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Legal and Regulatory Framework for the Mortgage Industry In Nigeria

*Mr. J. A. Akinwale**

I. Introduction

The business of a mortgage institution is relatively straightforward; its basic tools of mobilising savings and granting loans (mortgages) are comparatively simple concepts, though operating in a highly competitive money market. A mortgage institution is basically a service organisation, which requires a dynamic marketing organisation and effective system of financial control, in order to record appreciable growth. It has also to service the accounts of its investors and borrowers. Servicing those accounts requires a large volume of administrative work.

While mortgage institutions are primarily concerned with human relations, both in their mortgage and selling (savings/deposit mobilisation) operations with their customers, and in the management of their staff. It is, therefore, important to note that the legal and regulatory framework for the mortgage industry sets the form, scope and structure of the housing finance system and provides for its safe and sound operation. The outline of major issues on legal and regulatory framework for mortgage institutions, which will be discussed in this presentation include: Functions of PMIs vis-à-vis their enabling laws and role in the overall financial system; Licensing; Assets and Liability Powers; Capital Requirements; Supervision; Disclosure and Verification of Information; Staffing, and Developmental Issues.

II. Brief Historical Background of Primary Mortgage Institutions in Nigeria

The emergence of privately owned PMIs followed the promulgation of the Mortgage Institutions Decree No. 53 of 1989, which provided the legal framework for the establishment of such institutions. PMIs are expected to fulfil a purpose: to provide a

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safe and convenient means of saving for the general public, and, to a limited extent, for various corporate and unincorporated bodies. Furthermore, they are to use the funds to make loans on mortgages, primarily to those who wish to buy or build their own homes. PMIs have been in the Nigerian financial system for more than a decade. In the early 1990s, many primary mortgage institutions were licensed by the Federal Mortgage Bank of Nigeria. The first set of primary mortgage institutions were actually licensed in 1991. By 1993, the number had grown to over 260. The financial system distress of the early 1990s affected the PMIs in no small way. Many of the PMIs failed and eventually, 97 had their licences revoked by FMBN in 1995. By the time the Central Bank of Nigeria took over the supervision of PMIs in 1997, less than 120 PMIs could be regarded as still in operation. Today, less than 100 PMIs are in operation.

The early PMIs had gone into business without observing any of the tenets of financial planning and control. In fact, it was discovered that most promoters of PMIs had very little knowledge of what mortgage business was all about. Some promoters had the intention of finding an easy way of entering the banking industry but without any regard for the specialised nature of the mortgage business which PMIs are licensed to operate. A few other promoters even thought that the National Housing Fund scheme was another form of funding mechanism that would be allocating funds to the PMIs without any consideration for underwriting principles. Such misconceptions led to the early collapse of many PMIs. This re-emphasises the need to have a clear understanding and knowledge of the business of mortgage finance in all its ramifications

III. Functions of Mortgage Institutions

Housing finance, which is the centrepiece of the National Housing Policy (NHP) document launched in 1991, is in the form of a two-tier arrangement with the Federal Mortgage Bank of Nigeria (FMBN) as the apex mortgage institution on the one hand, and the multiplicity of primary mortgage institutions (PMIs) on the other hand. FMBN is charged with the responsibility of managing and administering the National Housing Fund (NHF), among others. The National Housing Fund is another creation of the NHP with the objective of ensuring continuous flow of financial resources into housing development. Resources of the Fund are channelled through PMIs for on - lending to individual contributors to the Fund.

The enabling law from which primary mortgage institutions (PMIs) derive their functions are the Mortgage Institutions Act (No. 53 of 1989), Banks and Other Financial

Institutions Act (as amended) as well as Central Bank of Nigeria (CBN) Guidelines to Mortgage Institutions. The major functions of mobilising savings and deposits from the public and lending such financial resources mobilised for housing are guided by these laws and guidelines.

The powers for carrying out mortgage business are outlined in the CBN Guidelines to Mortgage Institutions (as amended). The Guidelines show that primary mortgage institutions (PMIs) are granted powers to:

a. *grant loans or advances to any person for the building, improvement or extension of a dwelling/commercial house;*
b. *grant loans and advances to any person for the purchase or construction of a dwelling/commercial house;*
c. *accept savings and deposits from the public and payment of interest thereon;*
d. *manage pension funds/schemes;*
e. *offer technical advisory services for the purchase or construction of a dwelling house;*
f. *perform estate management duties;*
g. *offer project consultancy services for estate development;*
h. *engage in estate development through loan syndication, subject to the restriction imposed by the shareholders' funds unimpaired by losses;*
i. *engage in property trading including land acquisition and disposal;*
j. *engage in other activities which the Bank may approve from time to time.*

IV. Licensing

Competition is desirable in an integrated financial system, but unlike most other industries, finance is "affected with a public interest". It is not in the public interest for any financial institution to fail. Failure and insolvency impose not only financial losses but undermine the trust and confidence in financial institutions that individual households and businesses must have, to serve the course of economic development.

The licensing function of a regulatory institution in the industry should be designed to ensure that a sufficient number of primary mortgage institutions exist to meet the housing finance needs of the community. That function also has to ensure that licences are not granted so freely that the market becomes "overbanked". For example, if the housing finance market in Nigeria can only sustain 30 to 50 PMIs

operating safely, soundly and profitably, the CBN must not grant licences for 100 or more because some of them will ultimately fail. Market size considerations are not, by any means, the only thing with which the regulatory authority must be concerned. In considering an application for licence, the regulatory body must satisfy itself that the founders have sufficient capital to commence operations and have recruited capable and experienced management and staff to operate competently and honestly. The authority also has to ensure that the PMIs to be licensed not only meet the licensing requirements when applying for the licence but also meet these requirements on a continuous basis.

V. Asset and Liability Powers

A primary mortgage institution (PMI) must operate within the scope of the general law and guidelines governing mortgage business. The asset and liability powers of the financial institution are the essence of the structure of the system and, to a significant extent, constitute the definition of the market served by the institution. The range of choices open to the law in structuring the mortgage industry can be varied. For the Nigerian mortgage industry, the institutional form selected is deposit based. However, there are a number of pertinent questions that readily comes to mind. Such questions include: 'Is a PMI allowed to accept deposits from any person, enterprise or governmental entity? Or is it limited to accepting deposits from the household sector only? What kind of deposits are allowed and whether the deposits are subject to withdrawal on demand at short notice? Or may it also issue time deposits which may not be withdrawn before maturity without penalty? Can it offer demand (sight) deposits subject to withdrawal by cheque? Can it issue long-term bonds and preferred stock? May it establish small-denomination mutual funds based on participants in its mortgage portfolio? May it issue obligations denominated in foreign currency? If the law and/or the regulations are silent on these issues, then it may be presumed that the PMI is permitted to draw funds from whatever source it can, using whatever instrument it can devise to do so; in this case, the market for the PMI is broad indeed.

The way in which the liability powers of the institution are defined by law and regulation should significantly affect the capital requirements of the institution, the level of management and staff expertise required for safe, sound and profitable operation as well as the kind of regulations imposed on it to assure prudential administration of the public's funds.

Similar considerations apply on the asset side. Will the institution be allowed to invest only in liquid instruments (cash, deposits in other financial institutions, government securities) and home mortgages? May the institution make loans to households for consumption as well as housing investment? May it also provide construction financing to developers and lines of credit to building materials manufacturers and suppliers? Will the institution be permitted to take an equity position in housing projects or building materials industries, operate a real estate agency, provide life and hazard insurance to mortgagors? What kind of instruments may it use to make home mortgage loans? Must the instruments be fixed-rate amortising loans or may it also use a variety of adjustable-rate or line-of-credit mortgages? It should be noted that some of these issues have somehow been addressed in the CBN Guidelines to PMIs. Again, if those not addressed in the Guidelines are also not addressed in the law, it may be presumed that the mortgage institutions implicitly have all powers not explicitly denied it.

In general, it will prove preferable to limit the scope of asset and liability powers of mortgage institutions for several reasons. First, the broader the asset and liability powers, the greater the burden on management to become expert in a variety of fields and the greater the burden on the regulators to formulate and administer regulations prescribing prudential investment of the public funds. At least in the early stages of development of a housing finance system, the supply of managerial talent may be in short supply, as is currently being witnessed in the industry, with the consequence that if the institutions attempt to utilise all of the broad powers granted to them, they will experience losses in at least some lines of business.

Second, some of these lines of business may already be well-served by other financial institutions. Commercial banks, for example, may be willing and able to supply adequate financing to real estate developers and building materials suppliers. The policy choice of whether or not to grant such asset powers to mortgage institutions then turns to whether their competition with commercial banks will be healthy for the entire financial system or not and to whether housing finance institutions need the portfolio diversification for interest-rate risk management purposes. Similar considerations apply to granting hazard insurance powers to mortgage institutions. Are the country's casualty insurers willing and able to supply such insurance on reasonable terms? If not, granting this power to mortgage institutions may stimulate casualty insurers to expand their lines of insurance and/or offer more reasonable terms.

Third, potential conflicts of interest should be avoided in the legal and regulatory structure. If the mortgage institution is to provide all the construction and mortgage financing, should it also be allowed to take an equity position in the project it finances, appraise the value of the project and take a commission through its real estate agency for the sale of the units? One of the key functions of the financial system is to say "no" to loans and projects that are not creditworthy. A mortgage institution will be in a better position to perform this important function if it does not have a conflicting financial interest in the project. Similar considerations apply to insurance functions, real estate agency and appraisal.

Within the scope of the housing finance function, however, it is probably preferable to allow the institution relatively wide latitude in shaping the instruments it uses to mobilise savings and convey mortgage loans. As a housing finance specialist, the PMI is in a better position than the law-makers and regulators to detect changes in market conditions and to determine what innovations in instrument design are likely to work and which ones are not.

In the final analysis, the legal and regulatory framework should seek to provide a structure that will give the mortgage institution a reasonable opportunity to manage its credit and interest-rate risks. At the same time, the framework should make provision for ensuring that the opportunity for conflicts of interest are not present in the law, that the competition with other types of financial institutions implied by overlapping asset and liability powers increases the efficiency of the relevant market without unduly impairing the safety and soundness of the operation of any of the institutions. Finally, once these issues are decided, the regulators must be given adequate resources and powers to ensure that all financial system operations are conducted in accordance with the law and that the institutions are managed prudently.

VI. Capital Requirements

The establishment and maintenance of capital requirements is a crucial element of the legal and regulatory system. The mortgage institution's capital, whether it is a public or a private sector institution, is the first line of defence against impairment of the institution's ability to fulfil its obligations to creditors. The Basle Accord established an international system of risk-based minimum capital requirements for financial institutions. The CBN is a regular participant at the Basle Accord formulations and has adopted the system in assessing capital adequacy of financial institutions. The CBN

has established guidelines for minimum capital requirement, expressed as a percentage of assets, regardless of the range of risks to which the institutions are exposed. Conceptually, as well as practically, the single capital requirement will leave conservatively-managed, risk-averse institutions "over-capitalised" and other, more aggressive institutions "under-capitalised". Correcting these discrepancies in capital adequacy is a principal virtue of risk-based capital requirements.

No doubt there are variety of ways in which a risk-based capital requirement might be constructed. The Basle system, however, was the subject of long and careful study and may be presumed that, for the time being, represents the state of the art. The Basle system requires each institution subject to the requirement to satisfy two "leverage" ratios. The first sets minimum capital (Tier 1) equal to 4 per cent of the institution's assets even if those assets consist entirely of riskless assets (e.g. cash). The second leverage ratio (Tier 2) is 8 per cent, including Tier 1 capital, incorporates a scheme of risk-weights to determine the precise amount of required capital and allows a wider definition of capital in meeting the Tier 2 capital requirement.

There is, of course, nothing sacrosanct about the 8 per cent leverage ratio of the Basle Accord. The CBN might choose to require a higher leverage ratio 10 per cent or 12 per cent - and achieve higher degree of protection against credit risk while maintaining the same, or a similar, risk-weighting as the Basle system.

However, the leverage ratio chosen should depend significantly on at least three factors:

- the breadth of the asset powers accorded to the mortgage institutions,
- the actual risk experienced in various categories of lending, and
- the perceived strength of the supervisory system.

Broad asset powers, poor historical experience with loan delinquencies and defaults, and a weak supervisory system all argue in favour of leverage ratios higher than those of the Basle system. A "high" capital requirement is not, of course, a substitute for adequate supervision. While capital requirements discourage financial institution management from "rolling the dice" with the depositors' funds, no fractional (less than 100 per cent) capital requirement alone can ensure that financial institutions strictly observe sound underwriting and prudential lending practices.

VII. Supervision

The legal and regulatory framework put in place for the housing finance system is designed to promote the development of the system. The regulatory authority will no doubt be operating within a framework, which has three major objectives:

- *i)* to assure compliance with the regulations;
- *ii)* to ensure that PMIs are being managed prudently; and
- *iii)* to provide information to Government on an on-going basis about the adequacy and appropriateness of regulations as the housing finance market change and evolve.

In pursuing these objectives, the supervisory agency (CBN) requires periodic reports on financial conditions submitted by the regulated financial institutions and information obtained from on-site examinations (or inspections) of the institutions. The periodic reports (no less frequently than quarterly) should serve as an early-warning system for the regulator. These reports should, at a minimum, disclose the full balance sheet and income (profit and loss) statement of the institution and all current loan delinquencies and defaults. The supervisory agency is then able to determine the degree of the institution's current compliance with minimum prescribed ratios and "track" changes in the condition of each institution over time by comparing current reports with previous reports.

To ensure that the information it receives is accurate, "on-site" examinations must be part of the supervisory programme. Each institution should be examined at least once during a legally-prescribed period, say, two years. The CBN has the authority to examine an institution more frequently, if necessary. In general, institutions that did not "score" well on previous examinations should be examined more frequently. On-site examinations include determination of regulatory compliance, but are distinguished from off-site supervision by their attention to the adequacy of accounting procedures, underwriting procedures, documentation of loan files, management information systems, internal controls, risk management procedures, classification of loans and provisioning for loan losses. On-site examinations frequently turn up problem areas of the institution's operations that cannot be ascertained from periodic reports.

Existing laws and regulation permit examiners to request financial institutions to make appropriate provisions for loan losses, classify assets as non-performing and

write off uncollectible loans. The laws and regulations of the mortgage industry also provide penalties for non-compliance with regulations, submission of inaccurate, misleading or falsified reports. There are a range of actions which can be taken to enforce compliance.

Penalties should, of course, be tailored to suit the regulatory violation and may include fines, "cease and desist" orders, removal of managers and/or directors, civil and/or criminal referrals to prosecute managers and/or directors for illegal actions or wilful violation of prudential regulations. The CBN has the authority to close an insolvent institution. When this course of action is taken, the CBN also exercises its discretion to liquidate the institution or to restructure it by dissolving the shareholders' interests and merging the institution with another (healthy) institution, in the process taking whatever action may be necessary to facilitate the merger. Such powers are exercised in collaboration with the Nigeria Deposit Insurance Corporation (NDIC) in the case of commercial banks. This will also be possible when NDIC assumes insurance of deposits in mortgage institutions.

VIII. Development Issues

The National Housing Fund

With the launching in 1991 of the National Housing Policy, which provided for a two-tier mortgage finance system, the Federal Mortgage Bank of Nigeria was deconsolidated in 1993 and made the Apex Mortgage Institution. The FMBN was then assigned new roles of licensing, supervising and monitoring of primary mortgage institutions, which are supposed to mobilise savings in the economy and use it for creating mortgages. The Bank (FMBN) was also given the additional role of mobilising cheap funds into the National Housing Fund (NHF) Scheme. It is to manage and disburse these funds as loans to individual contributors through PMIs. Through its supervisory role, the Bank was to ensure that the PMIs disburse these loans in accordance with the National Housing Fund Act 1992, which set up the Fund. However, following the transfer of the supervisory role of PMIs to the Central Bank of Nigeria in 1997, the Federal Mortgage Bank of Nigeria now has sole responsibility of managing the National Housing Fund. FMBN has thus been relieved of the burden to supervise and monitor the operations of the PMIs. On the other hand, FMBN still prescribes regulations and conditions for the operations of the National Housing Fund under which primary mortgage institutions are major players and still have to relate to FMBN for accessing the Fund facilities.

Adequacy of Capital

The establishment and maintenance of capital requirements is a crucial element of the legal and regulatory system. It was mentioned earlier that the PMI's capital is the first line of defence against impairment of the institution's ability to fulfil its obligations to depositors and other creditors. A minimum capital requirement would need to be maintained, regardless of the range of risks to which the PMIs are exposed.

Primary mortgage institutions had entered the housing finance market in 1991 with a minimum paid up share capital of ₦5 million. The minimum paid-up share capital for PMIs was later in 1995 increased to ₦20 million. Most watchers of the mortgage industry agreed that the capital prescription was grossly inadequate, given the cost of building or buying residential houses where the only source of finance for home ownership is through PMIs. Where the average cost of building or buying a house is about ₦5 million, the number of individual mortgagors a PMI can accommodate will be dependent on the level of its capital and how successful it has been in mobilising long-term funds. This informed the prescription by the Central Bank of Nigeria that PMIs increase their minimum paid up share capital from ₦20 million to ₦100 million. The Central Bank of Nigeria is already discussing with stakeholders within the mortgage industry with a view to arriving at a more appropriate and adequate capital prescription for mortgage institutions. The PMIs trade association - the Mortgage Banking Association of Nigeria (MBAN) is already sending feelers to its members in this regard. The minimum paid-up share capital being considered is between ₦1 billion and ₦2 billion.

IX. Suggestions for Improving Mortgage Lending in Nigeria

Given the performance to date and the direction articulated in the National Housing Policy launched in 1991 and the new one just approved by Government, there are some issues and factors which bear on the effectiveness of the housing finance system over the medium- to long-term. Some of the major issues and suggestions for further improvements are highlighted as follows;

- Housing finance is as much about resource mobilisation as it is about economic growth; unless there is an appreciable level of savings at affordable cost and within an appropriate institutional framework, lending, for whatever purpose, may be constrained.
- Without an assurance of liquidity for long term paper, private capital may not voluntarily flow into the housing sector; hence, a secondary

lending mechanism is a sine qua non for growth of the housing finance system.

- High cost of construction is not conducive to the growth of mortgage lending; it follows that the lower the cost of construction, the higher the potential for both the expansion of mortgage lending and the multiplier effects on the economy.

In the light of the issues highlighted above, there are three strategic objectives that must be targets of future housing finance system. The targets stem from basic imperatives that an effective housing finance system must satisfy namely: to facilitate access to loans for households across a wide spectrum of income groups; to encourage the private sector to invest in housing finance; and to enhance the macroeconomic impact of housing finance services. These targets are examined in the ensuing paragraphs.

Increased Flow of Long-term Funds

The first object must be to secure an increased (and a regular) flow of long-term funds into the system. Urbanisation is an irreversible phenomenon; and it is most likely to remain the source of the bulk of demand for housing finance services. As the rural-urban drift continues, and as life-styles in the rural areas change for the better, so is the demand expected to grow. A concomitant issue is the absolute growth of population. The consequence has been the overcrowding conditions in most of our urban areas. This poses two challenges: how to satisfy the current backlog in housing services, and how to sustain the momentum.

We can draw some comfort from the fact that the NHF exists to inject new low cost loanable resources into the system on a continuous basis; such additions to the operational reflows from the existing loanable pool will serve to swell the lending base. But we should not be lulled into a false sense of security. The Fund is essentially to augment the savings, which the PMIs are expected to mobilise from households, and to provide a liquidity mechanism for the l savings. Indeed, mobilisation of voluntary savings remains the platform for retail lending by PMIs. Hence, unless these intermediate institutions can perceive their role as leaders in the mobilisation of voluntary savings, rather than as mere conduits for NHF proceeds, the full development of the housing finance system may become a mirage; and the Fund could become overwhelmed by excess demand.

Over the short-to-medium-term, the systemic illiquidity within the financial

institutions could also create its own constraints on the NHF. Individuals, who are unable to procure loans from the commercial banking system could have recourse to the NHF. The not-so-high income groups might feel a sense of being crowded out of the lending system.

Strengthening the Primary Mortgage Market

The second objective should be to strengthen and expand the primary mortgage market through the consolidation and improvement of the operations of the PMIs. Mere regulatory without adequate supervisory surveillance of the system, including the power to sanction, could turn out to be a costly and ultimately self-defeating response. Restoring investors' confidence demand that standards of transactions be homogenised. In that regard, standardisation must be regarded a pre-requisite for the primary lenders to make their operations comparable to one another.

The NHF is a veritable mechanism for organising the primary market, since it is expected to operate on a uniform set of criteria, which every intermediate lending institution must comply with. In this regard, the double advantage in the coincidence of institutional responsibilities for the regulation and supervision of mortgage operations under a separate Mortgage Institutions law as well as the management and administration by FMBN of the NHF could have been sustained. That was the case until 1997 when the Central Bank of Nigeria took over the supervision and control of PMIs. The FMBN was responsible for the definition of both the operating standards for PMIs and the criteria for NHF loans. The then convergence of responsibilities was meant to facilitate the rationalisation of operations within the market. As of now, FMBN is left with the setting of guidelines and standards for operations of NHF lending scheme.

Creating a Secondary Mortgage Market

The primary roles of government are to create, maintain and support the legal and institutional system necessary for a viable housing finance system. Such enabling environment will make it possible to attract long-term capital to housing finance. The creation of a national mortgage market and, ultimately, a secondary market, requires that all mortgage originators (PMIs) adhere to similar property and credit underwriting standards. The standard being established for the operation of the National Housing Fund Loan Scheme is a pointer in this direction.

The existence of a stock exchange in Nigeria is an institutional infrastructure for securitising whole mortgages, managing mortgage pools and trading mortgage-backed securities on the open market. The existence of an active stock exchange and a

bond market is a necessary condition for a secondary market in whole mortgages and mortgage-backed securities, but there are other important considerations to be taken into account. Perhaps the most important of these is the volume likely to be generated in the mortgage-backed securities market. Security issuance is a more efficient way of raising funds than individual loan sales. A secondary mortgage facility may be able to issue longer maturity bonds than individual institutions. If the institution is well capitalised and supported by Government, as being proposed for Federal Mortgage Bank of Nigeria, it can achieve a higher credit rating and lower cost of funding for its activities than private issuers. FMBN may be able to issue securities with lower transactions costs. Issuance of a large volume of standardised securities can result in greater liquidity than issues of individual institutions. Cost efficiencies for the housing finance system can only be achieved with a large flow of resources at very little cost.

Evolution of Domestic Construction Technology

The third objective is the need for the evolution of a culture of domesticated construction technology as an imperative for the expansion of the housing finance system. Prevailing construction standards have generally resulted in high costs. This, understandably, is both in response to planning regulations and due to the preferences of developers/planning standards for better environmental quality, and the quest for higher profit margin by the developers. But the reality is that, standards or no standards, the low-income earners still go ahead to build what they can afford even if it is outside the planning regulations; and this results in more illegal development. Every such illegal development is a loss of potential patronage for the housing finance system and an addition to the statistics of non-conforming developments in our urban areas.

With a judicious review of construction standards through policies that encourage the use of locally available building materials, a larger cross-section of the socio-economic groups can be empowered to participate in the formal lending system. The rationale is that if buildings can be produced more cheaply from local materials, overall housing costs would reduce. Reduced costs of construction would widen the access to loans for a greater number of people; and the expansion of mortgage lending would contribute to macroeconomic improvement.

An Efficient Land Administration System

The future of the mortgage market in Nigeria is also largely dependent on the development of an effective and efficient land administration system. This is aside from the strategic objective discussed earlier for developing and improving housing finance services in the country. A major step taken in 1978 was the enactment of the Land Use Act. In concept, it was to harmonise and simplify the operation of the land delivery system. By vesting in government all rights to the use and transfer of title in land, the intent of government was to ensure that development land would be available as and when needed in the overall interest of the public good. Besides, speculative transactions that had artificially inflated land prices in certain parts of the country were to be curbed. However, administrative bottlenecks in the operation of the Act have made cumbersome, each stage of any transaction in land.

A well functioning title and lien registry is an important underpinning of both the primary and secondary market. Without good title, borrowers cannot use their homes, as effective collateral for loans and investors will not view securities backed by such loans as safe. A key legal prerequisite is the timely and cost effective registration of title and lien. A barrier that exists in Nigeria today is the imposition of transfer taxes and stamp duties on title and lien registration or transfer. Long delays in the registration process can also increase the risk of both primary and secondary mortgage markets.

Cost of transfer and documentation of title to land are very expensive. Sometimes, it is as high as (if not more than) the cost of land. Furthermore, each mortgage transaction is subject to the consent of the state governor, and the bureaucracy and cost of procuring this consent have been obstacles for many prospective lenders and borrowers alike. For example, the current charges on a transaction on land in Lagos State today are as follows:

- Agency fee - 10%
- Legal fee - 10%
- Governor's Consent - 15%
- Stamp Duty - 3%
- Capital Gains tax - 10%
- Registration - 1%

The charges are not lower in most States of the Federation. When all these are added together on varying land transactions (including mortgages), the parties to such

ventures are likely to be discouraged thereby resulting in the expansion and growth of the mortgage market being stunted.