



PROJECT REPORT

For the Study on Understanding
End User Finance in Abuja, Nigeria.

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1.0 Introduction

This report is the product of a Study commissioned by Reall to gain improved understanding of the structure and sources of end user financing for potential homeowners in Abuja primarily towards supporting its growth strategy in Nigeria.

1.1 About Reall

Reall is an innovator and investor in climate-smart affordable housing. With the long-term support of the Swedish International Development Cooperation Agency (Sida), it is building a climate-smart affordable housing movement in urban Africa and Asia. Through this, we aim to accelerate the transition to net-zero while improving the lives of 100 million people on low incomes by 2030.

Nigeria is a priority market for Reall. It aims to invest in credible Nigerian affordable housing delivery partners that demonstrate commercial viability and impact, while working with other key stakeholders and players across the ecosystem to address underlying market barriers.

1.2 Reall in Nigeria

Reall has been operating and investing in affordable housing in Nigeria since 2014. The majority of this work to date has been in partnership with the Millard Fuller Foundation (MFF), delivering affordable urban or peri-urban homes for Nigerians in the bottom 40% of the income pyramid.

It is also pursuing an ambitious market transformation agenda in Nigeria, working with key stakeholders and ecosystem players to amplify its housing investments and resolve systemic bottlenecks. By 2025, Reall aims to have made meaningful contribution to the following objectives:

- a) Expanded housing finance solutions to low-income borrowers, enabling previously excluded people to access affordable housing finance;
- b) Addressed critical governance, policy, standards, and regulatory barriers that impede the market;
- c) Resolve data and evidence gaps that inhibit more effective solutions for affordable housing and people on low incomes accessing decent housing;
- d) Build capacity for low-carbon buildings, renewable energy, and green finance in the affordable housing space.

1.3 The Study

The primary objectives of this work are to:

- a) Identify and analyse key sources of housing finance for low-income households in Abuja and understand key enablers and barriers encountered by housing finance institutions (banks, cooperative societies, microfinance providers) when lending affordable housing finance
- b) Understand end user attitudes towards housing finance in Abuja and explore the demand for different types of housing solutions
- c) Identify and evaluate housing finance institutions (banks, cooperative societies, microfinance providers) that are willing to collaborate with Reall to jointly explore and develop new solutions to provide housing finance, and green finance, to low-income clients
- d) Broker introductions for Reall with senior personnel at housing finance institutions identified in objectives above

The authors have reviewed the abundant existing research and material on Nigeria's housing finance market, undertaken their own research, spoken to relevant people in Nigeria, and discussed the issues with colleagues in Reall.

The report concentrates on three key issues identified in the terms of reference for the Study:

- Key Sources of Housing Finance
- End User attitudes to existing Housing Finance options
- Potential partnership opportunities for Reall in Nigeria

The findings of the Study are broadly in line with a number of similar studies which propose analyse the Nigeria Housing Market through distinct supply and demand side interventions, but differs an apparent assumption that these can be addressed separately.

It is hoped that the report will contribute to an already lively debate on housing finance issues in Nigeria but more specifically support Reall's commitment to impact and improved access to housing finance for Nigerians on low income.

2.0 Study into End User Financing in Abuja

2.1 Introduction

Limited access to end user finance has a significant impact on housing markets. In Nigeria as in most developing economies the impact can be quite stifling on the development of a viable housing market.

In Nigeria, it poses significant risk to Reall's strategic objective where it aims to pursue an ambitious market transformation agenda in, working with key stakeholders and ecosystem players to amplify its housing investments and resolve systemic bottlenecks.

Towards its strategic goal of increasing investment in housing for people on low income in Nigeria, Reall wishes to:

- (a) Understand the potential for increasing access to end user finance and
- (b) Identify suitable partners to work with in developing and implementing a solution.

2.2 Statement of the Problem

Most Nigerians aspire to own their homes. However, for many this remains a dream, particularly those on low income living in urban areas where up to 80% (CAHF, 2022) are only able to rent.

Although the supply problem remains substantially unresolved there is some progress. However, very limited attention has been paid to enabling buyers, especially those on low income to have access to affordable financing to buy their homes. The availability of financing for end users to buy their homes is almost non-existent for majority of the population.

Without access to financing, end users are unable to buy built houses and without sales, developers are unlikely to build. Reall has invested in a project in Nigeria where exit has become a critical challenge due to lack of access to financing for interested buyers. This is the general experience of lenders and developers in the Nigeria market evidenced by poor sales and high levels on Non-Performing Loans. As a result, a better understanding of end user financing is a critical imperative for improving market performance.

2.3 Methodology

2.3.1 General Principles

The study was carried out based on the following general principles:

Customer Focus – a primary focus on the objective of the study as stated in para 2.1 above.

Soundness – we have to ensure that as far as possible qualitative data including feedback from focus groups are accurately captured.

Inclusion – we have ensured that we captured a wide variety of views and inputs. We have specifically ensured that women and young people groups are involved given that culturally they are often excluded from discussions on home ownership and household finance.

2.3.2 Study Components

The study was carried out through the following key components:

Secondary Research–This includes a review of existing literature, government policy, trade data required to get a clearer context of end user financing in Nigeria and specifically, Abuja. The review has focussed on the following specific matters:

- a. Existing and proposed Government Policy and Regulatory Guidance on end user financing for home ownership including mortgages, home loans and incremental loans.
- b. Identification of existing types and sources of end user financing and size, particularly lending activity to low income households;

Primary Research - The primary research component included two elements:

- a) Focus Group Discussions with 20 groups comprising of 100 people mostly members of Co-Operatives. In line with the principle on Inclusion about 47% of attendees at Focus Groups were women and there were 2no women only groups. List of Focus Groups and thematic areas discussed are attached as **Appendix A and B** respectively.
- b) Stakeholder Interviews – 14no individual interviews were held key players in the Abuja housing market. A schedule of interviews and information on the interviewees is attached as **Appendix C** and Interview Questionnaire is attached as **Appendix D**.

Financial Institutions Engagement – 3no Commercial Banks (DMBs) and 4no Primary Mortgage Banks licenced to operate in Abuja were interviewed. In addition, 2no Co-operative and Thrift Societies and 3no MicroFinance Banks were interviewed to explore possible engagement with REALL. The criteria for screening those for possible engagement with REALL is described in **Appendix E** and the Interview Questionnaire for this initial engagement is attached as **Appendix F**.

2.4 Reporting

This report outlines findings from the 3 components of the Study and proposes opportunities for REALL to facilitate increased access to end user financing particularly on sponsored projects to facilitate exit.

3.0 Housing Market Environment and End User Finance in Nigeria

3.1 Introduction

Nigeria is a federation where housing policy and regulation exist at the Federal and State levels with the responsibilities of each level of government set out in the Constitution.

The following section describes the structure of current housing policy and regulation in Nigeria with particular emphasis on access to housing for Nigerians on low income.

3.2 Housing Policy overview

The Nigerian Constitution, Section 16 (2) (d) In Nigeria, this right provides that the state shall direct its policy towards ensuring that “suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, and unemployment, sickness benefits and welfare of the disabled are provided for all citizens.”

Government has recognized that the majority in need of housing are the low-income earners therefore the two major components of the government’s framework with regards to shelter addresses the fundamental issues of availability and affordability.

1981/82 National Housing Programme

In 1980, the Federal Government proposed the 1981/82 National Housing Programme which was intended to provide 350 medium and high housing income units in each of the then 19 states of the federation by the Federal Housing Authority. This was in addition to the national low-income housing units embarked upon by the government in all the states of the federation popularly known as Shagari low-cost housing, under the supervision of the Federal Ministry of Housing and Environment.

The Government proposed 40,000 housing units to be constructed across the federation annually with 2000 units per state including Abuja, the Federal Capital Territory. The estimated target for housing delivery under this policy was 200,000 houses for middle and low-income people, to be delivered between 1981 and 1985. However, only 47,500 were delivered.

1991 National Housing Policy

The 1991 National Housing Policy, which succeeded the 1981/82 National Housing Programme was the first comprehensive and measured response by the government aimed purposely at solving the housing problems in Nigeria, which was implemented in response to the ever-increasing housing problems and demands. The major aim of the 1991 policy was to ensure that Nigerians own or have access to decent housing accommodation at affordable cost by the year 2000. The policy addressed some fundamental issues like land

acquisition (subject to the Land Use Act), housing finance, housing construction and delivery.

The main strategy of the policy was to establish the National Housing Fund Scheme to mobilize loanable funds from workers, which would be disbursed through the Primary Mortgage Institutions (PMIs) with the Federal Mortgage Bank of Nigeria as a secondary mortgage institution and manager of the fund.

However, the poor performance of the 1991 National Policy in achieving the above goals and objectives, as well as the failure to adequately resolve the housing deficit and other associated problems created the need for more pragmatic solutions.

2006 National Housing Policy

The main objective of the 2006 Policy was on institutional reform, capacity building, and increased financial mobilization to the housing sector, local building material production and adequate access to land. It was also meant to eliminate the bottlenecks that hampered the realization of the nation's housing goals but without any specific future date for its delivery. The policy also emphasized private sector participation in housing finance and investment, and one of the short-term measures initiated in the policy was the commencement of the implementation of a private sector led housing construction programme.

The main objective of the 2006 Policy was on institutional reform, capacity building, and increased financial mobilization to the housing sector, local building material production and adequate access to land.

2012 National Housing Policy

The 2012 National Housing Policy was formulated to replace previous Housing Policies particularly that of 2006. The primary focus of the 2012 Policy was the introduction of mass housing for the purpose of providing houses for Nigerians irrespective of their financial status. It proposed the construction of one million houses annually and emphasized the role of the private sector as implementers of the policy and the government as regulator. For the first time Government Policy explicitly introduced the concept of social housing, with the hope of providing housing for the low-income earners.

Although the 2012 Housing Policy is widely regarded as Nigeria's most comprehensive policy to date, it has unfortunately remained largely unimplemented with very little impact.

3.3 Regulatory Framework

A plethora of laws exist to help regulate the Housing Market in Nigeria including Abuja which is a Federal Capital Territory. However, because most of these are now outdated, the current government has embarked a process of modernizing the legal and regulatory framework required to enhance housing delivery.

Currently, eight (8) housing related laws are now before the National Assembly. They are:

- The Federal Mortgage Bank of Nigeria Act 1977 (replacement)
- The National Housing Fund Act 1992 (replacement)
- The Mortgage Institution Acts 1992 (replacement)
- The Social Insurance Trust Fund Act 1993 (amendment)
- The Investment and Securities Act 1999 (amendment)
- The Trustees Investment Act 1962 (amendment)
- The Insurance Act 2002 (amendment)
- The Land Use Act 1978 (amendment)

The expectation is that when these laws are passed, critical areas of the housing market will be improved. Critical improvements are likely in key areas such as Land Administration and Titling, Mortgage Insurance and wider range of sources of housing finance, particularly the Capital Market.

3.4 The Financial System

The financial system is dominated by Commercial Banks, which account for over 90 per cent of the assets of financial institutions. There are now about 21 Commercial Banks, the largest of which are also the largest quoted companies on the Nigeria Stock Exchange. In addition, there are 916 microfinance banks and 35 primary mortgage institutions, all of which are very small.

The other major holders of financial assets are Insurance Companies, Corporative and Thrift Societies and Pension Fund Administrators. The capital markets are not well developed.

Nigerian Commercial Banks are very liquid with strong capitalization. However, there is very limited exposure to housing finance by either the Commercial Banks or other players. Currently mortgages account for only 0.6% of the GDP compared to peer economy such as South Africa with a ratio of 2.3% mortgage loans to GDP.

3.5 Land Titling

The Land Use Act 1978 vested the ownership of all land in the Governor of each State. Governors allocate land for development. There is a network of Land Registries in each State but the administration is poor and computerization has made little progress in most states. All transactions in property require the consent of Governors and registration with land registries. The process is time consuming and very costly, total fees are typically in the range of 20 per cent to 30 per cent of property value. (World Bank, 2016)

3.6 A persistent Challenge

Whilst these initiatives have been far reaching and well intentioned, the housing challenge in Nigeria remains persistent. A significant majority of the population still live in sub-standard and poor housing with the level of production of housing in Nigeria only 2 dwelling units per thousand people which is grossly inadequate compared to the required rate of about 8-10 dwelling units per thousand people as recommended by the United Nations.

Various studies have attempted to identify the key factors which have consistently undermined efforts at addressing Nigeria's housing challenge. These include

- a) Poor plan implementation - There is often a wide gap between what is on paper and what is happening on the ground. For example, only 13.3% achievement was recorded in the federal government's housing program in the Third National Development Plan.
- b) Lack of adequate data relating to the magnitude of the problem, due partly to the absence of the national data bank on housing.
- c) Inconsistency in government policies and programs, including frequent changes of policies with changes of government and without proper assessment of the existing ones.
- d) Lack of efficient and sustainable Housing Finance framework including access to project finance and end user finance
- e) People's incomes are relatively low in comparison with house market prices, resulting in an affordability problem.
- f) High cost of building materials. For example, a recent survey has shown that a 50kg bag of cement has risen from N650 in 2000 to about N4,600 today.
- g) The rapid annual growth rate of the Nigerian population, which was estimated at 3.3% on the basis of annual birth rate of 49.3 per 1,000. Coupled with the rapid population growth/urbanization is the problem of an increasing poverty level among the citizenry, which has risen from 65% in 1996 to about 80% in 2020, according to UNDP and World Bank estimates.
- h) Lack of effective coordination among Housing Agencies. While all the three tiers of the government are involved in housing delivery, activities are rarely coordinated.
- i) Policy Imbalance – Most of the initiatives established in recent years have been focused on the supply side of the housing market. There has been limited effort at

strengthening the demand side, particularly access to financing for end users. Similarly, most of the initiatives have paid limited attention to private sector participation in the housing market.

3.7 Housing Finance in Nigeria

3.7.1 Housing Finance Subsectors - There are three sub-sectors of the Nigerian housing finance market:

- a) The informal sector – by far the largest.
- b) The formal open market sector, which is largely confined to the upper income groups in the major urban centers.
- c) The subsidized sector, a subset of the open market sector, which benefits from cheap loans from the National Housing Trust Fund.

Each of these submarkets are described briefly below:

3.7.2 The Informal Sector - Most of this report is about end user finance, and therefore primarily about the formal sector of the economy. However, it is important not to lose sight of the informal sector which constitutes the vast majority of the population and housing in Nigeria.

Housing in this sector of the market is usually built by the owners. A very primitive construction can be built quickly, overnight if necessary. However more substantial homes are constructed over a period of years, subject to the rate at which the owner can afford to pay for materials or occasionally for some professional help. Building a substantial dwelling is likely to take between three to ten years.

Financing is from a range of sources primarily:

- a) Revolving short-term loans from Savings and Thrift Societies/Co-Operatives and Microfinance Banks;
- b) Family Support, particularly remittances. It is estimated that up to 60% of remittances from relatives overseas are used to finance incremental housebuilding.

3.7.3 The Formal Mortgage Sector - House purchase on the open market in Abuja is difficult, fraught with multiplicity of challenges including

- Absence of clear property and security rights.
- Mandatory Minister's Consent to property transactions.
- Inefficient land management systems.
- High costs of property transactions.
- Inadequate sources of cheap long-term funding.

In spite of the unfavorable environment, there is a growing mortgage market in Nigeria and Abuja. Most mortgage loans or end user finance are provided by the retail deposit banks,

and to a much lesser extent by the primary mortgage institutions typically financed by retail deposits.

In most countries a key element of the underwriting process is examining the financial history of the borrower, particularly in respect of his record in repaying other loans. This is regarded as the single most important piece of information required to underwrite loans effectively. In Nigeria there is no reliable means of doing this. There are a few credit bureaus but they have insufficient data to enable them to be fully effective.

Lenders require the borrower to have clear title for the subject property and will normally take a legal mortgage, although in some cases they may accept an equitable mortgage to reduce the cost associated with the Minister's consent. To further protect themselves lenders will normally deal with borrowers only from certain specified employers – typically the public sector and large corporations. Mortgage repayments are typically made by deduction from wages.

There is no reliable figure for the size of the mortgage market. A best guess is around 0.5% of GDP i.e about N105bn. The market leaders are:

- United Bank for Africa
- Access Bank
- Sterling Bank
- GT Bank Plc
- First Trust Mortgage Bank
- Cooperatives Mortgage Bank
- AG Mortgage Bank

Currently the open market mortgage rate is 21 - 27 per cent, roughly the same as prime lending rate, and a spread of 3 – 9 percentage points over money market rates. This spread is not unreasonable given the problems of mortgage security and the early stage of development of the market. However, the high mortgage rate acts as a deterrent to some potential borrowers particularly those on low income who are almost fully excluded as a result of the high cost of mortgages.

3.7.4 The Subsidized Mortgage Market – Operating alongside the mortgage market described in the previous section is a subsidized mortgage/end user finance structure involving the Federal Mortgage Bank, a National Housing Fund and a network of primary mortgage banks.

Under the structure, the Federal Mortgage Bank of Nigeria (FMBN) administers the National Housing Fund which is essentially a provident scheme with compulsory savings by public sector employees, the proceeds of which can be used only for house purchase. Approved Primary mortgage institutions (PMIs) disburse subsidized loans financed by the National Housing Fund to qualifying borrowers. Current lending rate is 6% with a maximum tenure of 25 years. However, maximum loan is pegged at N15m.

Primary mortgage institutions, were established through Decree No 53 of 1989, as their name suggests, were intended to be specialists in mortgage lending, like Building Societies in Britain. Their role is to collect retail deposits and to make mortgage loans, both on the open market and as the only institutions through which loans from the National Housing Fund are distributed. However, almost without exception they have low capitalization and poor governance. A spate of failures of Mortgage Banks in the past means that they have struggled to compete with Commercial Banks in raising deposits to finance mortgage loans. As a result, most Primary Mortgage Banks are considered weak, negligible profitability and generally considered to offer only very modest contribution to end user finance supply in Nigeria.

3.8 Key Implications for REALL Strategy

3.8.1 There is a new focus in addressing user financing as a key lever for improving housing delivery in Nigeria. There is an opportunity for REALL to leverage its significant experience to participate and possibly lead the conversation.

3.8.2 Whilst Nigerian Commercial Banks are highly liquid and well capitalized there is very limited interest in providing end user finance for people on low income. However, there is a possibility that partnership with REALL could spur confidence in the banks to explore this opportunity.

3.8.3 Organisations like Microfinance Banks and Savings and Thrift Societies/Co-Operatives which typically serve people on low income are too poorly capitalized to provide end user finance at scale. A partnership with REALL to improve financing capacity and corporate governance of these institutions can have significant impact on market development and access to end user financing.

Some of these themes have been explored as part of the study using the methodology outlined in Section 2.3 above with the findings reported in the next section.4.0

4.0 Findings

4.1 Introduction

This section summarises the key findings from the Study including:

- a) Desktop Literature Review of current Policy Context
- b) Focus Group Discussions
- c) Meetings with Financial Institutions, and
- d) Interviews with Key Market Leaders

4.2 Focus Group Discussions

4.2.1 5no Focus Group discussions spread over 3 days between 8th – 10th February were organized, each lasting about 2.5 hours. To capture a balanced perspective, three types of focus groups are arranged as:

- 3no General Groups
- 1no Women Group
- 1no Expert Group

Each group discussion comprised an average of 12 members with:

- At least 40% of the attendees to be women;
- A good balance of representation from informal and formal sectors;
- Majority of discussants on low/low-medium income.

A list of the groups who participated in the discussion is attached as **Appendix A**.

4.2.2 Focus Group discussions were structured around 10 discussion points arranged into 4 themes as follows:

- Perceptions about Home Ownership
- Perceptions about Housing Finance Options
- Perception about Alternative Types of Housing Finance
- Suggestions about other End User Finance Mechanisms

A detailed schedule of discussion points is attached as Appendix B.

4.2.3 Discuss and Findings

a) Perceptions about Home Ownership

Traditional preference for home ownership was strongly dominant with an overwhelming proportion of discussants indicating a desire to own their home rather than rent which the

other major alternatives. The reasons for this preference were very consistent across the groups and include:

Deep seated religious views – a surprising number of discussants felt that owning a home was a sign of blessing from God and mandated in the religious books. One discussant said:

“being a Christian, God mentioned shelter so shelter is primary in someone's life....”

Culture – Amongst most of the discussants, culture plays a major role in shaping preference for home ownership. Representative comments include:

“...where I come from in the East, as a young person once you reach some certain age and you are planning on getting married the first thing people ask you is if you have a house and if you don't have a house and you are getting married they will ask you where you are taking her to...”

“...it is counted as a prestige for a man or woman or whoever to own or have his or her own house....”

Cost – *This is another key reason underpinning the strong preference for home ownership. Most of the discussants believed that home ownership was cheaper than renting.*

“...If you ask me I can see in Abuja here house rent have become very expensive and so every individual will like to own a home wants his/home because it is cheaper...”

“...everyone will want to own their own houses as most people she has met want to own their own homes because of high rate of payment to landlords...”

However, it is noted that some slightly qualified views emerged from certain categories of discussants. For instance, the preference for home ownership amongst the female discussants and public sector workers was more flexible.

Some female discussants felt that they would be favourable disposed to a rental option since it would only be a temporary arrangement prior to marriage:

“...I don't think as a woman you need to own your home because eventually you will move to a man's house it is a duty responsibility of a man to prepare a home where he will keep his wife...”

Discussants who are employed in the public sector appeared more inclined to consider renting as an option. This is probably informed by the transient nature of most public workers in Abuja who can be transferred to other parts of the Country at various times during their career. The same perspective was evident from a young group of discussants who took the view that home ownership was not critical as they are likely to be moving locations frequently as their career develops.

“...in as much as the concept of owning a home is good, it is not always possible at the start of your career as a public staff you get posted from place to place...”

In relation to the delivery preference of those who prefer home ownership, most discussants indicated a bias toward incremental self-build of their homes against purchase of completed homes from developers. The main reasons given include:

- Poor Location
- Poor Quality
- Loss of Deposit
- High Cost.

“...I have come to realize that houses are developed by developers most of the times are substandard and when you need to fix the house to your own taste its more expensive you spend much more....”

“...I have a lot of friends who got some mortgage and bought a house from a developer and when you go there you just touch the house and everything collapse and even from the floor you see water coming out. So, the idea is commercial its geared towards profit making...”

“...what is prompting people to say give us the money to build our own houses is because of this substandard attitude towards building by professionals so to say...”

“...In our cooperative, we started something but the developer was giving us high prices up till now there is no gateway about how each and every one of our cooperative members will own their own place from the developers because they want to cut our neck, they want to make much more money. The cost and type of house they would give you when you see a two bedroom the living room is so small; the dining area you can't manage it. So, if they give you your own money I don't think you can build that small type of a place whether it's a 1 bedroom or self-contain you know it's going to be a masterpiece...”

b) Perceptions about Housing Finance Options

Discussants were asked to identify the main approaches and sources for financing their home. Only a small proportion of discussants (indicated by a show of hands) owned their homes. Most of these financed their homes through individual savings or small loans. Typically loan size is about N1m to implement a stage of the building (e.g. Blockwork), loan is repaid and a new loan is obtained for the next stage of the works.

The primary sources of the Loans are the Savings and Thrift Societies/Co-Operatives (from the discussion groups, this was majority, about 80%) and a small number from micro-finance institutions. None of the discussants claimed to have obtained loans from Commercial Banks. Also, very few of the discussants has secured financing or knew people who had secured financing through the Mortgage Banks or the National Housing Fund

“...as our cooperative member you can get a land then we pay for you and you pay after 18 months then you can also access additional loan to do the foundation and our interest

rate is just about 5% and that's why as members we want to borrow from the cooperatives. Commercial Banks are too expensive..."

However, most discussants felt that although Savings and Thrift/Co-Operative Societies were currently preferred sources of financing, this was because as members it was easy to get assistance from them. The Commercial Banks and Mortgage Banks were perceived to be very reluctant to provide financing for people on low income.

In the general focus group discussions, there was a general view that access to financing opportunities was inclusive, the primary criteria being only membership of the Co-operative where the provider was a Co-operative Society. However, there was a slight variation to this view in the female only focus group with some indication that even within Co-Operatives, women especially unmarried ladies were more frequently denied loan approvals.

"...yes there is. sometimes when you approach people for some things like that you get things like where is your oga, your oga no fit buy things for you so it is very discriminatory like even within the work place you hear things like ask your husband now, can't your husband do it? As if women too cannot be providers. in her own opinion she feels there is discrimination...."

Although most discussants identified loans from their Corporative Societies as the preferred source of financing their homes, this appeared to be a preference imposed by lack of access to the much more affordable financing from the National Housing Fund through the Primary Mortgage Banks. Almost all the respondents felt that if the National Housing Fund was working, it would provide the most attractive option. It was considered cheaper with long tenure offering much lower monthly repayments.

"...we want to take loan from federal mortgage bank... that is not easy to come by..."

c) Perceptions about Alternative Types of Housing Finance

Installment Payment and Incremental Housing Microfinancing are increasingly being considered as alternative housing finance options for people on low income.

Discussants were reserved about the idea of installment payment plans as an option given concern about affordability.

"...It may be a good idea. If there is any way to make housing affordable, we will welcome it because we are talking about the low-income earners. The big man can get what he wants to get but the poor man can't..."

The idea of installment payment was also not well received by most discussants because of a perceived association with developers.

“...I would not like to buy from a developer, the size I want I might not get it from the developer...”

“...the value they place on a 1-bedroom flat, I say wow really, and I am expected to pay in a period of 2 years and the value is damn high and apart from that they use substandard material and at the end of the day I will have to remove, replace and it will be like I'm working for the whole of my life just to have 1-bedroom apartment without doing any other thing. I will prefer to access the fund and use it to her taste...”

However, a large majority of discussants viewed incremental housing microfinance as a welcome option for accessing end user financing. However, it was felt this was best implemented in partnership with Co-Operatives. This probably needs to be set against the background that most discussants are members of co-operatives.

“...the cooperative can be used as an organ now that will monitor the funds in collaboration with the sponsors so each cooperator gets the money and the cooperative desk signs a bond on behalf of its members right and it ensures that they do what they are meant to do once there is a bond signed...”

d) Perceptions about Sustainability and Green Housing

Focus Group Discussions suggested significant lack of awareness about sustainable housing. Most of the discussants considered it secondary to a more urgent need to have a secure roof over their head.

“...believe me if you are trying to build a smart house it would be very expensive. So how do you make poor people afford it. We already have a challenge with the cost of construction...”

e) Discussants ideas for future Housing Finance Models

The Focus Group Groups were invited to propose ideas for future housing finance models which could improve access to financing for their homes.

Some of the more widely supported ideas and suggestions include:

“...we should build small building so everybody will live comfortably and let there be space for expansion whereby the building is initially 1 bedroom or 2 bedrooms at the beginning but at the end it was made a 3-bedroom flat...”

“...working with Cooperative to give loans. Cooperative know what we gave you one the other time so it's the next person turn like they have the true information like they are saying of every member, in fact they know the chair where he or she is sited, they know where you park, they know when you go home and resume work...”

“...let there be an honest scheme pick 1 or 2 of the cooperative and work with them and if there is a headway the rest of us can also key in...”

“...So government should do a layout so that someone can build houses of their own...”

“...I want to say employment Government should provide employment opportunities. I am taking because I am a youth so there should be employment where we can have jobs and then save and have money to build houses of our own. I am sure most of us don't have home because we don't have jobs if we don't have jobs how can we have money to get ourselves home. So employment is very important....”

“...Government should build houses for rent to own, you will live inside the house and be paying monthly and then by the time you finish paying for the house the house now becomes yours...”

4.3 Interviews with Market Stakeholders

4.3.1 Introduction

A sample of 14 key stakeholders in the Abuja housing market was interviewed to obtain a broad range of perspectives on availability and access to end user finance in Abuja. The interviews were adopted the same discussion points as those used for the Focus Groups. This allowed us to cross reference perspectives.

The interviewees comprised of:

- 3no Commercial Banks
- 3no Primary Mortgage Banks
- 2no Microfinance Banks
- 2no Development Companies
- 4no other stakeholders from Institutions regulating or developing policy for the housing market.

The schedule of interviewees and mode of interviews is attached as Appendix XXX.

4.3.2 Perceptions about Home Ownership

Practically all of the interviewees felt that the aspiration of people living in Abuja including their customers was to own their own home. The reasons for this preference where similar to those indicated in the focus groups.

“...the ambition of every Nigerian is to own their own home. It brings peace of mind and security that even in the worst circumstances they will have a roof over their heads. Even for people on low income this is their aspiration...”

“...I think that is an undisputable fact. Even here at the bank all our staff including the junior ones want to own their own homes. Being a tenant is really exposing yourself to being at the mercy of a landlord...”

However, stakeholders from the Federal Ministry of Works and Housing, the Federal Ministry of Finance, Family Homes Funds suggested that this perspective maybe exaggerated because there were really no other effective options available for local people. The current informal rental option was not a real option as it did not offer security, was often very poor quality and expensive.

Among 3 of the 4 interviewees in this category, there was a strong view that if an effective alternative such as formal rental housing, rent to own products was available and people were adequately informed we might see a shift in this preference.

“...I think this is a popularly held belief. I have not seen a robust data on this issue and maybe the forthcoming National Housing Survey will back it up but even then I believe that given the changing demography we now have a new generation who may not be so attached to home ownership if they can get good quality rental homes. It's like Uber House...”

11 out of the 14 respondents felt that everyone regardless of their gender, age, income levels, and educational attainment wanted to own their own homes. However, two interviewees suggested that women were less likely to consider home ownership on their own.

“...very few applications for loans to buy a house or even acquire land come from women. I don't have full details but I think this is driven by our culture where the belief is that it is the man's responsibility to own a home...”

At least 8 of the 14 Stakeholders interviewed were in the business of providing financing for end users. The perspective was that although the number of people buying completed homes was small compared to people who were building incrementally, this was a growing preference.

“...people are getting tired of the hassle of trying to build their own houses by themselves. They are also scared of omo-onile's because many of them have lost money trying to buy land...”

4.3.3 Perception about Housing Finance Options

All the 14 interviewees indicated that mortgages or similar home loan products were the most preferred option for financing home purchase. However, there was also a consensus that this was not always available.

“...there is no doubt that everyone will prefer to have mortgage which they can pay off little by little. However, affordable mortgage is really not available. It can take you years to get it if at all, so people have resorted to other methods. That why you are seeing these site and service schemes all over the place...”

Other housing financing options indicated from the interviews include:

- Small Loans to finance incremental house building starting from land acquisition. This is typically from Commercial Banks and Microfinance Banks. There is evidence that typical requests for consumer loans are in fact for housing development purposes;
- Developer finance including payment for the completed house in installments, typically over a maximum of 24months;

Interviewers identified developer finance with installment payment as one of the most common housing finance options currently on the market in Abuja.

“...since there is very limited availability the only way we as developers can assist buyers is to offer them installment payments over about 18month....”

Most of the interviewees felt that outside an outright cash purchase, this was the least affordable option.

“...installment payment has its uses for some people but certainly not for people on low income. Imagine a modest house costing N10m, if you have to pay for that by installment over 18months it means about 600k per month. Not even a Director in the Civil Service earns that...”

4.3.4 Perceptions about Alternative Types of Housing Finance

All 14 stakeholders interviewed felt that Incremental Housing based housing finance or Housing Microfinance probably has the best chance of addressing end user financing requirements of people on low income, including those in the informal sector. However, 3 of the interviewees suggested that what is currently described as Incremental Housing based housing finance or Housing Microfinance will require some adjustment to make it work.

“...I agree that housing microfinance as some call it may offer the solution to housing for people on low income but it also has several problems. In a high inflation environment like ours, how do you make sure costs don't sky-rocket as this approach tends to prolong construction period. Also how do you manage quality control...”

A second option highlighted by almost all the Stakeholders is the Rent to Own Model. Two interviewees suggested a more rigorous development of the Rent to Own or Lease Purchase Model to scale it.

“...I have been hearing of this Rent to Own approach for a number of years but it doesn't seem to have taken off. What is the problem? From what I've heard of it, there may be something there for people on low income...”

4.3.5 Perception about Sustainable Green Housing

With the exception of 4 interviewees from the policymaking and regulatory sector and another from a lender, there was muted enthusiasm for integrating sustainability and

green housing principles into housing delivery. The perception was that it only serves to push the initial cost of housing further away from people on low income.

“...this is the fashion now and I don't have a problem with it as I really don't know very much about it. However, from what I've heard it increases the cost of the house. Is this what we want? I don't know how we can make it work without some subsidy from government...”

2 Interviewees suggested that it was important to educate the housing market players right from the initial designers on what is required to build a sustainable home and the benefit for all parties. According to one of them:

“...we need to interpret what green housing or sustainability means in the African context. It cannot be the same as in Europe where the environment is different. We need to seriously address a number of issues if we are serious about this....”

4.3.6 Ideas about possible future Models

All 14 interviewees independently had a broadly similar perspective about possible future models for improving access to end user finance for people on low income. The broad view was to avoid “reinventing the wheel” but to focus on tweaking some of the models mentioned above to make them work.

“...Nigerians like to throw things away and then bring new ideas which may not also work. My view is that we need to study the current arrangements, understand why they are not having the expected impact and then fix them. For instance, why is mortgage or rent to own not working? We should look at it carefully...”

4.4 Interviews with Selected Financial Institutions

4.4.1 Introduction

One of the key objectives of the Study is to identify and use agreed criteria select a small number of Financial Institutions with a view to assessing interest in partnership with REALL towards deepening access to end user finance.

Four of the main Financial Institutions comprising of 24 Commercial Banks and 2 Mortgage Banks who are very active in the Abuja market were contacted for interviews. Using a structured questionnaire designed to get an initial perspective of fit, the responses were scored to arrive at a shortlist of 2 institutions for further discussions with Reall.

The Financial Institutions are as follows:

- Commercial Banks
- Access Bank Plc
- Sterling Bank Plc
- Primary Mortgage Banks
- FHA Mortgage Bank
- Coop Mortgage Bank

A copy of the draft questionnaire and assessment criteria is attached as **Appendix D** and **E** respectively.

A summary of the responses to the questionnaire is presented in a tabularized format below:

4.4.2 About the Institution

	ACCESS BANK	STERLING	FHA HOMES	COOP MB
Type of Institution	Commercial Bank	Commercial Bank	Primary Mortgage Bank	Primary Mortgage Bank
Area of Operation	National	National	Regional	Regional
Ownership Structure	Public (PLC)	Private Limited Liability Company	Fully owned Subsidiary of the Federal Housing Authority	Private Limited Liability Company.
Presence in Abuja	Yes. Has 11 Branches across the FCT	Yes. Has 3 branches across the FCT	Yes. Has 2no branches in the FCT	Yes. Has 1no branch in the FCT

4.4.3 Products and Services

	ACCESS BANK	STERLING	FHA HOMES	COOP MB
Housing Finance Products Offered?	Mortgages, Home Improvement Loans and Furniture Loans	Mortgages, Home Improvement Loans and Furniture Loans	Mortgages, Installment Payment Loans	Mortgages and Small Loans to buy Land
Size and Quality of the HF Portfolio	N/A	N/A	N2.4bn	N3.6bn
Most Popular Products and Why?	Home Improvement and Furniture Loans. Mortgage Loans are limited and typically to high income earners.	Mortgages	NHF Mortgages	NHF Mortgages
Who are the Main Customers?	Up to 90% of customers are high income earners (>N12m per annum)	Middle/High Income earners (> 8m per annum)	Middle Income earners and NHF Contributors	Low income earners and typically members of Co-Operatives
Indicative Pricing of Loans	< 22% pa	< 24% pa	NHF Loans – 6% pa Non NHF - <25%pa	NHF Loans – 6% pa Coop Loans - >9% pa

4.4.4 Access and Inclusion

	ACCESS BANK	STERLING	FHA HOMES	COOP MB
Information on Customers	Customers are primarily in the formal sector, likely to be in full time employment on medium/high income.	Customers are primarily in the formal sector, likely to be in full time employment on medium/high income.	Customers are likely to be in the formal sector with evidence of stable income. Will typically be on low/medium income	A majority of customers are in the formal sector, typically public service on low/medium income. However, there is a sizeable portfolio of lending to the informal sector. All borrowers typically need to be members of a cooperative.
Diversity and Inclusion	There is no discrimination by the bank but an overwhelming proportion of borrowers (90% indicated) are likely to be male, on high income and full time employed.	There is no discrimination by the bank but an overwhelming proportion of borrowers are likely to be male, on medium/high income and full time employed.	The bank does not discriminate on the basis of gender or for any other reasons. However up to 80% of its borrowers are male in the formal sector and on medium income and above.	The bank generally only lends to borrowers who are members of a Cooperative. Compared to the other banks, a bigger proportion of women and people from the informal sector access financing.
Barriers to Access	The primary barriers to access is affordability. A secondary barrier is the high level of deposit (up to 30%) required.	The primary barriers to access is affordability. A secondary barrier is the high level of deposit (up to 30%) required.	Affordability is a primary barrier to affordability but in addition inadequate capital available for on lending is a major barrier to access. Ability to meet deposit requirements (Up to 10%) is an	Affordability is also a major barrier. In addition, potential borrowers from this bank have to be guaranteed by their co-operatives which is a further barrier.

			additional barrier.	
Overcoming the Barriers	Construction Costs are high which reflects in the costs of the units. In addition, Government should explore tax waivers on Mortgage Interest payments.	There is a need for Government Intervention to lower mortgage interest costs. Also refine land laws to reduce risk and therefore the amount of deposit required.	Need to support mortgage institutions with additional capital.	Need to support mortgage institutions with additional capital.

4.4.5 Sustainability

	ACCESS BANK	STERLING	FHA HOMES	COOP MB
Is this a major consideration for the Institution?	Yes. The Bank is committed to Sustainability as a core value and as the mortgage business grows will explore opportunities for green mortgages.	The bank is a market leader in sustainability. Our Head Office is 100% solar powered. Currently not a major consideration in our mortgage business but something we will be very interested in.	Currently not a major consideration. But open for discussion.	Currently not a major consideration. But open for discussion.

4.4.6 Innovation and Partnerships

	ACCESS BANK	STERLING	FHA HOMES	COOP MB
Does the Institution have a plan to grow Housing Finance	Yes. Growing the mortgage business is one of the Banks current strategic objectives.	Yes. We aim to be the leading mortgage provider in Nigeria and are investing significant resources in developing capacity.	Yes. The Bank has an ambitious growth objective working in partnership with Developers and the Mortgage Refinance Company.	Yes. The Bank is currently working to increase its capital through new investment by Co-Operatives. This will help increase its capacity to provide more loans.
What are the Opportunity Areas the Institution sees	The bank is likely to retain current strategy of traditional mortgage lending to “viable” market segments that is people on high income in formal employment.	The bank will explore new home loan products to expand its mortgage business. Key opportunity areas under consideration include working with co-operatives, housing microfinance and the Help to Own Scheme in partnership with Family Homes Funds.	The bank is developing a product to enable it provide home loans to people in the informal sector who are the largest segment of the housing market.	The bank is focusing on deepening its engagement with Co-Operatives by offering: Land Acquisition Loans; Housing Micro Loans; Group Loans to Co-Operatives towards rent to own schemes.
Is the Institution open to partnership with REALL	Yes	Yes	Yes	Yes
Is it able to commit resources to developing the partnership	Yes	Yes	Yes	Yes

4.4.5 Partner Selection

The assessment process leading to the selection of a preferred two for further engagement with REALL is provided below:

Key:

A – Access Bank

B – Sterling Bank

C - FHA Mortgage Bank

D - Coop Mortgage Bank

	Criteria	A	B	C	D
1	Registration/Licensing to offer End User Financing	10	10	10	10
2	Local Presence in Abuja	8	6	5	5
3	Strategic Commitment to End User Finance for Affordable Housing	5	8	6	9
4	Size of current assets related to mortgages/home loans as a proportion of total assets?	2	5	8	8
5	Openness to explore new ideas and innovations which lead to deepening access to end user finance for people on low income	5	7	4	8
6	Inclusion – Commitment to ensure that potentially disadvantaged part of the community e.g Women, informal sector workers etc	4	6	6	7
7	In principle commitment to partnership with REALL	6	7	7	8
	TOTAL (/70)	40	49	46	55

5.0 Discussion and Key Issues for Reall Strategy

5.1 Introduction

This section of the report draws on the findings from various components of the Study to draw out key issues for consideration by REALL and subsequently propose Recommendations for Action.

5.2 Policy Effectiveness

The Study showed that there was no shortage of policies and initiatives aimed at supporting the development of a robust housing market. But they have not been as effective as intended by Government. Section 3.6 outlines some of the reasons for poor results. All of the current policies appear to be predicated on a fundamental premise: a single step to home ownership by all irrespective of income, individual circumstances and economic realities.

This is at odds with the reality. Most Nigerians are unlikely to be able to achieve home ownership in a single step due amongst other reasons to low-income levels relative to development costs. Therefore, perhaps future investment in housing needs to consider an approach to housing delivery that is predicated on a progressive journey towards ownership.

5.3 Home Ownership

The Study indicated that home ownership is a deeply held preference for people on low income as it is for those on higher incomes. However social changes including a younger population, increasing job mobility, lower levels of affordability provide a strong indication that the aspiration towards home ownership could be an end goal with acceptance of alternative tenures such as renting as interim housing options.

The acceptability of incremental housing where housebuilding can take several years by a majority of discussants during the focus group sessions suggests that people on low income are prepared to wait so long as there is a realistic expectation that their hope will be realized.

The implication of this finding for REALL could be that it may want to consider a review of its delivery strategy to provide for incremental housing initiatives as a critical option for addressing end user finance in the Abuja and Nigeria Market. This provides an opportunity to think about home ownership differently.

5.4 Incremental Housing

The study indicated that most people on low income feel that a housing delivery framework that allows them to progress towards home ownership in measured steps relative to their income would meet their needs. This has been described as incremental housing in the study however it is doubtful if this is accurate.

Incremental Housing is a housing delivery concept that has been around for over 60 years, widely used in South East Asia and parts of Latin America. The term is however amorphous with building initiatives such as site and service schemes, self-build, core housing etc appearing to fall within this broad idea.

Assuming that the finding from the Study is accepted, it would be important to define what incremental housing means for Reall in relation to its Strategy in Nigeria. This will also include ensuring that the widely documented problems with this approach are addressed at the product design stage: this includes quality control and standards, cost efficiency etc.

5.5 Role for Developers

The study suggests a deep dissatisfaction with services received from developers. Key issues raised include poor design and build quality, pricing etc. Whilst this requires further investigation, the implication for this Study is a consideration of the role of developers in enabling end user finance for people on low income in Nigeria.

For instance, assuming a future strategy built around an incremental housing model, what would be the role of developers? Can developer participation help address quality issues associated with incremental housing schemes?

Similarly, is there a potential for collaboration between REALL and local developers to improve or innovate around cost effectiveness of new housing? Reduced cost of housing will enhance the effectiveness of any end user finance interventions.

5.6 Partnerships

The study suggests that REALL should consider developing partnerships with a range of institutions to maximise impact. One of the more prominent entities mentioned are Savings and Thrift/Co-Operative Societies. Because of the member benefit, non-profit maximizing nature of these organization they have been very popular in advancing small sized loans to their members for various purposes including housing projects at very competitive rates.

There are about 8000 Co-Operative Societies in Abuja caring for the welfare of their members from both formal and informal sectors. They are regulated by a Department of the Federal Government established for that purpose.

In spite of their numbers and relative cost efficiency, impact is limited due to inadequate capital since lending activities are financed by periodic contributions from a relatively small pool of members.

Can Co-operatives do more with more capital? Can they be useful as intermediaries between REALL and end users leveraging on the relationship they have with their members to improve the credit quality of loans?

This is an option REALL may want to explore alongside partnership with Financial Institutions as originally intended.

5.7 Sustainability and Green Housing

This is a central part of REALL's vision and strategic objective. The study suggests a lukewarm acceptance of this as a key aspect of housing delivery. This appears to be driven by two related perceptions. The first is a knowledge gap about what building green actually means or implies. The second is the fear of increased cost arising from building green.

Both of these can be addressed fairly easily. REALL should consider promoting training for its partner developers on "building green" and potentially offering financial incentives (e.g interest rate discounts) for project which achieve set standards.

5.8 Inclusion and Gender

There was no evidence of direct exclusion from access to financing on the basis of gender or sexual orientation. It is however obvious from the pattern of lending that culturally this is prevalent. For instance, women borrowers are significantly underrepresented in the loan portfolio of lending institutions including commercial and mortgage banks.

There are clearly multiple reasons for this, not least prevalent culture of male dominance which means that in the housing sector, less than 2% of developers are women led and although there is some improvement low representation of women at decision making levels of financial institutions.

REALL may wish to consider promoting gender inclusion as a critical criterion for partnerships and investment in new projects in Nigeria.

5.9 Financing End Users

The Study has established the hypothesis that the very limited availability and access to end user financing is a significant risk factor to financing affordable housing in Nigeria. There are no one-size fits all solutions. An effective strategy will include a multiplicity of approaches enabling the choice of the most relevant approach to a specific credit. These approaches should include:

Relay financing partnership with local financing institutions whereby REALL provides the initial financing for construction whilst local banks who are often wary of construction risks provide exit financing. A reverse scenario may also be applicable.

End User financing requires access to long term capital. However, this implies heightened FX risk exposure. REALL should consider partnership with Capital Market operators in Nigeria to raise long term local currency bonds guaranteed by hard currency deposits;

In the next section, we provide a set of recommendations for consideration by REALL in deepening access to End User Finance in Abuja and Nigeria generally.

6.0 Recommendations

Drawing the information and perspectives obtained from the Study, we propose the following key recommendations for consideration by REALL:

6.1 Incremental Housing/Micro-Loans Product

Development of an Incremental Housing/Micro-Loans financing product targeted at people on low to medium income. Whilst the concept has been around for over 60 years, it exists in a wide variety of forms. We suggest that REALL carry out a detailed product design to formulate a fit for purpose incremental housing strategy that addresses the specific context in Abuja and Nigeria. This will include:

- Detailed Transaction Structure
- Key Credit Policies and Operating Procedures
- Partner Selection Criteria
- Beneficiary Eligibility Criteria etc.
- Capital Raising Strategy
- KPIs

We estimate that a well-designed Micro-Homes Loan product has to support 10000 families per annum.

6.2 Partnership with Co-Operatives

One of the objectives of the Study is to explore potential partnership opportunities with local Financial Institutions. This has been addressed and our recommendation for prospective partnership discussions is provided in section 4.

However, we further recommend that REALL explore strategic partnership opportunities with selected Co-Operative Societies as intermediaries for end user financing.

The study suggested very strong grassroots network and coverage by Co-Operative Societies and in some cases very effective and long-standing lending operations with good portfolio quality. There was also evidence that they enjoy the trust and confidence of their members.

6.3 Partnership with Developers

Although the Study was focused on end user financing. Engagement with end users and other stakeholders suggested that the quality and cost of homes were major influences. High cost of construction means end users have to borrow more which implies additional strain on affordability for those on low income.

We recommend as part of a wider strategic partnership, REALL engagement with local developers to innovate towards reducing the cost of construction. A recent study (McKinseys 2015) suggested that the cost of construction in markets like Nigeria were up to 30% higher than comparable housing projects in South East Asia, suggesting that significant headroom exists for improving construction efficiency.

6.4 Sustainability/Green Building

The study indicated very limited awareness amongst end users, developers and financial institutions. We recommend as part of future investments, REALL should:

- a) Promote training for its partner developers on “building green” and
- b) Consider financial incentives (e.g interest rate discounts) for project which achieve set standards.
- c) Partner with others to raise awareness about the benefit of green building for end users.

6.5 Diversity and Inclusion

Women are significantly underrepresented in the housing value chain. As indicated above, very few women access financing on their own. We recommend that REALL consider diversity targets as part of future financing agreements.

6.6 Partnership with Financial Institutions

As required by the Study TOR and following interviews and assessment of local financial institutions currently active in Abuja, we recommend that REALL enter further discussions with Sterling Bank and Co-Operative Mortgage Bank with a view to future partnership. The consultants will facilitate this.

Appendices

Appendix A – Focused Group Discussion Attendees (Groupings)

NAMES OF COOPERATIVES	NO. OF PARTICIPANTS	TIME	DATE
Nta Cooperative Society	5	9AM	8 TH February 2023
Shestco Cooperative Society	5	9AM	8 TH February, 2023
Atomic Energy Commission	5	9AM	8 TH February, 2023
Education Resource Centre	5	9AM	8 TH February, 2023
National Judiciary Institute	5	9AM	8 TH February, 2023
News Agency Of Nigeria Cooperative	5	1PM	8 TH February, 2023
Ministry Of Environment Cooperative	5	1PM	8 TH February, 2023
Agency For Mass Education	5	1PM	8 TH February, 2023
National Hospital Cooperatives	5	1PM	8 TH February ,2023
National Assembly Cooperative	5	1PM	8 TH February, 2023
Almanah Multipurpose Cooperative	5	9AM	9 TH February, 2023
Legal Aid Council Of Nigerian Staff	5	9AM	9 TH February, 2023
Ministry Of Power	5	9AM	9 TH February, 2023
Razabs Multipurpose Cooperative	5	9AM	9 TH February, 2023
Ccc Women For Christ Multipurpose Cooperative Society Ltd	5	9AM	9 TH February, 2023
Abuja Block Producers Cooperative Society	5	1PM	9 TH February, 2023
Affordable Homes Cooperative Society	5	1PM	9 TH February, 2023
Ministry Of Aviation Cooperative	5	1PM	9 TH February, 2023
Philanthropist For Good Nutrition Multipurpose Cooperative Society	5	1PM	9 TH February, 2023
Concord Multipurpose Society	5	1PM	9 TH February, 2023
TOTAL PARTICIPANTS	100		

Appendix B - Focus Group Discussion Guide

End User Perceptions of Housing Finance in Abuja

Good morning / Afternoon. My name is, from xxx a company that conducts market and social research in Nigeria. We are conducting a survey with people living in Abuja to better their experiences and opinions about housing finance and the different options which are available for people who want to get funding to build or improve their home. Please know there are no wrong or right answers. I would encourage you to feel free to participate. I am interested in your honest opinion and views. Your responses will be kept confidential. This will help

Moderator say:

Thank you for coming to this discussion, I know that your time is valuable. I would like to first introduce our team. My name is _____ and this is my colleague _____. We work for XXXX.

We have come here today to hear your opinions about housing finance in Nigeria. As members of housing cooperatives in Abuja, you have knowledge and experience with these issues.

Your thoughts and ideas are important to us. There are no right or wrong answers to our questions. Please feel free to express all of your ideas and opinions. Any information that you provide will be considered private and confidential and will be used only for this research. Your name will not be used in any reports or documentations. Your answers will be grouped with the answers of other participants and only your city or town will be mentioned in the report.

You are encouraged to participate in the discussion as much as possible. Your participation is voluntary. If you are not comfortable with a question, you may choose not to answer it. There is no penalty should you want to leave the discussion. You are free to ask questions at any time. Do you agree to participate in the study?

NO [Ask participant to leave the discussion/end the discussion]

YES [continue]

Our conversation will be recorded using a tape recorder. The tape allows us to remember what you said. No one in this community will hear the tape and it is only used by members of the study team. Do I have permission to tape record our conversation?

NO [Make sure the Note Taker can take good notes!]

YES [Turn on the tape recorder]

During our discussion, the research team would also like to take photographs of you for use in our reports to our clients. Your name will not be used with any photos. Do we have permission to take photographs of you during the discussion?

NO [Make sure you do not take photos!]

YES [Take photos when appropriate]

We have rules for this discussion. Please speak one at a time so that everyone can hear what is being said. Also if anyone has a mobile phone, they should turn it off to make sure that we are not interrupted. (THIS MEANS THAT ALL RESEARCHERS AND ANY OBSERVERS SHOULD TURN OFF THEIR MOBILE PHONES, TOO.)

Discussion Questions

<p>1. Perceptions about Home Ownership</p> <ul style="list-style-type: none"> Thinking about people living in your community in Abuja, do people generally want to own their own home? Why or why not? Are some groups of people more likely to want to own their own homes than others? Why? (<i>Probe: gender, age, education levels, income levels/occupation</i>) For those who do want to own their own homes, do people prefer to build their own homes incrementally or buy completed houses? Why? What are the advantages and disadvantages of each?
<p>2. Perceptions about Housing Finance Options</p> <ul style="list-style-type: none"> What are the main sources of housing finance for people in Abuja? How do people tend to fund buying or improving their homes? What are some of the main advantages or disadvantages of these different types of finance? If you were interested in buying or building a house over the next 12 months, how would you prefer to pay for it? Why? How available and accessible is your preferred payment option? Do you think access is inclusive for everyone? For instance, do you think women have equal access to financing opportunities? Why or why not? (<i>Probe: age, education levels, income levels and formal vs informal workers</i>) Which type of housing finance do you feel is the most affordable and acceptable for people on lower incomes? Why? Which type of housing finance do you feel is the least affordable and acceptable for people on lower incomes? Why?
<p>3. Perceptions about Alternative Types of Housing Finance</p> <ul style="list-style-type: none"> Instalment Payments have been identified as an alternative to mortgages. Do you think this is a realistic option and if so, over how many years? What are the advantages and disadvantages of this? Incremental housing has also been identified as an alternative homeownership idea. What do you think about this? Is it a realistic option? Why/Why not?
<p>4. Recommendations for the Future</p> <ul style="list-style-type: none"> From your experience, what other arrangements or ideas do you think the industry should explore to deepen effective access to end user finance? What should be done to improve access to housing finance for people on low incomes in future?

Appendix C – Schedule of Stakeholder Interviews

Stakeholder Interviews are as follows:

Institution	Proposed Interviewee	Mode
COMMERCIAL BANKS		
Sterling Bank	Managing Director	Telephone
Access Bank	Head of Mortgages	Telephone
First Bank Nigeria Ltd	Head of Public Sector	Telephone
Jaiz Bank Nig Ltd	Managing Director	Face to Face
PRIMARY MORTGAGE BANKS		
FHA Mortgages	Business Dev Manager	Face to Face
AG Homes	Managing Director	Telephone
Cooperatives Mortgage Bank	Managing Director	Face to Face
MICROFINANCE BANKS		
Hasal MicroFinance Bank	Managing Director	Telephone
Baobab MicroFinance Bank	Manager, Abuja Office	Face to Face
OTHERS		
Federal Ministry of Works + Housing	Director, PPP Unit	Face to Face
Federal Ministry of Finance	Director, IER	Face to Face
Family Homes Funds	Head of Asset Management	Telephone
Nigeria Mortgage Refinance Co	Managing Director	Telephone
Central Bank of Nigeria	Director, OFID	Telephone

Appendix D – Interview Questions for Stakeholders

Questions for Stakeholder Interviews are as follows:

PERCEPTION ABOUT HOME OWNERSHIP	
1	Thinking about people living in your community in Abuja, do people generally want to own their own home? Why or why not?
2	Are some groups of people more likely to want to own their own homes than others? Why? (<i>Probe: gender, age, education levels, income levels/occupation</i>)
3	For those who do want to own their own homes, do people prefer to build their own homes incrementally or buy completed houses? Why? What are the advantages and disadvantages of each?
PERCEPTION ABOUT HOUSING FINANCE OPTIONS	
4	What are the main sources of housing finance for people in Abuja? How do people tend to fund buying or improving their homes?
5	What are some of the main advantages or disadvantages of these different types of finance?
6	Do you think access is inclusive for everyone? For instance, do you think women have equal access to financing opportunities? Why or why not? (<i>Probe: age, education levels, income levels and formal vs informal workers</i>)
7	Which type of housing finance do you feel is the most affordable and acceptable for people on lower incomes? Why?
8	Which type of housing finance do you feel is the least affordable and acceptable for people on lower incomes? Why?
PERCEPTION ABOUT ALTERNATIVE HOUSING FINANCE OPTIONS	
9	Installment Payments have been identified as an alternative to mortgages. Do you think this is a realistic option and if so, over how many years? What are the advantages and disadvantages of this?
10	Incremental housing has also been identified as an alternative homeownership idea. What do you think about this? Is it a realistic option? Why/Why not?
RECOMMENDATIONS FOR THE FUTURE	
	From your experience, what other arrangements or ideas do you think the industry should explore to deepen effective access to end user finance?
	What should be done to improve access to housing finance for people on low incomes in future?

Appendix E – Criteria for Screening Financial Institutions

Criteria for screening Financial Institution

	Criteria
1	Registration/Licensing to offer End User Financing
2	Local Presence in Abuja
3	Strategic Commitment to End User Finance for Affordable Housing
4	Size of current assets related to mortgages/home loans as a proportion of total assets?
5	Openness to explore new ideas and innovations which lead to deepening access to end user finance for people on low income
6	Inclusion – Commitment to ensure that potentially disadvantaged part of the community e.g Women, informal sector workers etc
7	In principle commitment to partnership with REALL

APPENDIX F

Study on Understanding End User Finance in Abuja, Nigeria Questionnaire for Financial Institutions

Background and Purpose

The study methodology includes interviews with selected Financial Institutions. Financial Institutions include Commercial Banks, Primary Mortgage Banks, Micro-Finance Banks, Savings and Thrift Societies, Government Owned Enterprises offering Housing Finance etc.

Since it is not practically possible to interview all organisations falling within the above definition, a criterion has been developed to select Financial Institutions with “high potential” for a partnership with REALL.

The following questionnaire provided a framework for the interviews with selected financial institutions held during the week commencing 20th March 2023.

Ahead of the interviews,

Interview Questions Guide

Name of Respondent:

Job Title:

How long have they worked for the institution?

About the Institution

- Type of Institution: Commercial Bank/PMB/MFB/Savings and Thrift Society/GoE etc.
- Area of Operation/License: State/Regional/National
- Ownership Structure
- What is your Presence in Abuja?

Products and Services

- What Housing Finance Products do you offer?
- What is the Size and Quality of the Portfolio?
- Which are your most popular products? Why?
- Who are the main customers for your products? (formal/informal; men/women; age; income category etc)
- Assessment of Housing Finance Products – What is working well and what can be done better?
- Outside of your institution, who are some of the main providers of housing finance in Abuja? Which markets do they cater for?
- Which of these are most preferred by customers? Why?
- What interest rates are people able and willing to borrow at?

Access and Inclusion

- Information on Customers for HF Products: Income Group, Formal/Informal Sector, Gender etc.
- Do some groups have better access to housing finance versus others? *Probe: E.g. Men vs women, High versus low income, formal vs informal sector?* Why do you think this is?
- What are some of the main barriers customers face in terms of accessing housing finance?
- What could be done to help overcome these barriers?
- What challenges or barriers does your institution experience in providing affordable housing finance credit to the underserved?

Sustainability

- Is this a major consideration for the Institution?
- What is the Institution's strategic commitment to sustainability?

Innovation and Partnerships

- Does the Institution have a plan to grow its Housing Finance, especially End User Housing Finance Business?
- What are the opportunity areas? *(probe both for this institution and in the market in general)*
- Is it open to partnership with REALL and co-development of new ideas to broaden access to end user finance for housing targeted people on low/medium income;
- Is it able to commit resources (Human and Financial) to the partnership? If so, please indicate details.

Key Contact

Who will be the key contact?

