

Achieving affordable housing:  
Creating 500,000 housing units  
by 2016 through housing  
microfinance



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# AFFORDABLE HOUSING AND MICROFINANCE



- ❧ Like microfinance, affordable housing is about liberalizing access
- ❧ Traditional mortgage practices leave out low-income people
- ❧ And like microfinance, it is possible to use flexible structures and processes to achieve mass housing targets on a sustainable basis

# The poor and housing



- ❧ Like microfinance, housing is required by poor for a number of reasons:
- ❧ It is a basic human need
- ❧ Among the poor, there is strong connection between the home as a place of shelter and/or house as a means for engaging in income generating activities
- ❧ Ownership is, irrespective of gender, a symbol of maturity and fulfilment for everybody

# MFIs and Affordable Housing

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- Target of affordable housing are already clients, customers and members of Microfinance institutions (MfBs, Coops and NGOs).
- These peoples organizations have developed flexible and responsive structures and procedures that could be useful for providing mass housing facility
- MFIs are already active in provision of houses to low-income people across developing nations such as Bangladesh, India, Kenya, Bolivia and Mexico

# Challenges of Housing Microfinance



## Policy and regulatory constraints

- A major constraint is the regulatory definition of micro-loans in terms of volume and tenor. Housing loans are usually of larger sizes and of longer tenor.

# Challenges (cont'd)



## Lack of Funding

- ❧ This challenge has two (2) dimensions:
- ❧ First, is that the volume of funds required for housing is not available to microfinance banks, that have limited options for deposit mobilization.
- ❧ Second, is the problem of asset-liability mismatch that will arise when housing microfinance is provided by MfBs.

# Challenges



## Inadequate Capacity

- ❧ Lack of awareness on and technical skills required for providing housing microfinance (HMF)
- ❧ Like microfinance, affordable housing for the poor will require flexible and responsive strategies which differ from the formal mortgage practices.
- ❧ It takes time and resources to build the required competences

# Recommendations

## (On regulations)



A review of the microfinance supervisory guidelines

- ☞ Recognition of roles that microfinance banks can play in provision of mass housing
- ☞ Review size and tenor of micro-loans



# Recommendations

## (On Funding)



First, is the establishment of funding linkages between microfinance banks and cooperatives on the one hand, and commercial banks on the other.

Second, is the inclusion of mass housing loans into the proposed micro and small enterprise development fund by the Central Bank of Nigeria.

# Recommendations

## (On Capacity building)



- ☞ Need for technical support for microfinance banks and cooperatives. The soft technology of mass housing is reaching maturity in other countries and regulatory jurisdictions, and Nigerian microfinance banks can learn from the experiences.
- ☞ Technical assistance focus should be on:
  - mobilization of potential beneficiaries,
  - need assessment,
  - structuring of loans and repayment schedule



∞ Many thanks for  
your attention!