
Federal Dominance and the Failure of Nigeria's Mortgage Market

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Caption: Thousands of housing units commissioned by the Ministry of Works for Federal Mortgage Bank of Nigeria

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EXECUTIVE SUMMARY

Nigeria does not lack a mortgage policy; it lacks a functioning mortgage market. Mortgage lending remains negligible—just 0.02–0.07% of GDP—against a housing deficit of 28 million units and a financing gap of N21 trillion.

In response to weak capital markets and macroeconomic instability, the federal government assumed a dominant role through the Federal Mortgage Bank of Nigeria (FMBN), the National Housing Fund (NHF), and the Ministry of Finance Incorporated Real Estate Investment Fund (MREIF). While these interventions have expanded access at the margins, they have not produced a scalable system.

Five structural constraints persist: shallow long-term funding, macroeconomic instability, administrative inefficiencies, weak land and legal systems, and the exclusion of informal-sector workers. These constraints reinforce one another, limiting demand, discouraging investment, and suppressing market growth.

The MREIF pilot illustrates the problem. Despite improved product design, disbursement remains low and uptake modest—reflecting systemic limitations rather than isolated implementation failures.

This brief argues for a shift from federal dominance to market enablement, anchored on three priorities: building a credible secondary mortgage market through the Nigerian Mortgage Refinance Company (NMRC), expanding access through NHF digitisation and inclusion, and reforming land and legal systems.

Without reform, inefficiency and exclusion will persist; with it, mortgage expansion can drive housing supply, employment, and economic growth.

NIGERIA'S MORTGAGE MARKET: A STATE-DOMINATED SYSTEM THAT DOES NOT DELIVER

The architecture of Nigeria's housing finance system reflects a state-led response to structural deficits in long-term capital and housing supply. The transformation of the Nigerian Building Society into FMBN and the enactment of the NHF Act (1992) institutionalised the federal role in pooling worker savings for housing. These interventions addressed gaps left by limited private-sector capacity and low institutional appetite for long-term mortgages.

Despite this, the mortgage market remains extremely shallow. Mortgage volumes fluctuate between 0.02% and 0.07% of GDP, reflecting a substantial mismatch between public intent and actual market outcomes. Approvals by FMBN increased from ₦39.7 billion in 2023 to [₦71.5 billion in 2024](#), yet this remains negligible against the estimated ₦21 trillion deficit.

The MREIF pilot demonstrates both ambition and constraint. As of 30 June 2025, only ₦8 billion had been disbursed across 173 approved mortgages ([3.2% of pilot capital](#)), with an approval share of 22%. Bottlenecks were observed in origination, onboarding, documentation, and administration, alongside macroeconomic pressures, affordability constraints, and structural deficiencies in land and legal systems. The federal government's role has remained largely supply-side, limiting market dynamism. Without structural reform, federal dominance risks perpetuating underperformance, low inclusivity, and fiscal exposure.

Why Households Cannot Access Mortgages

Mortgage exclusion in Nigeria reflects a reinforcing set of structural constraints:

- **Shallow capital markets** limit long-term funding, keeping interest rates high and tenors short.
- **Macroeconomic instability**, including high inflation and exchange-rate volatility, undermines affordability and lender confidence.
- **Administrative inefficiencies** within NHF and related programmes delay access and reduce uptake.
- **Weak land and legal systems** increase collateral risk and discourage lending.
- **Exclusion of informal workers**, who comprise [over 90% of employment](#), leaves most households outside the system.

Together, these factors create a low-equilibrium trap: [weak demand limits investment](#), constrained funding raises costs, and high costs further suppress demand.

MREIF: AMBITION CONSTRAINED BY STRUCTURE

Launched in 2024, MREIF aimed to expand access through longer tenors, lower equity requirements, and developer guarantees.

Key Features:

- Mortgages up to 20 years with fixed interest (9.75%)
- Reduced equity contribution from 20% to 10%
- Offtake guarantees for developers
- Digital platforms and partnerships with EFIs

While conceptually sound, its impact has been limited.

Key constraints include the following:

Upfront Costs Still High: Only 5.3% of Nigerians can meet [10%](#) down payments; 77% remain excluded.

Interest Rate / Inflation Risk: Macro volatility threatens affordability and fund sustainability.

Scale vs Demand: As of September 2025, disbursed capital ([₦22.5 billion](#)) is negligible relative to ₦21 trillion deficit.

Land / Title Delays: Administrative bottlenecks slow processing and raise costs; GIS pilots exist only in Enugu, Lagos, Kaduna, and Nasarawa.

Developer Pricing & Quality: Risk of inflated costs or poor-quality delivery undermines access.

Investor Confidence & Financial Sustainability: Large fund ([₦1 trillion target](#)) reliant on blended capital; contingent liabilities pose risk.

Fraud & Transparency: Middlemen risks may erode public trust.

Geographic & Socio-Economic Reach: Potential urban bias; informal sector may be underserved.

Total Mortgage Cost: 20-year repayment may be burdensome even with reduced rates.

Capacity Constraints: EFIs, developers, and state infrastructure may be inadequate for scale.

These limitations are structural. Without reforms to funding, land systems, and inclusion, MREIF cannot scale to meet national demand.

THE POLITICS OF MORTGAGE REFORM

Effective reform requires understanding institutional and political dynamics that shape mortgage policy:

1. Bureaucratic inertia and institutional turf limit coordination because agencies may prioritise institutional prerogatives.

2. Regulatory caution constrains pension and insurance investment: PenCom and NAICOM may resist mortgage exposure.

3. Electoral cycles favour short-term interventions over long-term reform. Multi-year reforms conflict with short-term electoral incentives.

4. Federal-state fragmentation complicates land and legal reform: land and foreclosure powers remain state-controlled.

5. Private-sector risk aversion limits participation: Banks may perceive new structures as risky or operationally burdensome.

6. Fiscal constraints: Government guarantees create contingent liabilities.

Effective reform requires sequencing, incentives, and coordination across these actors

LESSONS FROM INTERNATIONAL MORTGAGE MARKETS

Country	Institution / Scheme	Model Structure	Key Outcome	Limitation
Kenya	Kenya Mortgage Refinance Company (KMRC)	Public-private mortgage refinance vehicle	Improves lender liquidity; modest growth in mortgage origination	Scale remains gradual
Malaysia	Cagamas Berhad	Secondary mortgage institution; purchases loans and issues bonds	Deepens liquidity; strengthens long-term funding through capital markets	Requires strong financial market discipline
India	National Housing Bank (NHB) / Pradhan Mantri Awas Yojana (PMAY)	Blended model: refinance + demand-side subsidies + developer incentives	Expands access, including informal-sector participation	Administrative complexity
Mexico	Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT)	Payroll-based contributory housing finance system	Large-scale mobilisation of housing finance	Excludes informal workers

Core Lessons for Nigeria

Lesson	Implication	Nigerian Reality Check
Secondary mortgage markets are essential for scale	Liquidity must be recycled through refinance institutions and capital markets	Limited depth in Nigeria's mortgage-backed securities market
Targeted demand-side support drives uptake	Subsidies and guarantees reduce affordability barriers	Existing schemes remain narrow in reach and poorly targeted
Contributory systems require broad inclusion	Payroll-based models succeed only where formal employment is widespread	High informal employment weakens viability
Strong legal and land frameworks underpin lending	Secure titles and efficient registration reduce risk and cost	Persistent land administration bottlenecks
Government as enabler, not provider	Policy should crowd in private capital, not displace it	Continued over-reliance on direct state intervention

REFORM STRATEGY: FROM STATE DOMINANCE TO MARKET ENABLEMENT

Reform should be focused and sequenced.
Three priorities are critical:

1. Build a Credible Secondary Mortgage Market

Strengthen the Nigerian Mortgage Refinance Company (NMRC) through standardised instruments, regular bond issuance, and time-bound credit enhancement. This will mobilise long-term institutional capital.

2. Expand Access Through NHF Digitisation and Inclusion

Digitise NHF contributions and integrate informal workers through mobile platforms and alternative credit scoring. Without inclusion, scale will remain unattainable.

3. Reform Land and Legal Systems

Improve land titling, digitise registries, and strengthen foreclosure processes in reform-ready states to reduce collateral risk and unlock lending. Supporting measures include repositioning FMBN as a co-lender, introducing targeted risk-sharing instruments, and using time-limited guarantees to crowd in private capital.



Caption: Signage for Federal Mortgage Bank of Nigeria Real estate location

POLICY OPTIONS AND TRADE-OFFS

Policy Option	Key Advantages	Risks / Trade-offs	Implementation Considerations	Responsible Institution	Timeline
1 NMRC Deepening & Bond Issuance	Mobilises institutional capital; scalable	Requires guarantees; reputational risk	Phase guarantees; monitor tranche performance	NMRC, FGN, PenCom, NAICOM	Q1-Q4 2026
2 FMBN Co-lending Model	Leverages public resources; private discipline	Moral hazard; contingent liabilities	Limit exposure; align incentives	FMBN, Partner EFIs	Q2 2026 – Q2 2027
3 NHF Digitisation & Inclusion	Expands contributor base; digital access	Transition risks; exclusion during ramp-up	Parallel channels temporarily; outreach investment	NHF, CBN, NIMC	Q2 2026 – Q4 2027
4 Legal & Land Reform	Reduces collateral risk, transaction costs	Requires state coordination; political resistance	Begin pilots in reform-ready states; federal incentives	State Land Registries, Judiciary	Q2 2026 – Q4 2028
5 Product Innovation & Alternative Scoring	Increases informal sector access	Higher credit risk	Controlled pilots; data safeguards	CBN, FMBN, EFIs	Q3 2026 – Q4 2027
6 Targeted Subsidies / Guarantees	Accelerates low-income access	Risk of dependency; fiscal exposure	Time limited; performance-based	MREIF, FGN, Partner EFIs	Q3 2026 – Q4 2027

What Should Be Done Now

Immediate actions should prioritise execution:



1 Accelerate Utilisation

Disburse 50% of pilot capital within 2 years; faster onboarding of EFIs and mortgage origination.



2 Expand Investor Base

Mobilise pension funds, insurers, and foreign institutional investors in tranches over 6–15 months.



3 Mitigate Macro Risks

Pilot inflation-linked or hybrid contracts within 12 months; adopt broadly after 18 months.



4 Enhance Outreach & Inclusivity

Combine reduced down-payment with first-loss guarantees or demand-side subsidies



5 Strengthen Legal / Land Infrastructure

Partner with states to reduce title processing to 90 days; digital documentation.



6 Transparency & Monitoring

Publish transparent data – number/value of mortgages approved and disbursed, default rates, geographic distribution, and cost of funds

KPIs: Measuring Success



Mortgage-to-GDP ratio of 0.5–1% in 5 years



50% states in land registry pilots



30% informal-sector inclusion



Default rates within the industry average

What Mortgage Expansion Means for Nigeria's Economy

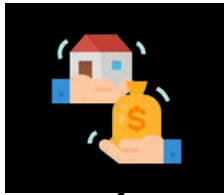
Channel	Status Quo	Reform Scenario
 <p>Mortgage-to-GDP</p>	0.02 – 0.07%	1%
 <p>Annual Mortgage Origination</p>	₦100 billion	₦2–3 trillion
 <p>Construction Output</p>	Constrained	Sustained growth in residential and allied sectors
 <p>Employment</p>	Limited	200,000–300,000 direct/indirect jobs
 <p>GDP Growth</p>	Minimal	0.3–0.6 pp annually during scale-up
 <p>Household Wealth</p>	Limited	Formal homeownership, asset accumulation
 <p>Financial Deepening</p>	Shallow	Expansion of long-term capital markets

Transmission Mechanism



Mortgage Expansion

More credit available for homebuyers



Housing Demand

More people able to buy homes



Construction Activity

More projects, more building



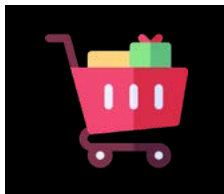
Employment

More jobs in construction and related sectors



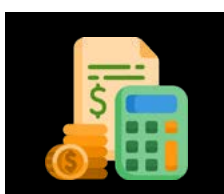
Income Growth

Higher earnings for households and business



Consumption

More spending on goods & services



Financial Deepening

Stronger financial markets and more long-term credit

THE COST OF INACTION—AND THE CASE FOR REFORM

Nigeria’s mortgage crisis persists not for lack of intervention, but because federal dominance has substituted for functional markets. Continued reliance on state-led provision will entrench inefficiency, exclusion, and fiscal risk.

A sequenced transition to market enablement—anchored in capital market development, legal reform, and inclusion—offers a credible path forward. With disciplined implementation and sustained political commitment, mortgage expansion can move from policy ambition to economic reality.



Caption: Wisar Estate, a Federal Mortgage Bank of Nigeria’s project under construction in Abuja

Author

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Acronym	Full Meaning
GDP	Gross Domestic Product
FMBN	Federal Mortgage Bank of Nigeria
NHF	National Housing Fund
MREIF	Ministry of Finance Incorporated Real Estate Investment Fund
NMRC	Nigerian Mortgage Refinance Company
CBN	Central Bank of Nigeria
NPN	National Pension Commission
NIC	National Insurance Commission
EFIs	Eligible Financial Institutions
GIS	Geographic Information System
KMRC	Kenya Mortgage Refinance Company
NHB	National Housing Bank (India)
PMAY	Pradhan Mantri Awas Yojana (India)
IFONAVIT	Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Mexico)
FGN	Federal Government of Nigeria
NMIC	National Identity Management Commission
KPIs	Key Performance Indicators

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