

Legal Initiatives to Achieve
the Delivery of 500,000
Housing Units In Nigeria
By 2016

By
Andrew Ajibola Akeju

The Situation Is Bad – Really Bad

- Ratio of mortgage debt to GDP is less than 0.1%
- Less than 4,000 mortgages originated a year vs. population of over 160 million people
- Netherlands – 107.1%; Denmark – 101.4%; U.K – 85%; U.S.A – 76.5%, most of the rest of Europe falls in the middle range around 40%
- South Africa, Mexico, Botswana, Poland are in the 10% - 20% range

The Foundation for Mortgage Market Exists

- Primary Market – Commercial Banks, PMIs, Credit Bureau, proactive banking supervision (CBN)
- Secondary Market – FMBN (functions as a second-floor/non-originating mortgage institution)
- Active Capital Market – including the NSE for trading debt and equity; active government bond market (tenor up to 20yrs); SEC
- Potential Investors in mortgage securities – Commercial Banks, Pension Funds, Insurance Companies

Legal and Regulatory Challenges

- Land Use Act 1978
- Registration of Titles
- Foreclosure and Eviction Law
- Taxes and Stamp Duties

Land Use Act 1978

- Vests all land in the government
- Governor's consent required for procuring and transferring title
- Embedded in the constitution
- Major obstacle in mortgage lending. Lender (mortgagee) is provided no comfort
- The law needs to be amended. It is a costless step

Registering Title

- Time consuming, many and unclear procedures, high cost
- Introduction of technology – Geographical Information Systems in the 36 states just like FCT
- Procedures should be streamlined and made uniform nationwide
- With technology in place we may rethink mandatory requirement of hiring a lawyer in registering property.

Foreclosure & Eviction Law

- Should be passed, with clear implementation regulations
- Non-Judicial Foreclosure to reduce the time it takes to foreclose on a defaulting mortgagor.

Taxes and Stamp Duties

- Should be streamlined (reduced)
- Reduced taxes increases the tax base and results in more collections
- Exempting transactions below a specified value, to encourage lower income citizens to own houses

Others

- Revocation – Appeal to the conscience of political office holders to do the right thing always. Probably legal penalty if they deal with land inappropriately.
- Mortgage Refinance Company – All stakeholders should be involved and understand what it entails. Don't just copy, modify to suit your situation
- Government should fund infrastructure to reduce cost of houses
- Pension Funds – Invest in mortgage securities. High quality.

My 10 Pence

- The Government needs to cooperate and not compete with the private sector.
- Government needs to address the legal and regulatory constraints. In addition to the laws, taxes and stamp duties on transfer of title
- Government has to provide mortgage infrastructure such as mortgage insurance programmes and targeted subsidies for lower income households

Finally

- The government does not have to act unilaterally to provide housing.
- It has friends in the private sector that will help and can bear a majority of the risk in providing housing finance.
- But these companies need the government

Thanks

■ **THANK YOU**