

AN APPRAISAL OF THE CHALLENGES OF ACCESSING CREDIT FOR HOME ACQUISITION BY LOW INCOME EARNERS IN NIGERIA

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Abstract

This paper assesses the challenges of accessing credit for home acquisition by low income earners in Nigeria. The conditions for accessing credit from the National Housing Trust Fund (NHTF) which is in custody of the Federal Mortgage Bank of Nigeria (FMBN) and private financial institutions are examined. The average monthly incomes of public sector workers was established from two different salary structures which are currently applicable to workers in State and Federal Government establishments. Cost of four different housing units are established and presented. Data analysis involved relating the average incomes of workers against NHTF credit affordability criteria in relation to cost of housing. The study identified low incomes/wages to be the greatest impediment to credit as workers below Grade Level 07 on the two salary structures could not pay off a loan of N1.5m which is equivalent to cost of 1-bedroom bungalow based on their monthly earnings. Lending rates in private financial institutions are on the higher side averaging 23 per cent in addition to other charges while other conditions attached to credit makes it practically impossible for low income earners to meet. The study also discovered that the current global financial crisis has caused a surge in lending rates which will further affect loan seekers affordability to credit. The research allows us to conclude that public sector workers who are currently on the two salary structure employed in the study are low income earners and generally lack affordability for credit. The study recommends for upward review of workers salaries particularly those on the two salary structures employed for the study to facilitate their access to credit for home acquisition and there is need to simplify the procedure for securing land titles.

Keywords: *Low income earners, credit, home acquisition, interest rates, financial crisis*

INTRODUCTION

Accessing long term credit facility for acquisition of personal homes has been a great challenge among the Nigerian low income earners. Long term credit facility for home acquisition available to low income earners in Nigeria comes from two sources; one being the National Housing Trust Fund and the second being the private financial institutions. The National Housing Trust Fund (NHTF) operates on a depository arrangement whereby civil servants and self employed persons contribute 2.5% of their monthly income into the Fund through their employers or directly to the Federal Mortgage Bank of Nigeria (FMBN) in order to access loan. However, only few contributors to the Fund have benefited a mortgage loan. Ozili (2009) observed that the NHTF is inadequate in meeting the housing needs of its contributors. Furthermore, the conditionalities for accessing loans are not affordable to the low income earners and the poor. Private financial institutions in Nigeria have recently started packaging mortgage loan to prospective home owners and property developers. However Kuroshi, Mallo, Mosaku and

Anigbogu, (2008) observed that private financial institutions charge very high interest rates on credit facility with very short repayment tenor.

The global financial crisis brewing for a while is also affecting the Nigerian financial system which is bound to affect mortgage financing (CBN 2009). Nigerian banks have adjusted their interest rate against the financial crisis while the Central Bank has adopted new policies for the Nigerian financial system as a result of the crisis. However, financial experts are of the opinion that such policies will cause liquidity problems and create shadow banking (Kolapo and Amaefule 2009; Spio-Garbrah, 2009), which may further create impediments to accessing credit for home acquisition by prospective home owners.

This study seek to appraise the challenges of accessing credit for home acquisition by low income earners base on the prevailing requirements for accessing credit in both public and private financial institutions. Low income earners as defined in the context of this study refers to individuals whose monthly incomes cannot guarantee credit for home acquisition which they can conveniently pay. Workers with low incomes in Nigeria abound in both public and private sectors. While some are in the public service (Local, State or Federal Government), others are working in private organizations and some are self employed.

The study is limited to assessing the challenges of accessing credit against the requirements of NHTF and private financial institutions. Workers income is established from two salary structures applicable to workers in one out of the 36 states of the Federation (Plateau State) and the Consolidated Public Service Salary Structure (CONPSS), which is currently in used by Ministries, Departments and Agencies of the Federal Government of Nigeria. The aim of the research is to appraise the challenges of accessing credit for home acquisition by low income earners in Nigeria.

METHODOLOGY

The data employed for this study were sourced from the Federal Mortgage Bank of Nigerian (FMBN), private financial institutions that are into mortgage transaction and the Central Bank of Nigeria (CBN). Two different salary structures currently in use in the Nigerian public sector were employed in establishing the average income levels of public sector workers, while the average cost of different housing types were collected through field survey. Data analysis involves benchmarking the average monthly income of public servants against credit requirement for home acquisition. The analysis seeks to establish the affordability of persons at varying income levels to credit for home acquisition. The effects of the current financial crisis on the Nigerian financial system in relation to accessing credit for home acquisition were also analysed. Tabulation technique and percentage analysis were employed in data analysis.

DATA PRESENTATION AND DISCUSSION

The National Housing Trust Fund and its Operations

Realizing that continuous flow of funds/finances was the main factor impeding housing financing in Nigeria, the national government enacted the 1992 National Housing Fund (now National Housing Trust Fund) which made it mandatory for certain categories of workers to contribute some percentage of their

income to the Fund. The NHF is one of the key strategies towards the achievement of the National Housing Policy 1991, (revised in 2001 and 2006).

The FMBN which was is created by Decree 7 of 1977 is the custodian of NHTF and the apex authority for licensing, regulating and supervising primary mortgage institution in Nigeria. Sources of funding to the NHTF are presented in Table 1.

Table 1: Funding of NHTF

<i>Source</i>	<i>Contribution to NHTF</i>
Nigerian workers	Workers earning N3000.00 and above per annum whether paid employee or self-employed are mandated by Decree No 3 of 1992 to contribute 2.5 percent of their monthly salaries to the Fund as a means to ensuring their access to loan from the Fund
Banks	Contribute to the Fund 10% of their loans and advances at an interest rate of 1% above interest payable on current accounts.
Registered Insurance Companies	Insurance companies are required to invest a minimum of 20% of its non-life funds and 40% of its life funds in real property development of which not less than 50% shall be paid to the NHTF through FMBN at an interest not exceeding 4%
Federal Government of Nigeria	To make contributions both in local and foreign currencies to NHTF from time to time.

Source: FMBN (2006)

Interest on estate loan is 10% while interest on loan to individual contributor is 6% per annum with a repayment period of 30 years. Contributors can access loan through Primary Mortgage Institution or housing corporations and housing cooperatives can also access loans from the NHTF for the provision of mass housing. To qualify for NHTF loan, individual contributor must satisfy the following conditions:

- i) Must be contributor to the Fund and should have contributed for a minimum period of six (6) months
- ii) Disclosure of present salary (income level) and age
- iii) Years left in service must be known (if employed)
- iv) Ownership or availability of a registered land with Certificate of Occupancy (C of O) which will serve as a security.

Contributors are granted loan to enable them build, buy, or improve or renovate a house. The current loan ceiling for a contributor is N5million. Estate developers, housing corporations and the Federal Housing Authority (FHA) are also granted loans to build houses at affordable target price not exceeding N5million for sale to contributors via the PMIs. In any case loan is granted base on contributor's ability to pay off within 30 percent of his monthly income.

The condition which requires that a contributor must possess a certified land (backed by C of O) has been a great impediment to accessing NHTF credit. This is because land titling processes are still very cumbersome and it takes a number of years to secure title to land. The Land Use Act of 1978 which subsist till today allows only State Governors and the President of Nigeria to give consent to land title. Some Governors have denied consent in some case while in some case they have unnecessarily delayed consent. Majority of lands in Nigeria are untitled and such the acclaimed owners cannot use it

for any transaction. In related studies, people are of the opinion that the Land Use Act of 1978 needs to be reviewed because it has not achieved its aim of equitable distribution of land in Nigeria (Dung-Gwom 2001; Eleh, 2009; Ukaejiofo, 2009; and Nuhu, 2009)

Performance of the National Housing Trust Fund

The National Housing Trust Fund (NHTF) which until 2005 was known as National Housing Fund (NHF) has existed for 17years. NHTF has undergone operational reforms in the last eight (8) years as document in the FGN-Housing Sector Reforms, 2006; and in a study conducted by Ozili, 2009. The performance of the NHTF will therefore be evaluated from 2002 – 2008 as shown in Table 2.

Table 2: Performance Evaluation of NHTF

<i>Performance Indicator</i>	<i>Year</i>				
	<i>2002</i>	<i>2005</i>	<i>% increase 2002-2005</i>	<i>2008</i>	<i>% increase 2005-2008</i>
Contributing states	03	15	400%	24	60%
Registered contributors	1,884,685	2,313,484	22.8%	3,423,056	50%
Aggregate loan disbursed to contributors through PMIs, Estate Developers and Housing Corporations	N1,796,169,808	N7,617,442,817	323.7%	N49,264,652,616	546.7%
Refund to ceding contributors	N50.6m	N300.9m	494.7%	N663.7m	120.6%

Source FGN-Housing Sector Reforms (2006); Ozili (2009)

NHTF performance has appreciated between 2002-2008 with respect to number of states contributing to the Fund and the number of registered contributors. The implication is that NHTF cumulative collections have appreciated over the period as well. Aggregate loan disbursed to contributors via PMIs have appreciated as well as loans advanced to Estate Developers and Housing Corporations. The law establishing NHTF allows for refund of cumulative 2.5% monthly contributions with accrued interest to contributors who did not either accessed loan or who have obtained loan and completed repayment. Refunds to such category of contributors have appreciated over the period.

NHTF Loan Affordability Criteria

The NHTF loan affordability is limited to the amount that one-third of the monthly income of contributors can service as the monthly loan repayment. A contributor is only eligible to a loan amount which is not more than one-third of his income. See affordability table on NHTF (FMBN) on Appendix I.

Average Incomes of Public Sector Workers

The average income of public sector workers is presented in Table 3. These incomes were established from two salary structures which are currently being used by one of the 36 states (Plateau State) and Federal Government establishments across the country.

Table 3: Average Monthly Income of Public Sector Workers in Nigeria

<i>Grade Levels</i>	<i>Salary Structure 1</i>		<i>Salary structure 2</i>	
	<i>ABIPM</i>	<i>One-third of ABIPM</i>	<i>ABIPM</i>	<i>One-third of ABIPM</i>
GL 01	6028.14	2009.38	6030.95	2010.31
GL 02	6350.63	2116.87	6361.64	2120.54
GL 03	6679.39	2226.46	6680.64	2226.88
GL 04	7210.36	2403.38	7184.08	2394.69
GL 05	8271.15	2757.05	7805.18	2601.72
GL 06	10130.90	3376.96	10196.56	3398.85
GL 07	13340.94	4446.98	13528.79	4509.59
GL 08	17044.93	5681.64	17198.76	5732.92
GL 09	20131.60	6710.53	20255.61	6751.87
GL 10	23390.79	7796.93	23484.99	7828.33
GL 12	26783.91	8927.97	26891.94	8963.98
GL 13	29650.47	9883.48	29731.27	9910.42
GL 14	32646.40	10882.13	32696.44	10898.81
GL 15	35949.98	11983.32	34810.65	11603.55
GL 16	40330.07	13443.35	38614.40	12871.46
GL 17			41802.99	13934.33

Source: Plateau State Ministry of Finance; National Salaries and Wages Commission Abuja, Nigeria.

Note: ABIPM-Average Basic Income per Month

The average basic income per month on each grade levels for the two salary structures were established from which one-third was computed as presented in Table 3. The one-third of average basic income per month for each grade level was used to benchmark on the cost of a houses presented on Table 4 in relation to NHTF credit terms. The result of this analysis is shown on Tables 5 and 6.

Cost of Construction

At the time of carrying out this study the average cost of four (4) housing types was established through field survey, the result is presented on Table 4. The cost of the four housing types was used as the target loan amounts which contributors to the NHTF could access to acquire their homes. It is based on the cost of the four housing types that analysis for affordability and eligibility in relation to NHTF credit terms and workers average monthly incomes was done.

Table 4: Average cost housing types

<i>Housing Types</i>	<i>Average Cost</i>
One-bedroom bungalow	N1.5m
Two-bedroom bungalow	N2.5m
Three-bedroom bungalow	N3.5m
Four-bedroom bungalow	N4.5m

Source: Field survey, Jos metropolis (2008)

Affordability and Eligibility Analysis

This analysis was carried out based on the one-third of workers average basic monthly incomes presented in Table 3 and in relation to NHTF affordability criteria. The analysis seeks to establish if contributors can afford or are eligible to loan amounts which could acquire houses for them (either by building or buying) and be able to pay off within the credit tenor using just one-third of their monthly income. Tables 5 and 6 present the results of analyses for affordability of workers on salary structure 1 and 2 respectively.

We assumed that contributors to the NHTF will wish to access loan to acquire houses based on the average cost of construction presented on Table 4. The affordability analysis presented on Tables 5 and 6 was done by relating one-third of workers incomes to various loan sums which are also equivalent to cost of houses. The analysis revealed that only workers on GL 07 and above on salary structure 1 (Table 5) can afford to pay off a loan of N1.5m within the 30years tenor allowed by NHTF. Workers on GL 10 and above can afford a loan of N2.5m while those on GL 12 and above can afford N3.5m. Only workers on GL 16 can afford a loan of N4.5m.

With regard to salary structure 2 as illustrated on Table 6, workers on GL 07 and above can afford a loan of N1.5m while those on GL 09 and above can afford a loan of N2.5m. The analysis also showed the incapacity of workers below GL 13 to afford a loan of N3.5m while only those on GL 16 above can afford a loan of N4.5m. It implies that majority of contributors lack capacity to afford loan amount that can acquire houses for them as a result of low income.

Table 5: Workers Affordability for Loan based on one-third of ABMI Monthly Repayment Plan

LOAN AMOUNTS TO MEET COST OF A HOUSE	ONE-THIRD OF AVERAGE BASIC MONTHLY INCOME OF WORKERS ON SALARY STRUCTURE 1															
	GL 01 2009.38	GL 02 2116.87	GL 03 2226.46	GL 04 2403.38	GL 05 2757.05	GL 06 3376.96	GL 07 4446.98	GL 08 5681.64	GL 09 6710.53	GL 10 7796.93	GL 12 9827.97	GL 13 9883.48	GL 14 10882.13	GL 15 11983.13	GL 16 13443.35	
1,500,000.00	62	59	56	52	45	37	28	22	18	16	12	13	11	10	9	
2,500,000.00	103	98	93	86	75	61	47	36	31	26	21	21	19	17	15	
3,500,000.00	145	137	131	121	105	86	66	51	43	37	30	30	27	24	21	
4,500,000.00	186	177	168	156	136	111	84	66	55	48	38	38	34	31	28	

Table 6: Workers Affordability for Loan based on one-third of ABMI Monthly Repayment Plan

LOAN AMOUNTS TO MEET COST OF A HOUSE	ONE-THIRD OF AVERAGE BASIC MONTHLY INCOME OF WORKERS ON SALARY STRUCTURE 2															
	GL 01 2010.31	GL 02 2120.54	GL 03 2226.88	GL 04 2394.69	GL 05 2601.72	GL 06 3398.85	GL 07 4509.59	GL 08 5732.92	GL 09 6751.87	GL 10 7828.33	GL 12 8963.98	GL 13 9910.42	GL 14 10898.81	GL 15 11603.55	GL 16 12871.46	GL 17 13934.33
1,500,000.00	62	56	56	52	48	36	28	22	19	16	14	13	11	11	10	10
2,500,000.00	103	98	93	87	80	61	46	36	30	27	32	21	19	18	16	15
3,500,000.00	145	138	130	122	112	86	65	51	43	37	33	29	27	25	23	21
4,500,000.00	186	176	168	157	144	110	83	65	56	48	42	38	34	32	29	27

Note: Red and green colour figures represent the numbers of years it will take to pay off a given loan amount using one-third of ABMI at a given Grade Level. Red colour figures represent Grade Levels that lack income affordability for a given loan amount. The red figures are above NHTF tenor of 30years. Green colour figures represent Grade Levels with affordability for a given loan amounts. The green figures fall within NHTF tenor of 30years

Private Financial Institutions

Commercial banks are the main source of credit within the private sector. There are 25 commercial banks operating in Nigeria with each having a capital base of not less than N25billion in the post consolidation era. Banks in Nigeria undertake the lending of money for investment in real estate via PMIs. Table 7 present the list of the most viable PMIs in Nigeria. The selected PMIs are those that meet the CBN minimum of N100million approve share capital. In a related study Ibuoye (2009), stated that the PMIs undertake savings and loans activities. They also finance construction project, property brokerage and Local Purchase Order and they often generate a net return of between 20 – 25% annually.

Table 7: Most Viable Primary Mortgage Institutions in Nigeria

<i>S/No</i>	<i>Name of PMI</i>	<i>S/No</i>	<i>Name of PMI</i>	<i>S/No</i>	<i>Name of PMI</i>
1	First Generation Homes	10	Personal Trust	19	FBN Mortgages
2	Infinity Homes	11	Resort	20	Citihomes
3	Yankari Savings & Loans	12	Skyfield	21	AG Homes
4	Living Spring	13	FHA Homes	22	Centage
5	Jubilee-life Savings	14	Stallion Homes	23	Aso Savings
6	Union Homes	15	Sub-Urban Homes	24	Safe Trust
7	Wema Homes	16	Trinity Homes	25	Refuge Homes
8	Oasis Homes	17	Abbey Building Society		
9	Platinum Savings & Loans	18	Accord Savings & Loans		

Source: Ibuoye (2009)

It is pertinent to note that some of the PMIs are conglomerates of commercial banks in Nigeria. These PMIs serve as channel for NHTF contributors and they also source their funds from banks for their activities. It is also important to state that majority of the PMIs are situated in Lagos State, the commercial nerve of Nigeria and Abuja the Federal Capital with just few scattered across other regions of the country.

Conditions for Accessing Credit for Home Acquisition from Private Financial Institutions

A survey of conditions for accessing credit for home acquisition was done on five PMIs that are conglomerates of commercial banks from where they source funds to lend to loan seekers. Table 8 summarise the requirements for accessing credit which happened to be similar across the five PMIs surveyed. The conditions identified are only applicable to those whose source of income come salary/wage and also self employed persons.

The conditions attached to accessing credit for home acquisition by private financial institutions as presented on Table 8 have succeeded in denying low income earners access to credit. There are instances were employers have refused to guarantee employees for loan even when they satisfy other requirement. The issue of 2.5% down payment is great challenge to low income earners who often finds it difficult to raise such money. We have earlier discussed the challenge that is associated to requiring a loan seeker to present a certified land as condition for credit.

Table 8: Conditions for Accessing Credit from Private Financial Institutions

<i>Requirements</i>	<i>Interest Rate</i>	<i>Loan amount</i>	<i>Tenor and Repayment mode</i>
1) Domiciliation of salary account with the bank supplying funds to the PMI to loan out. 2) A guarantor which must be the employer of the loan seeker. 3) 2.5% down payment of the total cost of desired house. 4) Evidence of ownership of a certified land in a good location. 5) Collateral security for self employed persons.	1) 23% on the loan sum. 2) 1% insurance fee payable up front. 3) 2% management fee payable quarterly	Between N1 – 5 million	20 years maximum Monthly repayment mode.

Source: Survey of PMIs (2009)

Interest rates charged by private financial institutions are on the higher side and as such the cost of loan is very high as well. In principle, private financial institutions have always stated that the tenor of their credit last till 20 years but there are a lot of cases where loan seekers have been denied the enjoyment of repayment for 20 years.

Getting Access to Financial Institutions in Nigeria

According to CBN (2009), the ratio of banks to people in urban area is 1:33000 while in rural area it is 1:57000. The CBN also reported that only 35% of Nigerians have access to banks while 65% do not have access to it. Majority of those who do not have access to banks are the poor/low income earners. This problem is also a great impediment to accessing credit for home acquisition in Nigeria.

Effects of the Global Financial Crisis on the Nigerian Financial System

For the purpose of this study, the global financial crisis has been analysed with respect to its effects on the Nigerian financial system with emphasis on interest rates and as they affect peoples ability to access credit. The discussion will be presented in the following order:

- 1) **Banks:** Nigerian banks accounts for over 90 per cent of financial system asset and prior to the global financial crisis had dominated the stock market. The exposure of Nigerian banks to capital market is still below 900billion. (CBN 2009). As a result of the financial crisis, many banks with off-shore credit lines are experiencing a reduction or outright cancellation of credit

lines as many of the foreign banks are suffering from the crisis already. This has resulted in the weakening of the bank credit portfolios. Some Nigerian banks are involved in Joint Venture financing with foreign banks for mega projects in the Oil, Aviation and Communication sectors. These projects are being threatened by the crisis (CBN 2009; Detail, 2009)

- 2) **Interest Rates:** Since August 2008 bank lending rates have surged as banks have re-calibrated the risks associated with cyclical sectors such as real estate, oil and gas and shipping (Spio-Garbrah, 2009; Kolapo & Amaefule, 2009). Bank lending rates had shot up to 28 per cent in some cases, with six per cent additional charges to bring effective rates to about 34 per cent. The burden of consumer loans has also become almost unbearable to customers, who started out with rates of between 17 per cent and 19 per cent but were confronted later with new rates as high as 30 per cent
- 3) **Measures taken by CBN:** The CBN took the following measures:
 - i) In order to lubricate the system, the CBN took proactive steps to infuse more liquidity in to the financial market. In September 2008, CBN reduced the Monetary Policy Rate (MPR) from 10.25% to 9.75%, cut down the liquidity ratio from 40 per cent to 30 percent, and then released another N1.2 trillion into the economy by reducing the Cash Reserve Ratio (CRR) from 4.0 per cent to 2.0 per cent. These measures were aimed at strengthening the country's financial system against the brewing crisis.
 - ii) The CBN has imposed maximum deposit and loan interest rates of 15% and 22% respectively on its entire banking sector. All other fees charged by banks are also not to exceed 2.0 per cent. This came into effect from 1st April 2009 to last until ending 2009.
 - iii) The CBN gave directive to banks that they have the option to restructure margin loans up to 2009. CBN also expanded lending facilities to banks up to 360 days.
 - iv) The CBN also stopped liquidity mopping up since September 2008.

Outcome of the Measures taken by CBN and other Threats:

- 1) Banks' lending rates have remained high within first and second quarter of 2009 at an industry average of 23 per cent in spite of the downward review of the Monetary Policy Rate by 50 basis points, from 10.25 per cent to 9.75 per cent by the CBN in August 2008. Inter-banks rate also hover around 26 per cent currently.
- 2) By imposing an arbitrary price ceiling on bank deposits and lending the CBN will effectively distort the ability of banks to adjust their interest rates to reflect the underlying risks associated with lending to a particular sector or borrower. In effect, the banks may simply decide not to lend to certain risky (and yet economically vital sectors such as construction and oil and gas) for fear that the 22% CBN imposed price ceiling on lending rates (when risk adjusted for the 30% currency depreciation and other inherent and emergent risks) will not adequately compensate their depositors.
- 3) Accessing credit for home acquisition by low income earners from PMIs whose source of funding comes from commercial banks will be expensive due to rising interest rates.

Summary of Findings

The notable findings of this paper are as followings:

- i) The performance of NHTF has significantly appreciated between 2002 - 2008. The number of contributing states increased by 60%, aggregate loan disbursed to contributors, estate developers and housing corporations increased by 546.7% while refund to ceding contributors increased by 120.6%. See Table 2 for detail analysis.

- ii) The incomes of public sectors workers on the two salary structures employed in the study is low compared to the current price level in the Nigerian economy. See average incomes of Public Sector workers on Table 3.
- iii) The condition that contributors to NHTF should possess a certified land (backed by C of O) is an impediment to accessing credit against the cumbersome procedures of land titling enshrined in the Land Use Act of 1978 which has caused many Nigerians to be in possession of untitled lands.
- iv) Affordability analysis based on the prevailing criteria for loan in relation to incomes of loan seekers revealed that workers below GL 07 cannot access a loan of up to N1.5m against their current monthly incomes. N1.5m was established to be the cost of a 1-bedroom apartment assuming a prospective home owner which to either build or buy such a house in Jos metropolis. See Tables 6 and 7 for detail affordability analysis of different loan amounts in relation to persons of varying income levels.
- v) The lending rates charge by private financial institutions is very high at 23% along side other charges when compared with incomes or workers.
- vi) Private financial institutions attach stringent conditions on their credit which low income earners cannot meet up with. See details on Table 8.
- vii) The current global financial crisis has caused a rise in lending rates charge by private financial institutions. In the last two quarters of 2008 interest rates had shot up to 28% in some case, with 6% additional charges to bring effective rates to 34%. However, measures taken by CBN brought down rates to average of 23% in the first two quarters of 2009.

Recommendations

Based on findings, the following recommendations were put forward:

- i) There is need for upward review of salaries for workers in the Nigerian public sector and particularly those currently on the two salary structures employed for the study. This will increase the income affordability of low income earners to facilitate their access to credit for home acquisition.
- ii) There is need for land reform in order to simplify the cumbersome procedure for securing land titles. This will enable prospective home owners to secure titled lands and also meet up with conditions for credit.
- iii) Government should provide mechanism for regulation of lending rates in the private sector so that low income earners will get access to cheap credit for home acquisition.
- iv) Low income earners should set up cooperatives societies in order to pool financial resources together and channel it towards meeting their housing needs.
- v) There is need for further study on the area of bridging informal housing finance arrangement with formal finance mechanism. Majority of low income earners in Nigerian acquire personal homes through informal arrangements. This can be improve if they are linked to a formal housing finance mechanism.

Conclusion

Low incomes/wages was identified as the greatest impediment to accessing credit for home acquisition by low income earners in Nigeria. The cost of securing credit in private financial institution is high as a

result of high interest rates and the conditions attached to accessing credit further compound the problem. The study concludes that low income earners in Nigeria generally lack access to credit for home acquisition.

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APPENDIX 'I'

**FEDERAL MORTGAGE BANK OF NIGERIA
AFFORDABILITY TABLE ON THE NATIONAL HOUSING FUND (NHF)
LOAN AMOUNT AT SIX (6) PERCENT INTEREST RATE**

Tenor (Years)	5	10	15	20	25	30
Loan amount	Monthly loan repayment (₦)	Monthly loan repayment (₦)	Monthly loan repayment (₦)	Monthly loan repayment (₦)	Monthly loan repayment (₦)	Monthly loan repayment (₦)
50,000.00	966.64	555.10	421.93	358.22	322.15	299.78
100,000.00	1,933.28	1,110.21	843.86	716.43	644.30	599.55
250,000.00	4,833.20	2,775.51	2,109.64	1,791.08	1,610.75	1,498.88
500,000.00	9,666.40	5,551.03	4,219.28	3,582.16	3,221.51	2,997.75
750,000.00	14,499.60	8,326.54	6,328.93	5,372.23	4,832.26	4,496.63
1,000,000.00	19,332.80	11,102.05	8,436.57	7,164.31	6,443.01	5,995.51
1,250,000.00	24,166.00	13,877.56	10,548.21	8,955.39	8,053.77	7,494.38
1,500,000.00	28,999.20	16,653.08	12,657.85	10,746.47	9,664.52	8,993.26
1,750,000.00	33,832.40	19,428.59	14,767.49	12,537.54	11,275.27	10,492.13
2,000,000.00	38,665.60	22,204.10	16,877.14	14,328.62	12,886.03	11,991.01
2,250,000.00	43,498.80	24,979.61	18,986.78	16,119.70	14,496.78	13,489.89
2,500,000.00	48,332.00	27,755.13	21,096.42	17,910.78	16,107.54	13,988.76
2,750,000.00	53,165.20	30,530.64	23,206.06	19,701.85	17,718.29	16,487.64
3,000,000.00	57,998.40	33,306.15	25,315.70	21,492.93	19,329.04	17,986.52
3,250,000.00	62,831.60	36,081.66	27,425.35	23,284.01	20,939.80	19,485.39
3,500,000.00	67,664.81	38,857.18	29,534.99	25,075.01	22,550.55	20,984.27
3,750,000.00	72,498.01	41,632.69	31,644.63	26,866.16	24,161.30	22,483.14
4,000,000.00	77,331.21	44,408.20	33,754.27	28,657.24	25,772.06	23,982.02
4,250,000.00	82,164.41	47,183.71	35,863.92	30,448.32	27,382.81	25,480.90
4,500,000.00	86,997.61	49,959.23	37,973.56	32,239.40	28,993.56	26,979.77
4,750,000.00	91,830.81	52,734.74	40,083.20	34,030.48	30,604.32	28,478.65
5,000,000.00	96,664.01	55,510.25	42,192.84	35,821.55	32,215.07	29,977.53

Source: FMBN 2008.