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SOURCES OF REAL ESTATE FINANCE AND THEIR IMPACT ON PROPERTY DEVELOPMENT IN NIGERIA: A CASE STUDY OF MORTGAGE INSTITUTIONS IN LAGOS METROPOLIS

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ABSTRACT: *Real estate investment has been observed to require huge initial capital outlay which can be obtained from various sources. It is often difficult to finance large scale investment in real estate solely from personal savings. Hence, the need for other sources of finance such as equity or self-financing, commercial banks, merchant banks, insurance companies, mortgage institutions among others. However, in the light of this study, particular attention was given to the analysis of the performance and contributions of Mortgage Institutions in Lagos Metropolis in the provision of housing for all in Nigeria. The development, prospects, challenges, successes and failures of these institutions form the background of the study. 50 mortgage institutions in Lagos metropolis (50) were also examined to determine their performance and impact in terms of property development.*

KEYWORDS: Real Estate Finance, Mortgage Institutions, Mortgage Finance

INTRODUCTION

The major issue in real estate development and investment is finance. There is no iota of doubt that funding is an important factor in real estate development and investment. The complexity and to a large extent, its capital intensive nature demands proper and adequate funding to make it realizable. The terms and availability of the needed funds determine the trend of estate operation. Availability and easy accessibility of estate finance in sufficient quantity will definitely accelerate all forms of property development. Estate financing is concerned with the production of finance for building houses and office complexes which are basic necessities in a growing economy like Nigeria. The benefits to be derived from a rise in estate financing in Nigeria are many and include;

1. Increased rural and urban houses for the teaming Nigerian population.
2. The construction of industrial estate for the localization of industries and commerce.
3. An increase in employment for those in the construction industry.

The sourcing of funds for investment in real estate development poses a great deal of problem for the developer. This is largely due to economic instability and stringent measures imposed by most financial institutions. This is compounded by the fact that the interest rate structure has had an unfavourable impact on funding the development of real estate. Since the financing of real estate development is a long term project, it has necessitated the high interest rate that is being charged on the funds provided for such development purposes. Hines (1995) revealed that six major real estate financing methods are used across the world namely; Joint Venture, Equity and Debt Financing, Sale-lease Back Financing, Advance Payment of key money and Sale of Securities.

Traditional funding of real estate is either by Equity funding (Equity funds), Loan Capital (Debt Funds) or a combination of both. The well established and tested methods of funding real estate are as follows;

1. Equity Capital
2. Loan Capital
3. Mortgage Funding
4. Debenture
5. Contractor Financing (Omuojine, 1993).

Traditionally, real estate development was based on equity funds. Equity funds wholly generated and owned by one and to which there is no attachment. The chief source of equity funds is savings and these savings arise out of that part of income of individual or corporate organization. Equity funds sources could be private or public. Private equity may be drawn from individuals or corporate savings, that is, retained earnings, assets stripping, for cash or revenue reserves of companies over a period of time and accumulated savings of individual from employment and/or profits from business enterprises. Other sources of private equity funds apart from savings include funds from family sources, friends, *Isusu* system and thrift system. Public equity on the other hand is derived from invitation extended to the public to subscribe to the equities/ownership of a real estate company set up for that purpose. Some examples of this are capital issues, equity warrant issues, securitization and unitization.

Background of the Study

The first attempt towards addressing the problem of inadequate sources of mortgage finance was taken in 1928, with the establishment of Lagos Executive Development Board (L.E.D.B). The level of development then was affected by geographical limitation. The Nigerian Building Society (N.B.S) was established in 1956 by the colonial administration to provide mortgage finance assistance to Nigerians and it went into full operation in 1957. The impact on the society was minimal and it was later reconstituted. Its mortgage operations did not achieve much because of its limited financial resources and poor response to saving scheme. Colonial government built the Government Reserved Areas (G.R.A) for government functionaries. This failed to solve the general housing problem. In 1971, government extended credit facilities for housing by granting loans to building societies, housing corporations and various staff of the Housing Schemes.

In 1973, the Federal Housing Scheme (F.H.S) Decree no. 40 was enacted, establishing the Federal Housing Authority (F.H.A) with the aim of achieving the target for housing delivery in the third national development plan.

In 1977, the Nigerian Building Society was changed to Federal Mortgage Bank of Nigeria (FMBN) by decree No. 7 with paid up capital of N150 Million jointly owned by the Central Bank of Nigeria and the Federal Government of Nigeria. The mortgage institution decree No. 53 of 1989 formally elevated the FMBN to the status of apex mortgage bank for the country. It was this decree that gave it the authority and function of monitoring, controlling and regulating the activities of all Primary Mortgage Institutions throughout the country.

Statement of Problem

Over the years, the government had been the major player in the area of housing delivery in Nigeria, by providing direct finance for previous housing schemes. This was embedded in the housing policy of past administrations but today, the dwindling nature of revenue accruing to the government, coupled with gross mismanagement and misappropriation of public funds and revenue has prohibited the ability of the government to continue to play her role as before (Nubi, 2000).

The mortgage finance institutions are faced with certain problems which include;

i. Low level of awareness of the services rendered by the institutions
ii. Bureaucracy in the granting and disbursement of mortgage loans to the borrowers
iii. Misunderstanding of the banking terms by the depositors and the public due to the used of technical and professional terms which are not understood by a layman.
iv. The problem of incompetent, unprofessional and unqualified staff.
v. Problem of repayment of loans by the borrowers.
vi. Divestment of funds meant for housing schemes by beneficiaries and corrupt staff of the institutions.
vii. The unavailability of funds for long term loans required for real estate investment.

Relevant Research Questions

The research questions that are basically necessary for this research work include:

i. What rules guide loans with respect to mortgage institutions?
ii. Do bankers respond satisfactorily to borrowers' needs?
iii. Of what importance is the mortgage institution in the Nigerian economy, and what improvement have they made so far?
iv. What has been the response of the borrowers
v. What factors limit the efficiency in the operations of mortgage institutions towards the achievement of its goals and objectives?

A REVIEW OF THE ACTIVITIES OF MORTGAGE INSTITUTIONS IN NIGERIA

There is no doubt that housing is one of the major problems faced by the generality of the Nigerian populace. The problem is not limited to a particular state or region. It is more pronounced in some of the nation's major cities like Lagos, Abuja, Port Harcourt, etc. This is due to the increasing migration of people to the cities in search for greener pasture.This section examines the roles of Primary Mortgage Institutions (PMIs) and how they affect the development of housing. The procedures and guidelines for licensing the PMIs by the Federal Government through the Federal Mortgage Bank of Nigeria (FMBN) were also discussed.

Mortgage Financial Institutions

The Housing Handbook of 1991 defines Mortgage as an instrument recognized by law through which property is given up as security without necessarily giving up possession of it for repayment of a debt or obligation. Iwembe Nwaham illustrated that ''when you create a loan that is used to finance the purchase, construction, completion, or improvement/renovation of a house, the house is in turn held as security (or collateral) for the loan.''He stressed further that ''mortgage institutions are supposed to mobilize savings for the purpose lending to borrowers who need to construct, purchase, renovate or extend dwelling houses.'' This is necessary to meet the need for housing in the country. A mortgage financial institution is a corporate body established legally to provide mortgage finances or engage in mortgage finance transactions to the public. A mortgage financial institution can be a mortgage bank or any other financial organization or outfit, directly involved in mortgage financial transactions. The FMBN and the numerous primary mortgage institutions in Nigeria are examples of mortgage financial institutions.

Functions of the FMBN

The general functions of the Federal Mortgage Bank of Nigeria as laid down by the Mortgage Institutions Decree No. 53 of 1989 include;

i. To process the licensing of primary mortgage institutions.
ii. To promote the protection of both the shareholders and depositors funds in the PMIs.
iii. To promote the financial stability of mortgage institutions generally by setting up such guidelines and control measures that will enable the PMIs function efficiently and effectively in the housing finance market.
iv. To ensure that the main function of PMIs remain that of raising funds primarily from their shareholders and the personal savings market for granting advances to individuals on first mortgage, that is, advances secured on real estate.
v. To administer the system of regulation of PMIs provided for by or under the decree and to advice and make recommendations to the Honourable Minister of Works and Housing (now Federal Ministry of Housing and Urban Development) and/or the Federal Government on any matter relating to mortgage institutions.

Other functions of the apex mortgage institution include;

i. To develop a secondary mortgage market for housing finance to improve the liquidity of the system.
ii. To act as a guarantor for loan stocks that may be floated by the PMIs, and
iii. To manage the National Housing Funds.

The Central Bank of Nigeria revised guidelines for PMIs effective from first September, 2001, gives the following definitions-

a) A Primary Mortgage Institution shall be construed as any company that is licensed to carryout mortgage business in Nigeria.
b) Mortgage business (which by implication must mean Primary Mortgage business) shall include the following:

i. Granting of loans or advances to any person for the building, improvement, or extension of a dwelling/commercial houses.
ii. Granting of loans and advances to any person for the purchase of a dwelling/commercial houses.
iii. Acceptance of savings and deposits from the public and payment of interest thereon.
iv. Management of pension funds/schemes
v. Offering of technical advisory services for the purchase or contraction of a dwelling house
vi. Performing estate management duties.
vii. Offering of project consultancy services for estate development.
viii. Engaging in estate development through loan syndication subject to the restrictions imposed by the shareholders funds unimpaired by loss.
ix. Engaging in property trading including land acquisition and disposal.
x. Engaging in other activities which the bank may approve from time to time.

Guidelines for Licensing Primary Mortgage Institutions

Except for banks already licensed under the Banking Act of 1969, no mortgage business shall be transacted in Nigeria except by a company which has been duly incorporated as such by the Honourable Minister (Mortgage Institution Decree No. 53, 1986). The guidelines are;

i. Application for license must be made to the Honourable Minister through the FMBN. The application fee is fifty thousand naira (₦50,000) non-refundable, payable to the FMBN.
ii. A detailed feasibility study/report on the proposed to engage in mortgage business and especially on the manner in which the funds are to be raised, the types of loans and advances, procedures for mortgage loans evaluation, approval, disbursement repayment, etc.
iii. The management structure and specific qualifying requirements for appointment to board and top management positions.
iv. Draft Memorandum and Articles of Association.
v. Where the company is previously in existence and engaged in other business, the latest balance sheet annual report and a five years financial projection of the proposed mortgage institution.

Further to these, the following should be filed;

i. Registration of the mortgage institution with the corporate affairs commission.
ii. Deposit by promoters of the proposed mortgage institution of ₦20 Million minimum paid up capital with the apex institution.
iii. Payment of license fee of ₦1,000,000 to the FMBN.
iv. Filing copy of the mortgage deed of the mortgage institution with FMBN, draft of the Board Deed must have been approved by the bank.
v. Undertaking to obtain approval of FMBN for opening and closure of any location of the mortgage institution.
vi. Employment of experienced personnel.
vii. Availability or putting in place of all operating facilities.
viii. Payment of processing fee of ₦25,000 to FMBN.

Powers of Licensed Mortgage Institutions

i. Every licensed mortgage institution has the power to grant and advance mortgage loan to an individual for the purchase, construction, improvement or extension of dwelling house.
ii. Notification of agreement for sale or disposal of business by amalgamation or otherwise or disposal of reconstruction must be given through FMBN to the Honourable Minister.
iii. Maintain a minimum percentage of its total deposit liabilities as deposit with the FMBN, as may be prescribed from time to time by the FMBN (Section 1).
iv. Proper record keeping and prompt realization of returns as may be prescribed by the FMBN; etc

Limitations of Licensed Mortgage Institutions

A licensed mortgage institution shall not;

i. Grant a loan or advance for the building, improvement of a dwelling house unless adequate security has been taken on an existing property or properties in respect of loan or advance being granted.
ii. Grant any person any loan advance or credit facility or give liability on behalf of such person so that the total of the loan advance, credit facility or guarantee is as at any time more than 20% of the sum of the paid up capital of the mortgage institution.
iii. Grant loan advance or credit facility on the security of its own loan.

iv. Engage in any other commercial, agricultural, industrial or any other undertaking except as permitted under decree (section 7).
v. Open or close any of its branches in Nigeria without the prior consent in writing of the FMBN (Section 8).
vi. Pay any dividend on its shares or issues bonus shares until all preliminary expenses, organization expenses, amount of losses incurred and other capitalized expenses not presented by tangible assets have been completely written off and after adequate provision have been made for bad debts and doubtful debts to the satisfaction of FMBN and adequate transfer
vii. To the reserve fund (section 10).

Sources of Funds to Mortgage Institutions.

There are two basic sources of funds which are;

I. Deposit mobilization; and
II. Drawings from the National Housing Fund (NHF).

2.7.1) There are various types of accounts through which funds can be mobilized from the public:

a) House ownership savings accounts
b) Personal/general savings account
c) Education endowment savings account
d) Joint savings account
e) Festival savings account
f) Target savings account
g) Cheque savings account

However, mortgage institutions are not allowed by law to operate chequeable accounts, but for deposit mobilization and enhancement of revenue, they design *chequable* account for their customers.

Other types of accounts are;

h) Employers mortgage deposit scheme.
i) Beneficial savings account
j) Term/fixed deposit
k) Group development savings account, etc.

Drawings from National Housing Fund (Nhf)

The purpose of the National Housing Fund is for the building, purchasing or renovating residential accommodation. Institutional borrowers can apply for the loan directly from the Federal Mortgage Bank of Nigeria. Also, individual borrowers can only apply through a duly licensed and accredited Primary Mortgage Institution of their choice (National Banking Association of Nigeria).

Thus, drawings from the NHF serve as great source of fund to the mortgage institutions in financing real estate development and housing provision.

Mortgage Loan Requirements

For any customer or applicant to qualify for obtaining of a mortgage loan from any Primary Mortgage Institution, he must satisfy the under listed requirements;

a) The applicant must be a Nigerian and have attained the age of 18 years.
b) Must possess valid title documents like Certificate of Occupancy (C of O).
c) Must have an account relationship with the institution.

d) Must possess an approved building plan.
e) Must produce the most recent pay slip.
f) Must possess tax clearance certificate or tax assessment and receipt (for self employed person).
g) Must possess a site security plan.
h) There must be a personal stake of at least 25% of the construction cost or value of the personality whichever is lower.

Disbursement

Fund disbursement in case of construction will be done in phases (usually 3 instalments). But for outright purchase, disbursement is made in lump sum.

Credit/Security Evaluation

Mortgage institutions lend money principally on the security of dwelling houses, bungalows, flats or other type of property development for owner occupier. In deciding how to lend to individual borrowers, the mortgage institution will be concerned with its standing, reliability and credit worthiness. Also, the value of the property and its suitability as security and the value of any additional security (or collateral) that the borrower may be able to offer.

On the mortgage application form provided by the mortgage institution, borrowers will normally have to give personal details including;

i. Age, occupation, income, and employment details
ii. The amount of loan required and the period of repayment desired
iii. Title and description of property.

After the completion and submission of the application form by the customer, the mortgage institution will then have the property valued by a registered Estate Surveyor and Valuer. Reference are taken and if satisfactory, an offer is made. An accepted solicitors are instructed to investigate the title to the property and to prepare the mortgage deed

Legal Documentation

The signing of the legal mortgage deed by the mortgagor and the mortgagee creates a mortgage. The mortgage institution is called the mortgagee while the borrower is the mortgagor.

A mortgage is the transfer of property or the creation of an interest in property to secure the repayment of a loan of money, or the performance of some other obligation.

Mortgage loan can repaid in full or in part at any time; monthly or quarterly repayment and these are equalized so that by the end of the mortgage term, the original loan and the interest would be settled. The effect of this arrangement is that in the early life of mortgage, interest accounts for the greater part of monthly or quarterly repayment, but as time goes by the debt is paid off much more quickly (Chionuma, 1998).

Content of a Mortgage Deed

Before the approved loan is disbursed, the applicant is required to sign a mortgage deed, which includes the following information:

I. The description of the parties to the mortgage (the mortgagor, the mortgagee and sometimes, a personal guarantor) and details of the property to be charged, that is, mortgaged.
II. A statement of the loan made and an acknowledgement by the borrower that the loan has been received.

III. The covenant by the borrower to repay the loan with interest on terms agreed.
IV. A clause stipulating the manner and extent of the mortgage institution power to alter the interest rate and the amount payable.
V. A clause whereby the property is charged to the lender until all loans under the deed have been paid.
VI. Covenants by the borrower for repayment of insurance premiums, repairs and other matters.
VII. Certain other clauses dealing with power of sale s, appointment of receiver, right of consolidation, etc (Grant S. Nelson and Dale A. Whitman, 2008).

Guidelines for Recovery of Mortgage Loans

The following are guidelines to be followed (in addition to other methods) in order to recover outstanding mortgage loans as stated by Adekanye (1986) in his ‘’Elements of banking in Nigeria’’

Upon Full Disbursement of Mortgage

The Mortgage officer shall make sure that:

a) Interest payment during the grace period was waived
b) Mortgagor commences full repayment at the end of the grace (moratium) period.
c) That insurance on each property is renewed when due and in line with current value.
d) That customers receive their statement as at when due.
e) Those customers are promptly advised of their new monthly repayment whenever there is a change in interest rate.

Upon Any Mortgage Falling In Arrears

a) The cause of default must be identified
b) Appropriate course of action is taken to safeguard mortgage financing system such as;

- Months’ default – send letter
- Months’ default – write reminder letter, visit the mortgagor to ascertain his problem (if any) and proffer solutions where necessary.
- Months’ default – write to the mortgagor, giving him a grace period of 60 days, after which the loan will be called in and procedure for auction sale set in motion.

Other measures taken to recover investment before auction sale are carried out including debt rescheduling, receivership and interest waiver.

Debt Rescheduling

This is done with the agreement of the mortgagor after interview to ascertain the nature of difficulty that is responsible.

For accumulation of arrears, the outstanding balance of loan is spread over a longer period. That is, the tenure of the loan is extended to arrive at a reduced monthly repayment that the mortgagor, given his financial circumstances, can accommodate without default. Under this arrangement, the mortgagor would need to execute a deed of variation to vary:

a) Term of loan – say 15 to 20 years.
b) Monthly repayment.

Arrears outstanding at date of rescheduling are set at zero as this figure is also subsumed in the capital balance reschedule. This overall arrears position is impaired or reduced by rescheduling, while cash flow is expected to improve with this arrangement. (Adekanye F., 1986)

Receivership

This involves the arrangement of a mortgaged property by the company. The primary aim being that of recovering the loan, principal and interest accrued in the interest of the company and mortgagor.

When the property is in a prime location and the rent passing is enough to cover monthly repayment, the case can be taken on;

a) If a mortgagor, due to old age, poor health, or posted outside the country, request the organization to manage his property.
b) If the property is abandoned due to circumstances beyond the mortgagor's control but the property is viable economically.
c) If a mortgagor dies and his estate request the organization to manage the property.
d) If the mortgagor is in serious default to the extent that it would not be economically advantageous to auction the property.

Interest Waiver

For a mortgagor to be eligible for interest waiver, he have to clear all his outstanding arrears. The rate of interest waiver applicable ranges from 10% to a maximum of 30% depending on the circumstances of the applicant seeking for it.

However, a point of note is that interest waiver is applied to interest element only and not capital balance as it is used to be done in the past.

Auction Sale

When all the above recovery measures fails, the last option open to the organization is sale of defaulting mortgagor's property by auction sale, which include the following;

a) Issuing call in notice, giving mortgagor 30 days within which to settle the outstanding capital balance. The notice will either be hand delivered or sent by registered post, while a copy is kept in his file.
b) Instruct the Estate Surveyor and Valuer to inspect the property with a view to determining the Auction Reserve Price.
c) Recommend auction sale to head office for approval (after the expiry of the call in notice).
d) After approval, a procedure should carefully be adhered to so as to avoid and minimize litigation.
e) Advertisement for auction sale should be carried out in the local news papers at least 7 days before the sale, posters are also to be fixed on the premises and other strategic locations in the town 7 days before the sale.
f) After successful auction sale (where the highest bid is above the auction reserve price) approval for ratification of auction sale must be sought from head office.
g) Where auction sale is abortive due to lack of buyers or when the highest price offered was below the auction reserve price, approval to sell by private treaty must be obtained from the head office.
h) When property was approved for auction by management, it must be disposed, except the mortgagor makes full payment to recover outstanding balance on account before the date set aside for the auction. Following this, a detailed report should be sent to head office for ratification.
i) On approval of ratification case from the head office, mortgage department will immediately inform the branch office concerned and also copy legal department to enable title document to be released to the purchaser in good time through the branch.

j) The branch releases the title document to the purchaser to enable him take possession of the property.

Other Recovery Issues

Upon notice of the mortgagor's death, interest charges on the account will be suspended for 3 months and relations or guarantors united to redeem the account within 3 months period or the property will be sold. If however, they agree in writing that they are prepared to inherit the liability before the expiration of the 3 months' notice, then charging interest is resumed and they are allowed to continue within monthly repayment.

RESEARCH DESIGN AND METHODOLOGY

In the course of carrying out this research, the entire population size of primary mortgage institutions in Lagos metropolis (50) was studied. This figure includes bankers and borrowers. Information for the purpose of this research was sourced from both primary and secondary sources. The secondary sources of data include the use of magazines, journals, news papers, textbooks and other related materials. The primary data was gathered through the use of questionnaires and direct personal interviews.

Design and Administration of Instruments

Questionnaire: This is the main research instrument used in carrying out this research work. It is divided into two parts, Sections A and B. Section A relates to questions about the bio data of the respondents. Such questions are sex, marital status, educational background, age and time spent in terms of years of experience in the organization.
Section B consists of the five relevant research questions, each having sub-questions to help extract the needed information about the main question. The Likert Scale of questioning was also used; namely, Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), and Strongly Disagree (SD).

Method of Data Analysis

The various data and information were analysed using statistical tables. This shows the percentages and simple figure analysis. The information on the various tables was represented using bar graph; it gives a visual display used to compare the amounts or frequency of occurrence of different strata of data.

Coding Procedure

For easy data analysis, items in both sections A and B of the questionnaire were *coded* as follows:

SECTION A

Table 1: Sex Analysis

Item	Code
Male	1
Female	2

Table 2: Age Analysis

Item	Code
20-29 years	1
30-39 years	2
40-49 years	3
50-59 years	4

Table 3: Marital Status

Item	Code
Single	1
Married	2

Table 4: Education Qualification

Item	Code
WASC/GCE	1
HSC/OND/NCE	2
BSC/HND/PROFESSIONAL	3
MSC/PHD	4

Table 5: Management Level

Item	Code
Top management level	3
Middle management level	2
Lower management level	1

Table 6: Number of Years in the Organization

Item	Code
1-2 years	1
3-4 years	2
5-6 years	3
6 + above	4

SECTION B

Item	Abbreviation	Code
Strongly Agree	SA	5
Agree	A	4
Undecided	U	3
Disagree	D	2
Strongly Disagree	SD	1

DATA PRESENTATION AND ANALYSIS

This section presents all necessary tables and data analysis in relation to the responses from questionnaires. The data are first presented in tables accordingly from which Bar graphs are constructed.

Questionnaire Administration

A total of 50 questionnaires were distributed, completed and retrieved from the 50 registered primary mortgage institutions within Lagos Metropolis. For effective analysis, clarity and easy comprehension, the data obtained are tabulated and percentages worked out to reflect the proportion of the responses.

Data Presentation: Section A

Table 1: Respondents by Sex Distribution

Respondents	Code	Frequency	Percentage (%)
Male	1	23	46
Female	2	27	54
Total		50	100

The table above reveals that 23 respondents, representing 46%, were male, while 27 respondents, representing 54 were female.

Table 2: Analysis of Age Distribution

Respondents	Code	Frequency	Percentage (%)
20-29	1	16	32
30-39	2	21	42
40-49	3	13	26
50-59	4	-	-
Total		50	100

It could be observed from the table above that 16 respondents are in the age bracket of 20-29 years, 21 are in the age bracket of 30-39 years while 13 respondents are in the age bracket of 40-49. These represents 32%, 42% and 26% respectively.

Table 3: Analysis of Marital Status

Respondents	Code	Frequency	Percentage (%)
Single	1	25	50
Married	2	25	50
Total		50	100

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The table above reveals that 25 respondents are married, while 25 are single. **Table 4: Analysis of Educational Qualifications**

Respondents	Code	Frequency	Percentage (%)
WASC/GCE	1	3	6
HSC/OND/NCE	2	16	32
BSC/HND	3	25	50
MSC/PHD	4	6	12
Total		50	100

In the analysis above, 3 respondents are WASC/GCE holders, while 16 are HSC/OND/NCE holders, 25 are BSC/HND holders and 6 hold MSc/PhD. These are equivalent to 6%, 32%, 50% and 12% respectively.

Table 5: Analysis by Management Status

Respondents	Code	Frequency	Percentage (%)
Top management	1	6	12
Middle management	2	27	54
Lower management	3	17	34
Total		50	100

This shows that 6 respondents are top management staff, 27 are in the middle level management cadre while 17 respondents are in the lower management level. These represent 12%, 54% and 34% respectively.

Table 6: Analysis of Years of Experience

Respondents	Code	Frequency	Percentage (%)
1-2 years	1	-	-
3-4 years	2	5	10
5-6 years	3	25	50
6-above years	4	20	40
Total		50	100

The last table from section A of the questionnaire about years of experience in the organization reveals that none was within 1-2 years of experience, 5 respondents fall within 3-4 years of experience, 25 respondents had 5-6 years of experience while 6 and above years of experience had 20 respondents. These represented in percentage are 10%, 50%, and 40% respectively.

Section B

Question 1

What rules guide loans with respect to mortgage institutions?

i. The bank request for guarantee before granting loan?

Table 1: Statement 1

Respondents	Code	Frequency	Percentage (%)
Strongly agree	5	25	50
Agree	4	12	24
Undecided	3	13	26
Disagree	2	-	-
Strongly disagree	1	-	-
Total		50	100

From the above table, 25 respondents strongly agreed, 12 respondents agreed, while 13 were undecided. These represent 50%, 24% and26% respectively. Therefore, it could be deduced that banks request for guarantee before granting loans.

Table 2: Statement 2

ii. Customers are favoured by these rules and find it easy to abide by them?

Respondents	Code	Frequency	Percentage (%)
Strongly agree	5	11	22
Agree	4	30	60
Undecided	3	-	-
Disagree	2	9	18
Strongly disagree	1	-	-
Total		50	100

From the above table, 11 respondents strongly agreed, 30 agreed while 9 respondents disagreed with the statement. These represent 22%, 60% and 18% respectively. The inference here is that customers are favoured by the rules and find it easy abiding by them.

Table 3: Statement 3

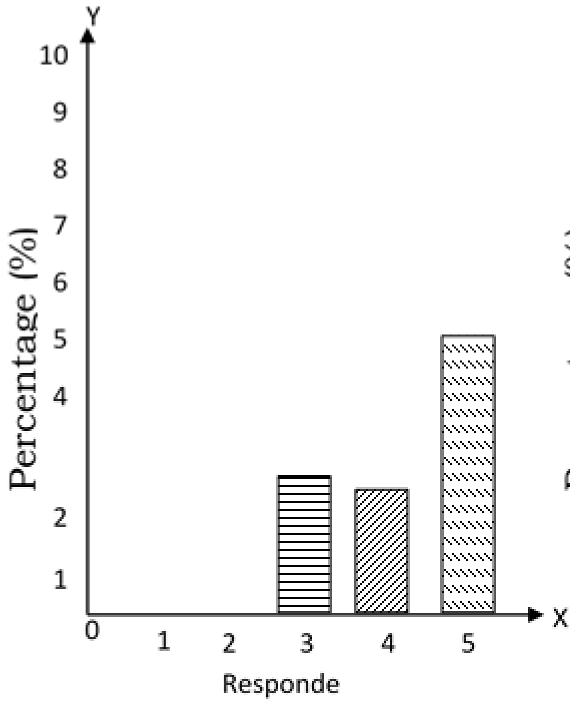
iii. Bankers strictly enforce these rules?

Respondents	Code	Frequency	Percentage (%)
Strongly agree	5	25	50
Agree	4	16	32
Undecided	3	9	18
Disagree	2	-	-
Strongly disagree	1	-	-
Total		50	100

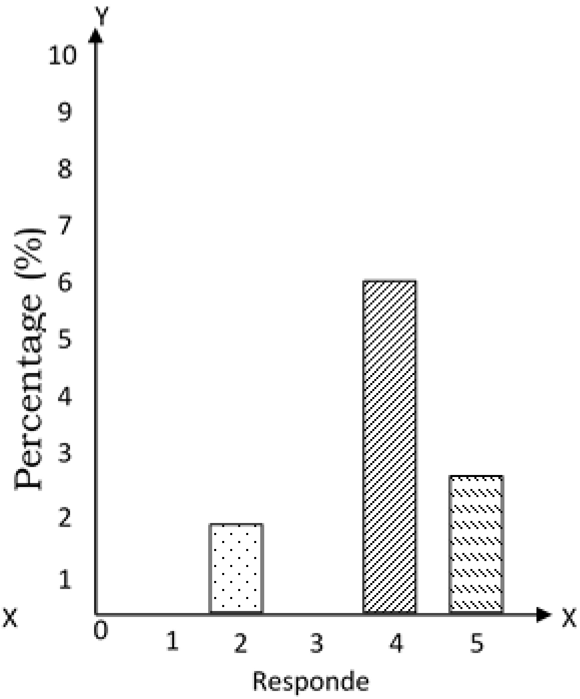
From the above table, 25 of the respondents strongly agreed, 16 agreed while 9 were undecided. These represents 50%, 32% and 18% respectively. It can therefore be inferred that bankers strictly enforce these rules.

Bar chart for the statements 1, 2 and 3 respectively

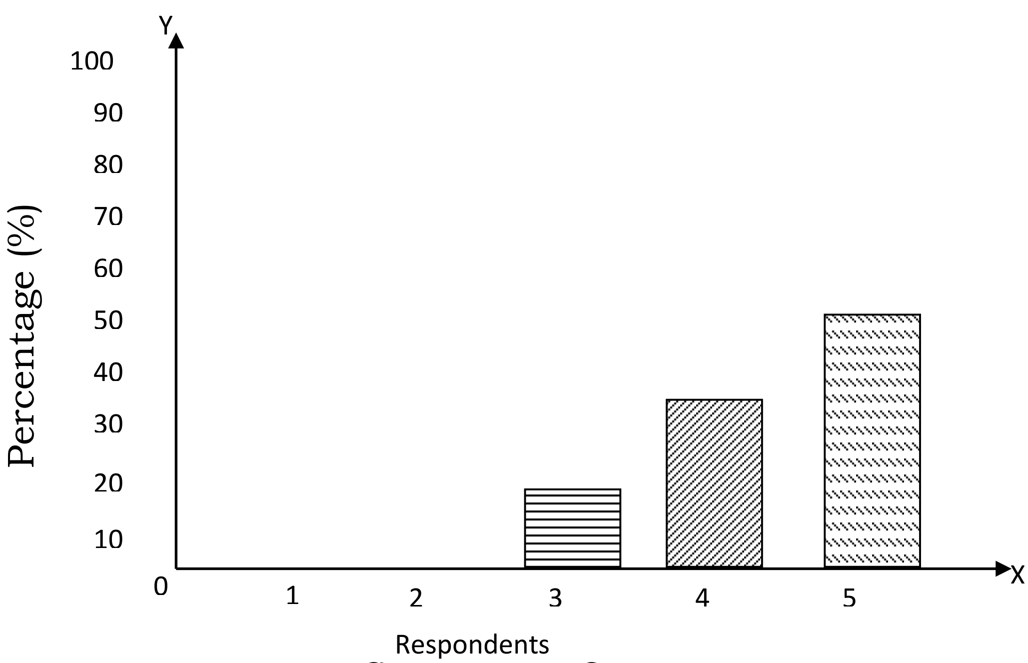
The percentages are plotted on the y-axis against the respondents' code on the x-axisIt can therefore be concluded that there are enforced rules which guide loans with respect to mortgage institutions and these rules favour customers and they abide easily by them.



Statement



Statement



Statement 3

Question 2
Do bankers respond satisfactorily to borrowers' needs?
Table 1: Statement
i) Customers are satisfied with the services of the bank?

Respondents	**Code**	**Frequency**	**Percentage (%)**
Strongly Agree	5	30	60
Agree	4	10	20
Undecided	3	10	20
Disagree	2	-	-
Strongly Disagree	1	-	-
Total		**50**	**100**

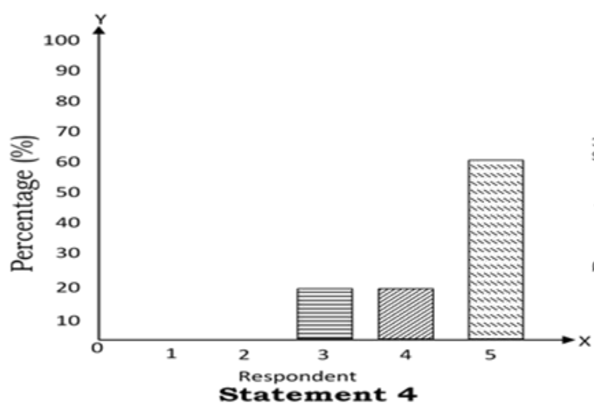
From the table above, 30 respondents strongly agreed, 10 agreed and 10 undecided on the statement. These represent 60%, 20%, and 20% respectively. The inference here is that customers are satisfied with the services of the bank.

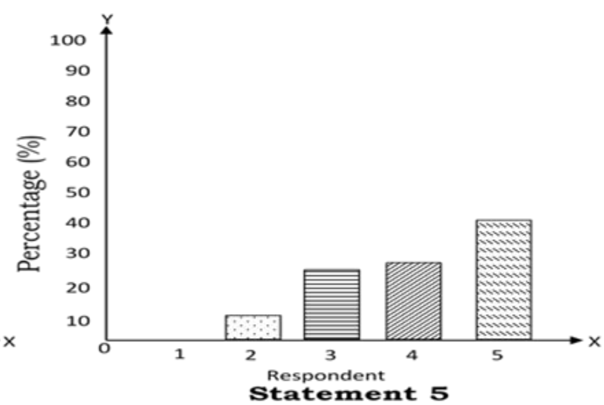
Table 2: Statement 5
ii) Bakers' Priority is to satisfy customers and ensure adequate housing provision in Nigeria?

Respondents	**Code**	**Frequency**	**Percentage (%)**
Strongly Agree	5	20	40
Agree	4	13	26
Undecided	3	12	24
Disagree	2	5	10
Strongly Disagree	1	-	-
Total		**50**	**100**

The table on statement 5 above shows that 20 of the respondents strongly agreed, 13 agreed, 12 were undecided and 5 disagreed. However, it can be inferred that Bankers' priority is to satisfy customers and ensure adequate housing provision in Nigeria. The frequencies represent 40%, 26%, 24% and 10% respectively.

Bar-chart for statements 4 and 5 are respectively resented below. The percentage is plotted on the y-axis against the respondents' codes on the x-axis.





Bankers therefore respond satisfactorily to borrowers' need

Question 3

Of what importance is the mortgage institution in the Nigerian Economy, and what improvement have they made so far?

Table 1: Statement 6

i) Mortgage institutions in Nigeria have made remarkable positive impact in the economy of the nation in the area of real estate financing and development?

Respondents	**Code**	**Frequency**	**Percentage (%)**
Strongly Agree	5	15	30
Agree	4	20	40
Undecided	3	5	10
Disagree	2	8	16
Strongly Disagree	1	2	4
Total		**50**	**100**

From the above table, among the respondents, 15 strongly agreed, 20 Agreed, 5 were undecided, 8 disagreed and 2 strongly disagreed with the statement, respectively 30%, 40%, 10%, 16% and 4% respectively. However, it inform hat mortgage institutions in Nigeria have made remarkable positive impact in the economy of the nation in the area of real estate financing and development. This statement should not be confused with the inadequate provision of housing on the part of government. The point here is that many mortgage institutions have fared well considerably in providing loans to private and public developers for real estate development in Lagos Metropolis.

Table: Statement 7

ii) The public are aware of the benefits of the institution?

Respondents	**Code**	**Frequency**	**Percentage (%)**
Strongly Agree	5	5	10
Agree	4	35	70
Undecided	3	-	-
Disagree	2	10	20
Strongly Disagree	1	-	4
Total		**50**	**100**

From the table above, 5 of the respondents strongly agreed, 35 agreed while 10 disagreed to the statement. This represent 10%, 70% and 20% respectively. The inference here therefore is that the public (Lagos residents in particular) are generally aware of the benefits of mortgage institutions.

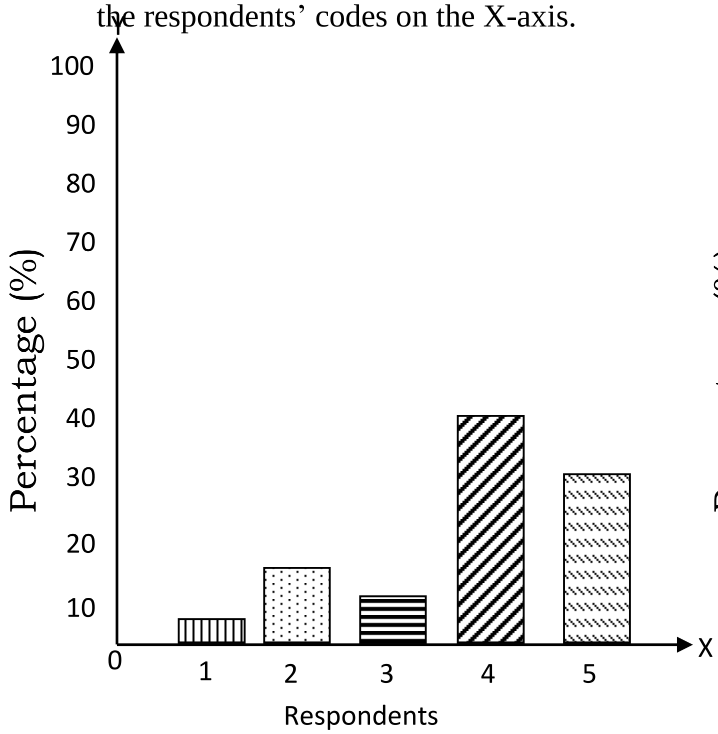
Table 3: Statement 8

3. The operations of Mortgage institutions in Nigeria have improved considerably over the years?

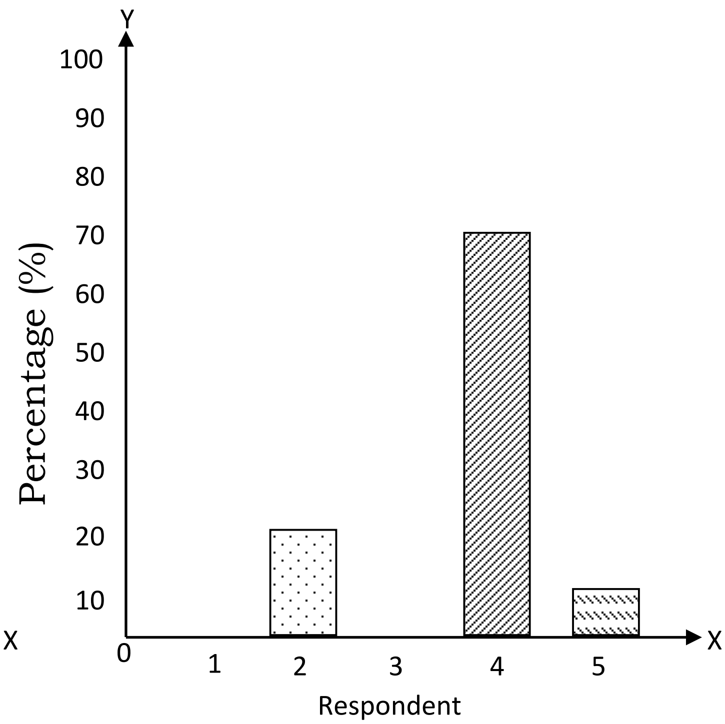
Respondents	**Code**	**Frequency**	**Percentage (%)**
Strongly Agree	5	27	54
Agree	4	21	42
Undecided	3	2	4
Disagree	2	10	20
Strongly Disagree	1	-	-
Total		**50**	**100**

From the table above, the statement have 27 respondents who strongly agreed to it; 21 agreed while 2 were undecided. These represents 54%, 42% and 4% respectively. It can be inferred, therefore, that the operations of mortgage institution in Nigeria have considerably improved over the years. The respondents are very much aware of the various banking reforms in Nigeria in the recent past because they are directly or indirectly affected by it.

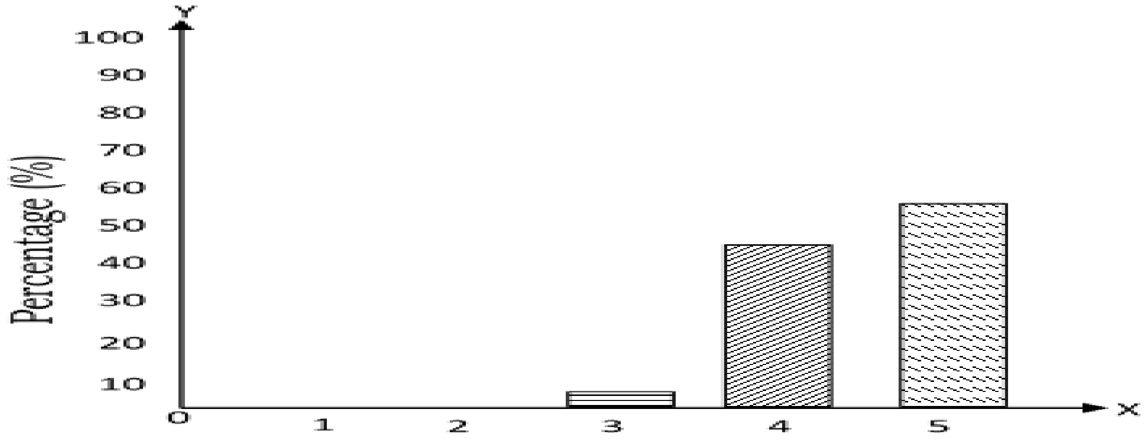
Bar-Chart for statements 6, 7 and 8 respectively. The percentage is plotted on the Y-axis against the respondents' codes on the X-axis.



Statement 6



Statement 7



Statement 8

It can therefore be seen from the above bar-charts that the respondents are of the view that mortgage institutions are of importance in the area of housing provision as evident in the positive impact they have made in the Nigerian economy.

Question 4

What has been the response of the borrowers?

Table 1: Statement 9

i) Customers are able and willing to provide the required collateral?

Respondents	Code	Frequency	Percentage (%)
Strongly Agree	5	-	-
Agree	4	38	76
Undecided	3	10	20
Disagree	2	2	4
Strongly Disagree	1	-	-
Total		**50**	**100**

From the above table, 38 respondents agreed to the statement, 10 were undecided and 2 disagreed. These represent 76%, 20% and 4% respectively. It can be inferred, therefore, that customers are able and willing to provide the required securities for their loan, though respondents were reluctant to “strongly agree” to the statement.

Table 2: Statement 10

2) Borrowers repay their loan with interest at agreed time?

Respondents	Code	Frequency	Percentage (%)
Strongly Agree	5	5	10
Agree	4	30	60
Undecided	3	3	6
Disagree	2	12	24
Strongly Disagree	1	-	-
Total		**50**	**100**

From the above table, 5 strongly agreed, 30 agreed, 3 undecided and 12 disagreed among the respondents to the statement. These represent 10%, 60%, 6% and 24% respectively from this, it can be inferred that borrowers repay their loan with interest at agreed time.

Table 3: Statement 11

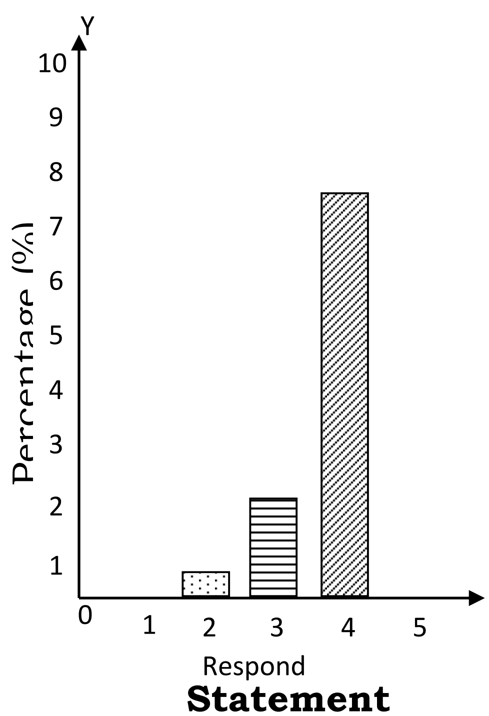
3) Customers use loan for the purpose for which it as granted?

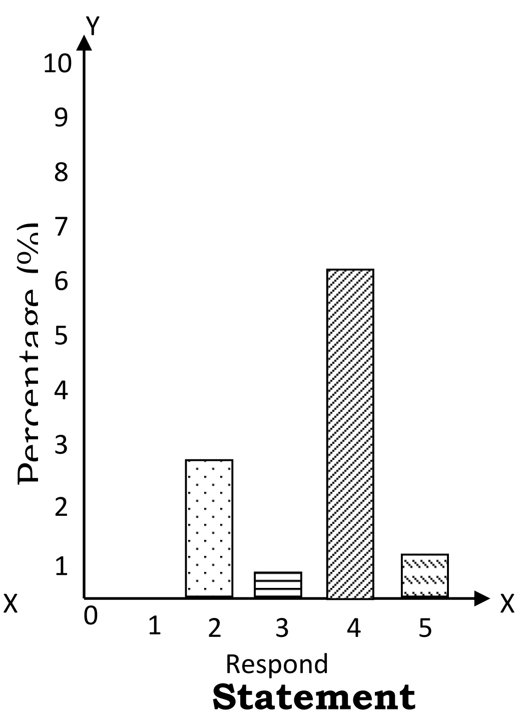
Respondents	**Code**	**Frequency**	**Percentage (%)**
Strongly Agree	5	20	40
Agree	4	15	30
Undecided	3	10	20
Disagree	2	5	10
Strongly Disagree	1	-	-
Total		**50**	**100**

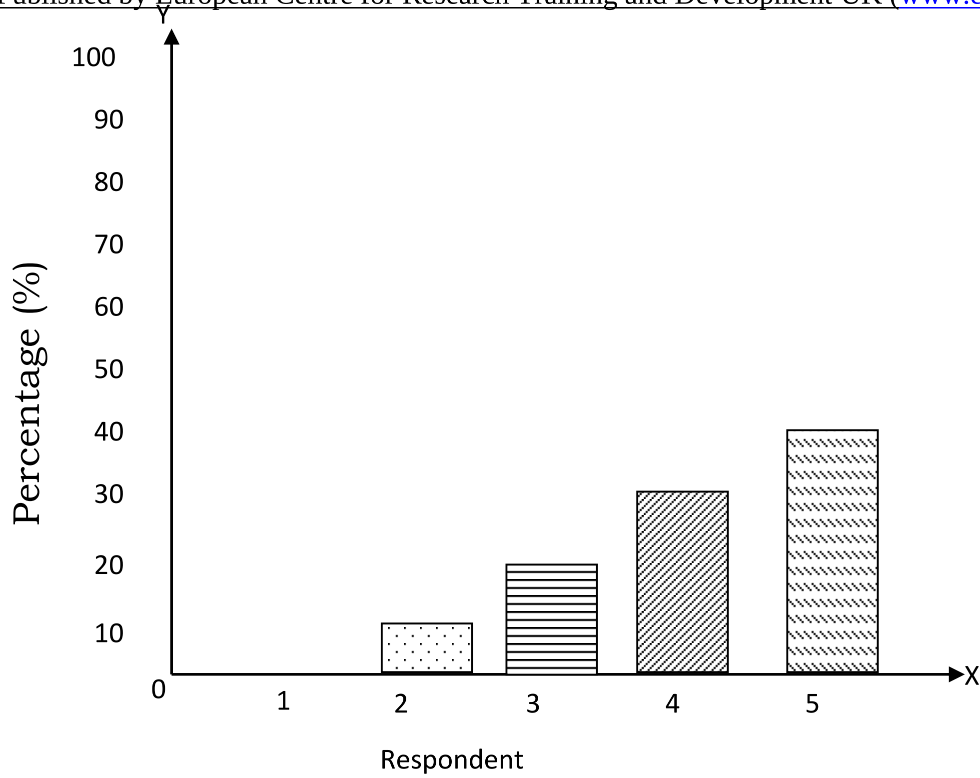
From the above table in statement 11, 20 of the respondents strongly agreed, 15 agreed, 10 undecided and 5 disagreed. They represent 40%, 30%, 20% and 10% respectively. The inference to be drawn here is that customers use loan for the purpose for which it was granted. Hence, affirming the statement.

Bar-chart for statement 9, 10, and 11 under question 4. The percentage is plotted on the Y-axis against the respondents' code on the x-axis.

From the above charts for statements 9, 10 and 11, It can be concluded that borrowers response to mortgage institutions is positive.







Statement 11

Question 5

What factors limit the efficiency in the operations of mortgage institutions towards the achievement of its goals and objectives?

Table 1: Statement 12

1) Bankers are fair in rendering their services for the interest of all Nigerian?

Respondents	**Code**	**Frequency**	**Percentage (%)**
Strongly Agree	5	30	40
Agree	4	15	30
Undecided	3	5	10
Disagree	2	-	-
Strongly Disagree	1	-	-
Total		**50**	**100**

From the table above, 30 of the respondents strongly agreed to the statement, 15 agreed while 5 undecided. These represent 60%, 30% and 10% respectively. It can be inferred that bankers are fair in rendering their services for the interest of all Nigerian.

Table 2: Statement 13:
2) Government and the general public respond accordingly and contribute to the growth and effectiveness of the institution?

Respondents	**Code**	**Frequency**	**Percentage (%)**
Strongly Agree	5	5	10
Agree	4	22	44
Undecided	3	3	6
Disagree	2	20	40
Strongly Disagree	1	-	-
Total		**50**	**100**

From the above table, 5 respondents strongly agreed, 22 agreed, 3 undecided while 20 disagreed with the statement. These represent 10%, 44%, 6% and 40% respectively. However, even though it can be inferred that government and general public respond accordingly and contribute to the growth and effectiveness of the institution, it is obvious that the institutions still encounter some challenges and set-backs in this regard as the margin between the Agreed and Disagreed scales is only two (22 and 20 respectively).I gathered from personal interview with some of the respondents that although government and general public contribute to the mortgage institutions to ensure housing provision in the country, however, the response is often inadequate due to corruption in the system and some members of the public who in most cases try to avoid such contributions. However, the institutions strive to survive.

From the graphs above, a conclusion can be made, on question 5, that certain factors challenge or limit the operations of the mortgage institutions such as inadequate funding and contribution to the mortgage finance scheme by both the government and the public. However, just as one of the respondents remarked "The institutions manage to strive above these limitations through sensitization, several appeals to the government and various other means and publications".

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

During the course of this research work, responses made showed that none of the respondents was ignorant of the existence, operation and benefits of the mortgage banks.It further revealed that the continued enlightenment of the masses would create further awareness for the public. It was also discovered that most respondents have at one time or another benefited from mortgage loans and those who are yet to benefit from mortgage loans have the belief that bankers receive deposits but try to avoid giving loans. A considerable number of the population size studied have the belief that the institutions have helped the economy of Lagos by making funds available to users on both new real estate projects and renovation of existing ones. It was also revealed that both individual and corporate bodies alike have benefited.

When asked about the problems facing mortgage finance, the majority of respondents attributed this to corruption and inconsistency in government policy. Few of respondents attributed it to the inability of the borrowers to repay loans. However, others attributed it to high interest rate charges, while some attributed it to lack of adequate funding of mortgage institutions.

On the issues of how mortgage banks should ensure that beneficiaries of their loans channel them to the projects they were meant for, the majority of the respondents observed that this should be done by inspection of the projects before the loans are disbursed in stages as the project progress. When asked what respondents think is necessary to bring about profitable returns on mortgage business, almost all respondents replied that timely disbursement, effective monitoring of site and proper appraisal of any proposal before approval of loan is the best method.

On the question regarding the solutions that could be proffered to minimize the problems facing mortgage institutions, most respondents replied that there must be consistency in government policy, stability of interest rates and adequate funding by the government.

Asked how mortgage institutions can improve on their services, majority ascribed that the public should be sensitised on the meaning and importance of mortgage banking and the need to repay loans granted them by mortgage finance institutions. Some however, suggested that the operations of the banks be computerized, while others said that the banks' repayment period should be extended. Some also suggested that the interest charged on mortgage loans should be reduced.

Conclusion
This research has shown that mortgage institutions have generally impacted positively on real estate development. It has also shown that the availability of mortgage loans to would-be beneficiaries is a function of certain key variables, namely, availability of sufficient funds, stable interest rates and ability of beneficiaries to pay back. Developers are still willing to obtain loans under the mortgage finance scheme, despite the low income levels in the country, since housing is a basic necessity.

An effective monitoring system of mortgage institutions' activities by the Federal Mortgage Bank of Nigeria would go a long way in doing away with the bottlenecks and improve housing development. Also, the problems of default would be minimized. Finally, it is worthy of note that there has not been enough funds channelled towards the financing of real estate development by all the organs expected to be done to meet the housing needs of the teeming Nigerian population.

Recommendations
Having undertaken this research work, the following recommendations, it is believed, will better real estate development and housing provision in Nigeria.

1. The allocation for housing sector should be increased to enhance housing purchase and renovation of existing structures.
2. In order to ensure that beneficiaries are genuine borrowers, adequate, well trained and qualified credit officers should be employed by mortgage institutions to monitor disbursements under the mortgage loans schemes and thereby ensure their success and boost housing development and delivery.

3. The time lag in the disbursement of loans should be considerably minimized by banks to enable borrowers receive loans on time in order to also reduce default rate by beneficiaries and boost housing delivery.
4. The Federal government should set up a more coordinated administrative structure in the federal mortgage bank of Nigeria and the primary mortgage institutions to make loans disbursement easily available to rural borrowers and also ensure a favourable interest rate.
5. The federal government should subsidize the prices of building materials which may make the objective, ‘’housing for all’’ achievable. That is provision of houses for all Nigerians at an affordable cost.
6. The public should be educated on the importance and benefits accruable in getting mortgage loans.
7. There should be insurance of deposits held by mortgage institutions under the Nigerian deposit insurance cooperation decree No. 2 of 1988, to safeguard depositors’ funds should the mortgage institutions go under.
8. Allocation under the Land Use Act of 1978 has made land acquisition more difficult. The delay in getting Certificate of Occupancy is a major problem. Government should review or repeal the Act to enable easy the land acquisition by individuals.

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