LITERATURE REVIEW

The section systematically reviews and presents ideas, thoughts, opinions, views and perceptual abilities of different authors, theorists and learned experts on the concept of primary mortgage institutions and housing finance.

Conceptual Review

Housing

From the ancient days till now, human beings always seek for an abode. From the rural settings to the urban areas, the provision of shelter is highly envisaged by the public. One may attempt to satisfy the other needs of life, but if there is no house either in the village or in the town, such a person is considered to be irresponsible. The fact is that everyone tries to provide himself or herself and the family with the modest accommodation irrespective of the type. That is why some tribes are seen living in the bush under some kinds of shade made up of logs of woods, bamboos and sometimes with canopies, some living in settlements under shades while others live in mud houses (usually called hut). Those claiming to be rich live in block houses made of cements and other costly building materials.

Technically, a house could be defined as any facility that serves as an abode or simply put, a living place (Ubom and Ubom, 2014). The BBC English dictionary defines a house as a building in which people live. Doling, Vandenberg and Tolentino (2013) define a house (or apartment) as the most expensive asset that most families possess.There are various definitions of the word "**House**". The definition that relate to this study is a building or any facility/construction that people live in. In the context of this study, a house refers to a comfortable, affordable and convenient building that one lives in. It is comfortable in the sense that all or almost all facilities are available within or outside it, affordable in terms of price and convenient in terms of environment and location. This definition is necessary because there are different types of houses. In the open desert, people live in shades in the form of settlements and among animals such as goats, cows, cattle, donkeys, etc. In some other places, people live in tents in the open field or in a bush or forest. In some villages, the houses are not better than yam barns where the houses are built in the form of small muddy huts with red earth. In other villages, majority of buildings are made of blocks from cement. These are the various types of houses available mostly in the rural and semi urban areas. In the township like capital cities, there are very strong and good accommodations, but not available for all and amongst them are those living in slumps around these called big and fine mansions.

Housing also has a direct impact on human welfare (Doling et al, 2013). Decent housing is fundamental to maintaining an adequate standard of living and social inclusion. People need a place to protect themselves from the elements, secure their belongings, and create a space to share with family. Those who live in sub-standard housing in slums, shanty towns, and poor neighbourhoods may suffer from overcrowding, poor protection from heat, cold and rain, and inadequate access to water, sanitation, and other services. Such conditions often lead to health problem issues, particularly for children. For these reasons, housing is recognized in the Universal Declaration of Human Rights (UDHR) as part of the right to an adequate standard of living, along with food, clothing, medical care, and social services.

Mortgage loan

A mortgage loan is a loan secured by real property through the use of a mortgage note which evidences of the loan and the encumbrance of that realty through the granting of a mortgage which secures the loan (Ajisafe, 2011). However, the word mortgage alone, in everyday usage, is most often used to mean mortgage loan. The word mortgage is a French law term meaning "death contract" meaning that the pledges ends when either the obligation is fulfilled or the property is taken through foreclosure. A home buyer or builder can obtain financial institution' such as a bank or credit union' either directly or indirectly through intermediaries features of mortgage loans such as size of the loan. Maturity of the loan, interest rate, method of paying off the loan and other characteristics can vary considerably.

The mortgage loan involve two separate documents which are: the mortgage note (a promissory note) and the security interest evidenced by the "mortgage" document (Ajisafe 2011). Generally, the two are assigned together, but if they are split traditionally, the holder of the note and not the mortgage has the right to foreclose. According to anglo – American property law, a mortgage occurs when an owner (usually of a fee simple interest in reality) pledges his or her interest (right to the property) as security or collateral for a loan. Therefore, a mortgage is an encumbrance (limitation) on the right to the property just as an easement would be, but because most mortgages occur as a condition for new loan money, the word mortgage has become the generic term for a loan secured by such real property. As with other types of loans, mortgage has an interest rate and is scheduled to amortize over a set period of time, typically 30 years. All types of real property can be and usually are secured with a mortgage and bear an interest rate that is supposed to reflect the mender's risk.

Housing Finance

Housing finance is a broad issue, the concept of which can vary across continents, regions and countries, particularly in terms of the areas it covers. For example, what is understood by the term 'housing finance' in a developed country may be very different to what is understood by the term in a developing country. The International Union for Housing Finance (IUHF), as a multinational networking organization, has no official position on what the best definition of housing finance is. However, the selection of definitions below is offered as a snapshot of what housing finance as a subject covers. Housing finance brings together complex and multi-sector issues that are driven by constantly changing local features, such as a country's legal environment or culture, economic makeup, regulatory environment, or political system (Loïc & Michael,2009). In addition, the concept of housing finance and housing finance systems has been evolving over time. Looking at definitions from the mid-1980s, housing finance was defined primarily in terms of residential mortgage finance. The purpose of a housing finance system is to provide the funds which home-buyers need to purchase their homes. This is a simple objective, and the number of ways in which it can be achieved is limited. Notwithstanding this basic simplicity, in a number of countries, largely as a result of government action, very complicated housing finance systems have been developed. However, the essential feature of any system, that is, the ability to channel the funds of investors to those purchasing their homes, must remain (Boleat, 1985) On the other hand, in more recent years, a number of other much wider definitions have simply define, housing finance as what allows for the production and consumption of housing. It refers to the money we use to build and maintain the nation's housing stock. But it also refers to the money we need to pay for it, in the form of rents, mortgage loans and repayments (King, 2009). Housing finance is a key part of the housing system, making homeownership possible for a much greater proportion of the population than would be the case otherwise. Finance also plays a key role in housing construction, supporting the large costs of developers before housing units can be sold out. In many developing countries, families are frustrated by their inability to borrow the money to make a house purchase (Dolling et al 2013). Housing finance may be limited to those with a high and steady income. Those who are able to secure finance are often required to provide an initial (down) payment of 30% or higher, of the value of the unit and the mortgage may be large relative to income. Those who cannot secure a mortgage are forced to save for many years or abandon the dream of owning their own home. Moreover, when housing improvements are incremental related to the rate at which people can save the outcome may be inefficient. For example, people start by using cheap, poor quality materials that soon need replacement (UNHabitat, 2009). In short, the underdevelopment of mortgage markets constitutes a barrier to improving living conditions. The benefits of expanding the availability of housing finance are therefore directly related to the benefits of housing itself. Mortgages are merely the means to securing ownership of housing earlier than might otherwise be possible. But the development of housing finance also has other impacts on the financial system (Dolling et al, 2013).

Overview of Housing Finance Arrangements in Nigeria

The challenges of housing in Nigeria are enormous and complex; exhibiting marked regional difference which has led to the concern for the provision of decent, affordable mass housing especially for the low and medium income earners. It is estimated that the nation's housing deficit is in the neighborhood of 16 million (Yinusa, 2011). According to National Bureau of Statistics and United Nations study estimates, about 12-16 million units are needed to bridge the deficit. This translates to between N42- N56 trillion (Yinusa, 2011). Government's intervention in housing finance started with the establishment of Nigeria Building Society in 1956 as a joint venture of the Commonwealth Development Corporation (CDC), the Federal Government and the Eastern Nigeria Government (Ebie, 2005). This entity operated exclusively on the mobilization of savings from the open market to fund individual mortgage loans. The promulgation of the Indigenization Act of 1973 signalled the full acquisition of the Nigeria Building Society by the Federal Government and its transformation into Federal Mortgage Bank of Nigeria (FMBN) in 1977 (Soludo 2003; Kabir and Bastani, 2011). However, with the curtailment of mortgage exposures by banks and housing corporations due mainly to interest regulation on mortgage lending and under-funding, the Bank became the sole provider of mortgage loans for individual homeownership.

The policy thrust shifted to direct construction by government in the face of escalating housing shortage to reduce the demand pressure. The outcome is in the 4th National Development Plan (1980-85) which reflected government's direct involvement which led to the low cost housing projects known as the Shagari and Jakande houses (Yinusa, 2011). This approach made government the mega financier of housing involving huge capital expenditure that ended in dead capital because the houses had no legal title which necessitated the launching of the first formal National Housing Policy in 1991. As product of this process, National Housing Fund (NHF) scheme was established in 1992 to address the constraints to the mobilization of long term funds for housing development and also to ensure that every Nigerian has access to housing loans at affordable interest rate (Soludo, 2003).According to (Soludo, 2003), government policies aimed at providing affordable and comfortable housing for all Nigerians include the following:

Credit Policies

In recognition of the importance of the housing sector, and considering that banks have ready access to cheap sources of funds through retail deposits as well as the infrastructure to process real estate loans efficiently and the skills to manage the risks involved, the Central Bank of Nigeria has encouraged banks to support the development of the housing sector in Nigeria. In particular, the

CBN has through its credit policies, required the erstwhile commercial and merchant banks to allocate a stipulated minimum proportion of their credit to the housing sector. In the 1979/80 fiscal year for instance, the minimum stipulated for banks was 5 percent of total loans and advances. The share was raised to 6 percent in 1980 and 13 percent in 1982.Where banks failed to meet the stipulated target, such shortfalls were deducted at source from the defaulting bank's deposit with the CBN and passed on to the housing/ construction sector through the Federal Mortgage Bank of Nigeria. The financial sector was, however, liberalized in 1993. With the deregulation, the preferred status accorded to the housing and construction sector was discontinued.

Insurance Companies' Funds

Insurance companies are equally well suited to providing housing finance because of their stable base of funding and the long-term nature of their liabilities. They are therefore not only fund mobilizers, but also important source of capital fund for the economy. Funds from life insurance companies also provide resources for the financing of the housing sector in Nigeria. The structure of the loans and advances of the sector indicates that the insurance sector has been active in mortgage financing.

Specialized Institutions

The main competing institutions with banks and insurance companies in the area of housing have been specialized institutions, such as semi-government agencies, mortgage banks and building societies.

State/Municipal Government Financing

State and Municipal Governments have also been known to be involved in mortgage financing, albeit, on a limited scale. The sources of such fund usually include budgetary allocation, complemented with facilities from development institutions. Such funds are often channeled through the states' development finance institutions such as the Housing Corporations or Investment and Property Development Corporations for on lending to individuals for residential building construction. Indeed, the erstwhile regional governments of the 1960s set up the regional housing corporations, with clear mandate to provide long term credit for housing development. The state governments establish appropriate agencies to execute the housing program, establish committees for facilitation, promotes formation of building societies and housing corporation among others while the local governments provide residential layout for low-income housing, assist in the formation of housing cooperatives, determine housing needs of the rural populace and make available the needed infrastructure that enhance real estate development (Kabir and Bastani, 2012).

Mortgage Institution in Nigeria

In housing delivery in the country some institutions are involved. These institutions include The Federal, State, and Local Governments in Nigeria, the Federal Housing Authority, The Federal Mortgage Banks, and the Primary Mortgage Institutions. The major functions of these institutions include policy formulation, implementation, coordination and control as well as the provision of the mechanism for fund sourcing and disbursement to the various beneficiaries in the real estate projects (Acha, 2007). For instance, the Federal Housing Authority prepares and submit to the Federal Government of Nigeria all proposals for national housing programs. They make recommendations to government on urban and regional housing developments, urban planning, sewage, water supply, transportation and communication as may be relevant to housing programs approved by the government. They also execute such housing programs as approved by the government (Ubom and Ubom, 2014).

The Federal Mortgage Bank of Nigeria (FMBN) which serves as the apex mortgage institution and the only institution at the source of housing financing in the country began operations in 1956 as Nigerian Building Society (NBS), under a joint venture arrangement involving Britain and Nigeria, with a major mandate to carry on retail mortgage finance business via mobilization of savings from the open market to fund individual mortgage loan demand (Soludo 2003, Mailafia, 2005). The NBS thus represented the first institutionalized housing finance mechanism in the formal sector of the Nigerian economy. In 1977, NBS changed to FMBN as a result of 100% ownership acquisition by the Federal Government of Nigeria. The objective was to make the Bank an effective vehicle for increasing mobilization of long-term funds, lending volumes and to extend its services to all parts of the country. It was therefore charged with a mandate to carry both retail and secondary mortgage business, as well as to promote the emergence and growth of primary mortgage institutions to be established by private entrepreneurs. On its own part, the FMBN provides the loans for housing schemes and projects in the country. However, the actual disbursement of such funds from the FMBN to the beneficiaries for housing development is through the Primary Mortgage Institutions (PMIs).

The promulgation of the Mortgage Institutions Decree No. 53 of 1989 provided the regulatory framework for the establishment and operation of Primary Mortgage Institutions (PMI) by private entrepreneurs. The FMBN under the decree became the apex institution, which regulates primary mortgage institutions and was empowered to license the PMIs as second tier housing finance institutions (Onabule, 1992). The PMIs, under the Decree were to mobilize savings from the public and grant housing loans to individuals, while the FMBN mobilizes capital funds for the primary mortgage institutions. The PMIs were expected to enhance private sector participation in housing finance. In Nigeria today, PMI is a company licensed to carry out mortgage business. Such businesses include granting of loans or advances to any person for building, improvement or extension of a dwelling and commercial house, and the purchase of a dwelling or commercial house among others (PMI and OFID, 2003). It is also defined as an institution that is usually a bank, either commercial or savings and loans. It could be locally owned, privately owned or corporation. This institution is a lender of money to potential homeowners who uses such loans to purchase a house, paying back the loan on monthly installments to the mortgage institution. The primary mortgage institutions operate under the coffers of the National Housing Fund Decree of 1992, revised in1996 and further revised in 2006. The federal mortgage bank serves as its apex regulatory authority.

In Lagos state, there are about 62 PMIs spread across Lagos State. PMIs in Lagos cannot be totally ostracized from what is obtainable in Nigeria. Generally, there is no credit or finance structure available to the low-income groups for land, housing and basic services in the state. The only window for all Lagosians to access financial facility for land, housing and basic services is the National Housing Fund [NHF] established in 1992. The participants are expected to contribute 2.5% of their monthly income with a PMIs, for a period not less than six [6] months in order to qualify for a maximum loan of N15 million [US$96,774] at 6% annual interest payable over a period of 25 years. The scheme is operating in all Local Government Areas of Lagos State with about 62 PMIs as the primary savings and lending agents (Mortgage Banking Association of Nigeria, 2010). As at December 2010, record has shown that a total sum of N50.68 billion was approved out of which N23.89 billion representing 47% was

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disbursed to 16, 468 applicants through 57 PMIs in Lagos State (Oshodi 2010). The average amount approved is equivalent to N1, 450, 692 [US$9, 359] per beneficiary. Significant numbers of Lagosians who are mainly in the informal sector of the economy were denied participation from this scheme because of low deposit mobilization, inability to track their monthly income and lack of formal titles to their land holdings.

Roles of PMIs in the Provision of Housing Finance

The PMIs, under the Decree were to mobilize savings from the public and grant housing loans to individuals, while the FMBN mobilizes capital funds for the primary mortgage institutions. The PMIs were expected to enhance private sector participation in housing finance. The PMIs are authorized to raise funds through borrowings from the National Housing Fund unit of the federal mortgage bank, which should not exceed fifty percent (50%) of its shareholders fund. Such loan must be secured by a block of existing mortgages previously granted by a mortgage institution. In addition, the PMI must execute a sale and administration of agreement and deed of assignment with the bank, prevent misallocation and deviation of loans, disbursed the loan after presentation of acceptable security, demand for immediate repayment of loan with interest and payment of two hundred percent penalty of interest for PMIs that misallocate their loans or be suspended from further borrowing until it complies with the regulations earlier stated (Oduwaye, Oduwaye and Adebamowo, 2003).
From CBN report in 2003, out of about three hundred and fifty (350) PMIs licensed, only eighty one (81) were then declared healthy. In 2008, a study conducted by Oduwaye et al (2003) showed that out of sixty five (65) primary mortgage institution in Lagos, forty three (43) were owned privately, eighty (8) of them were government owned, ten (10) were owned by commercial banks, two (2) by insurance companies and others owned the remaining two (2). In addition to all these, the federal mortgage bank charges fees for services rendered in granting a loan and other administration charges. Apart from the tight arrangements for PMIs as discussed above, other factors like the poverty level in the country, cost of raising a good building, poor savings, highly changing macroeconomic policies, processes in land acquisition and the complex structure of the mortgage financing in Nigeria culminate to render the services of the PMIs invaluable.

Review of Related Studies

In Nigeria, many scholars have observed various lingering problems connected to the mortgage financing (e.g. Aribigbola, 2008; Dung-Gwom and Mallo, 2009;Anayochukwu, 2011;Adebamowo, Oduwaye and Oduwaye 2012

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etc.).Aribigbola (2008) examined the suitability and potential of the policies to addressing housing affordability and shortages in urban areas of the country as well as determined the impact of the policy on housing delivery in Akure, Ondo State Nigeria. The study found that the policy has not made much contribution to housing provision, and revealed that the PrimaryMortgage Institutions that are essential in the implementation of the policy are not available in the state andtherefore residents of the city have not been able to benefit from the outcome of the policy.Dung-Gwom and Mallo (2009) investigated the challenges of accessing credit for home acquisition by low income earners in Nigeria. The study sought to the conditions for accessing credit from the National Housing Trust Fund (NHTF) which is in custody of the Federal Mortgage Bank of Nigeria (FMBN) and private financial institutions. The study identified low incomes/wages to be the greatest impediment to credit as workers below Grade Level 07 on the two salary structures could not pay off a loan of N1.5m which is equivalent to cost of 1-bedroom bungalow based on their monthly earnings. Also, lending rates in private financial institutions are on the higher side averaging 23 per cent in addition to other charges while other conditions attached to credit makes it practically impossible for low income earners to meet. Dung-Gwom and Mallo (2008) also discovered that the current global financial crisis has caused a surge in lending rates which will further affect loan seekers affordability to credit.

On the other hand, Anayochukwu (2011) examined the operations of the mortgage finance institutions in urban housing financing and development in the South-Eastern States of Nigeria. The study disclosed that, the problem of housing financing in Imo and Abia States is exacerbated by the fact that banks and other financial institutions are operationally biased in favour of lending to other sectors where there is assurance of higher profitability and faster returns. The study also revealed inefficient machinery and inadequate funding for effective implementation of the nation's housing programme. Similarly, Aliyu, Kasim and Martin (2011) investigated problems of finance for home acquisition by private residential property developers in Bauchi metropolis, Nigeria. The study sampled 200 resident property developers and examined the conditions for accessing credit from the National Housing Trust Fund (NHTF) which is in custody of the Federal Mortgage Bank of Nigeria (FMBN) and PMIs. The study found that low income; poor source finance and difficulty in accessing credit were discovered to be the major housing finance impediments to residential property development in the study area.Adebamowo et al (2012) investigate the problems mitigating housing finance through primary mortgage institutions in Lagos. The study sought to know how housing loans given by the mortgage banks affect the availability of loans by the masses and the impact of the loan (NHF) given by the PMI on provision of low-cost housing. The study disclosed NHF policy, structure of PMIs, the national economic climate, high cost of building materials, and public apathy, difficulty of access to land and land documentation constraints, poor collaterals, high interest rates and competitive finance market as major challenges confronting the operations of the PMIs in Lagos State.

Furthermore, Kuma (2015) assessed the challenges that impede effective access to housing finance in the North Central States of Nigeria. The study assessed the availability and distribution of primary mortgage structures within the study area. The study found that there is inadequate availability of PMIs and insufficiency of funds are major impediments affecting housing finance access in the area. In addition, various studies have examined the contributions of PMIs to housing development (e.g. Ubom and Ubom, 2014). Ubom and Ubom (2014) examined the contributions of Primary Mortgage Institutions (PMIs) to real estate development in Nigeria. Specifically, the work sought to assess the role of PMIs in housing delivery in the country, and established the relationship that exist between the investments and loans granted by the PMIs and real estate development in Nigeria from 1992-2012. The study found that rigid regulatory policies and insufficient fund hinder the smooth operations of the PMIs and their contributions to real estate development in the economy.

METHODOLOGY

A survey research design was adopted and a self-developed questionnaire titled "Primary Mortgage Institution Questionnaire (PMIQ)" was used to generate data from staff and beneficiaries of twenty-five (25) PMIs in three (3) areas (that is, Ikeja, Lagos mainland and Victoria Island) of Lagos State. Lagos Mainland, Island and Ikeja which is the capital of Lagos state, represent the study areas for this study. These areas are the industrial and commercial hubs of Lagos State. Data generated were analysed using frequency, percentage, mean, standard deviation, and regression analysis at 0.05 level of significant.

RESULTS

Descriptive Analysis of Housing Finance Activities of PMIs in Lagos State

As regulated by Federal Mortgage Bank of Nigeria, housing finance is the primary obligation of mortgage institutions in Nigeria particularly. This responsibility has gone beyond lending money to potential homeowner but has also involves a lot of activities which ranged from mortgage finance, real estate construction finance, acceptance of mortgage-focused demand deposits, financial advisory services and drawing mortgage funds for on-lending. Therefore, the result in Table 1 shows the housing finance activities carried out by PMIs in Lagos State.

Table 1: Housing Finance Activities of PMIs in Lagos State

S/No.	Items	Very Often	Often	Rarely	Not at all
1	Mortgage Activity	33 (52.0%)	12 (48.0%)	-	-
2	Rea estate construction finance activity	6 (24.0%)	8 (32.0%)	8 (32.0%)	3 (12.0%)
3	Acceptance of Saving and Time/Term Deposits	5 (20.0%)	8 (32.0%)	9 (36.9%)	3 (12.0%)
4	Acceptance of Mortgage-focused demand Deposits				
5	Finance advisory service	5 (20.0%)	11 (44.0%)	6 (24.0%)	3 (12.0%)

Source: Field survey (2015)

The result reveals that all (i.e. 100%) of the PMIs in Lagos State engaged in mortgage finance activities. This is not surprising because the National Housing Fund Decree under which PMIs are operated are to mobilize saving from the pubic and grant housing loans to individuals who intend to purchase a house. Finding also showed that majority (56.0%) of the PMIs in Lagos State often practiced real estate construction finance activity. Finding also showed that acceptance of saving and term deposits were rarely practiced by PMIs in Lagos State as consent by 52.0% of the staff. This is not surprising because this activity is regularly guided by Federal Mortgage Bank of Nigeria and can effectively sustain through the capital based of the company. A significant number (52.0%) of the respondents also be of the same agreement that their institution often practiced acceptance of mortgage-focused demand deposits. Finding also deduced that 64.0% of the PMIs in Lagos State regularly practiced financial advisory services for mortgage customers so as to ensure that loan giving to customers are effectively utilized for the purpose of housing development.

Descriptive Anlaysis of Challenges Confronting Housing Finance efforts of PMIs in Lagos State

In a turbulent competitive financial environment, primary mortgage institutions are expected to faced unpredictable challenges which might constrained adequate and efficient credit delivery to the housing sector. The result in Table 2 presents and rates the major challenges that are generally and usually confronting housing finance efforts of PMIs in Lagos State. The finding showed that common major challenges that confront the housing finance effort of PMIs are NHF policy (64.0%), followed by public apathy (60.0%), high cost of building materials (52.0%), national economic climate (52.0%) and high interest rate (52.0%) while other challenges such as PMIs structure, poor collateral, land documentation constraints, competitive finance market and difficulty of access to land are less challenges confronting housing finance efforts of PMIs in Lagos State.

Table 2: Major Challenges Confronting Housing Finance efforts of PMIs in Lagos State

Major Challenges	Yes		No		Total
	Frequency	Percentage (%)	Frequency	Percentage (%)	
NHF Policy	16	64.0	9	36.0	25(100%)
PMIs Structure	12	48.0	13	52.0	25(100%)
High cost of building materials	13	52.0	12	48.0	25(100%)
National economic climate	13	52.0	12	48.0	25(100%)
Poor collateral	12	48.0	13	52.0	25(100%)
High interest rate	13	52.0	12	48.0	25(100%)
Land documentation constraints	11	44.0	14	56.0	25(100%)
Public apathy	15	60.0	10	40.0	25(100%)
Competitive finance market	11	44.0	14	56.0	25(100%)
Difficulty of access to land	12	48.0	13	52.0	25(100%)

Source: Field survey (2015)

Content Analysis of Beneficiaries to the Challenges in Accessing Mortgage Facilities in Lagos State

A lot of requirements to access mortgage facilities at PMIs have been identified and described by beneficiaries in Lagos State. The response of the beneficiaries revealed certificate of occupancy, architectural and structural drawing, bill of quantity and all documentations of approval as major requirements to be possessed before accessing PMIs' mortgage loan in Lagos State. Furthermore, the majority claimed that they all have these aforementioned requirements before the loan were given to them. For example a beneficiary interviewed at RCCG camp claimed that: "Most customers do not get to the final stage of securing loan because of lack of "C of O". In addition, beneficiaries also disclosed customer's integrity as another key prerequisite in accessing mortgage loan in PMIs. On the other hand, the beneficiaries also revealed the length of processing the facilities along with period of repayment. As deduced from the beneficiaries, it was found that the length of processing the loan facilities at PMIs in Lagos State is between 1 to 2 years and the repayment method was long-term. Response of the beneficiaries also discerned that PMIs' loan facilities are fairly enough. Similarly, beneficiaries claimed that mortgage financing by PMIs in Lagos State is averagely effective and PMIs' performance was classified as "Fair". Furthermore, response of the beneficiaries release various challenges encountered while accessing mortgage loans from PMIs in Lagos State, among the well-known challenges are: high interest rate of lending, lack of guarantor, delay in loan disbursement and excessive investigation on the documents presented.

Descriptive Analysis of PMIs Challenges on Housing Development in Lagos State

It is pertinent to understand the impact of the major challenges on housing development in Lagos State. The result in Table 3 therefore presents the opinion of the respondents on the major challenges confronting housing finance effort impact hosing development in Lagos State. As shown in the Table 3, inconsistence in NHF policy affect PMIs in realising meaningful result in term of housing finance. Finding also showed that PMI structures contribute to ineffective management NHF loans. The finding revealed that as national economic climate of PMIs in Lagos State hinder successful housing finance by PMIs, so also high interest rate and lending criteria limit ability of customers to seek mortgage loan and the rate of housing development in Lagos State.

Table 3: Impact of PMIs Challenges on Housing Development

S/No.	Items	SA	A	N	D	SD	Total
1	The NHF policy pose problems in achieving meaningful result in housing finance	12 (48.0%)	7 (28.0%)	2 (8.0%)	3 (12.0%)	1 (4.0%)	25 (100%)

2	The structure of PMIs contributes to ineffective management of NHF loans	8 (32.0%)	10 (40.0%)	4 (16.0%)	2 (8.0%)	1 (4.0%)	25 (100%)
3	National economic climate pose hinderance to our organisations ability to have successful housing finance	10 (40.0%)	3 (12.0%)	4 (16.0%)	6 (24.0%)	2 (8.0%)	25 (100%)
4	High interest rate and lending criteria create barrier to customers ability to acquire mortgage	8 (32.0%)	6 (24.0%)	5 (20.0%)	3 (12.0%)	3 (12.0%)	25 (100%)
5	Challenges facing PMIs limit the rate of housing development in Lagos state	12 (48.0%)	5 (20.0%)	4 (16.0%)	-	4 (16.0%)	25 (100%)

*SA=strongly agree, A=Agree, N=Neutral, D=disagreed SD=Strongly disagreed,
Source: Field survey (2015)

The result of Table 4 revealed that calculated value of F-statistics was 3.782 which were significant at 0.05 significant level and was greater than the F-statistical value of 1.21 ($F.stat_{(9,15)} = 3.782 > F.tab = 1.21$, $p(.011) < .05$). Statistically, the null hypothesis is hereby rejected. This implies that the challenges confronting PMIs have significant influence on house financing in Lagos State.

Table 4.24: Influence of Challenges of PMIs on House Financing

Challenges of PMIs		Sum of Squares	df	Mean Square	F	Sig.
	Regression	75.962	9	8.440	3.782	.011[a]
	Residual	33.478	15	2.232		
	Total	109.440	24			

Source: Field survey (2015)

DISCUSSION OF FINDINGS

An obvious fact derived from the study is that majority of the PMIs situated in Lagos State were privately owned (88.0%) and have been engaging in mortgage finance activities for about 22 years (24.0%). It was deduced by the study that activities such as mortgage finance (52.0%), acceptance of mortgage-focused demand deposits (44.0%), real estate construction finance (32.0%), financial advisory services (28.0%) and drawing mortgage funds for on-lending are often practiced by PMIs, while acceptance of saving deposit and time/term deposit (36.9%) were rarely practiced by PMIs in Lagos State. It was also observed from the study that NHF policy (64.0%), public apathy (60.0%), high cost of building materials (52.0%), national economic climate (52.0%) and high interest rate (52.0%) are major challenges confronting the housing finance effort of PMIs in Lagos State. The study also established that other challenges such as PMIs structure (48.0%), poor collateral (48.0%), land documentation constraints (44.0%), competitive finance market (44.0%) and difficulty of access to land (48.0%) are less challenges confronting housing finance efforts of PMIs in Lagos State. It was also reported that inconsistence in NHF policy affect PMIs in realising meaningful result in term of housing finance (76.0%). The study also established that PMI structures contributes to ineffective management NHF loans (72.0%), national economic climate hinder successful housing finance by PMIs (52.0%) and high interest rate and lending criteria limit ability of customers to seek mortgage loan (56.0%). The study confirmed that these challenges limit rate of housing development in Lagos State (68.0%). The study statistically concluded that challenges confronting PMIs have significant influence on house financing in Lagos State ($F.tat_{(9,15)} = 3.782 > F.tab = 1.21$, $P(.011) < .05$).

CONCLUSION

This study had made known that challenges confronting PMIs have significant unhelpful effect on house financing in Lagos State. Obviously, the study shown that most PMIs in Lagos state are unable to realised successful housing finance due to lack and inconsistency of NHF policy, unstable structures of PMIs, national economic climate and high interest rate and lending criteria.

In the same way, the study suggested important task unto the PMIs, governments, regulatory agencies and other financial institutions (commercial and merchant banks) to support house financing in the country. It is in this in the light of this that if all aforementioned recommendations are seriously consider, challenges confronting house financing effort by PMIs would be reduced.

RECOMMENDATIONS

Based on the findings of this study, this study offers the following recommendations for the PMIs, regulatory bodies and government so as to enhance effective and successful housing finance in Nigeria.

(i) Government should provide mechanism to reduce interest rates of mortgage loans so that low income earners will get access to cheap credit for home acquisition

(ii) PMIs should scale down on their stringent lending requirements for a building loan.

(iii) Liberalisation of credit facilities by primary mortgage institutions to increase the level of access to loans by the property developers is imperative, therefore, government through liberalisation of collateral security provision and the reduction of interest rates could do this.

(iv) Also, other financial institutions such as the commercial and merchant banks, through the CBN guidelines; need be directed to increase their housing loan investments and services and channel these through the FMBN as required.

(v) Federal Mortgage Bank of Nigeria and other lending institutions in the metropolis should review the loan agreement to enable the property developers who could not complete their houses secure additional loans so that the houses can be completed on time.

(vi) In addition there is a need for the creation of a special unit by the state government and Federal Mortgage of Nigeria to supervise the completion of residential accommodations and ensure that they are occupied within the stipulated time.

(vii) There is also need to enhance the accessibility of mortgage funds by prospective individuals and estate developers and at the same encourage them to mobilize resources to meet varying housing demands.

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