

EMBARGOED UNTIL 0700 hrs FRIDAY 23 MAY

AHF Bond: How low can you go?

THFC have followed up the initial £500m Guaranteed EIB bank loan to Affordable Housing Finance (“AHF”) with a £200m debut long term guaranteed bond carrying a ‘AAA’ rating from Standard and Poors.

The credit spread for the 28 year expected life deal at [0.40%] over Gilts is believed to be the tightest ever achieved for a Housing Association transaction and reflects the DCLG ‘full faith guarantee’ backing the bond. The interest cost was: 3.[]%. When incidental costs are taken into account (principally fees, the cost of a 1 year Debt Service Reserve, and legal/trustee costs), this adds an estimated [0.17%] giving an all in cost of 3.[]%.

“At a time when HA credit spreads have been drifting higher, this represents a real breakthrough” said Piers Williamson, Chief Executive of THFC. AHF’s credit spread of 0.4% compares with recent spreads of 1.25% (Radian) and 1.35% (BPHA).

The underlying delivery of homes funded by this bond is national. There are 13 borrowers in the initial bond, including one Scottish and two Welsh Borrowers. The largest participant is the 55,000 unit, national HA: Home Group whilst the smallest is the Surrey based, 1,200 unit Mount Green HA.

To be eligible for funding, HAs must be delivering incremental social and affordable housing beyond that committed in the 2011/15 Grant bid round. However, Piers Williamson highlights that “Current grant bid targets, S106, Nil Grant funded schemes are all eligible to be funded, so we haven’t really had a problem about eligibility when talking to HAs”.

AHF estimates that in excess of 4,800 additional homes are being funded under this particular bond, with over 4,100 of these delivered outside London.

Security for the underlying loans is based on a minimum of 115% EUV asset cover, close to the 105% EUV level cover typically seen in own name bonds.

AHF can apply for further guarantees form DCLG up until March 2016, with associated start on sites well into 2017, so it expects to be issuing more bonds in the coming months.

Kris Hopkins, Housing Minister said: [
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Participating Borrowers:

Borrower	Location	Amount	Contact	Contact Email
Adactus	North West	£12.9m	Paul Chisnell	paul.chisnell@adactushousing.co.uk
Coastline	South West	£8.3m	Allister Young	allister.young@coastlinehousing.co.uk
Devon & Cornwall	South West	£28.0m	Sue Francis	Sue.francis@dchgroup.com
Great Places	North West	£20.5m	Phil Elvy	Phil.elvy@greatplaces.org.uk
Grwp Cynefin	Wales	£5m	Ned Michael	Ned.Michael@grwpcynefin.org
Hexagon	London	£7.5m	Phil Newsam	pnewsam@hexagon.org.uk
Home Group	National	£20m	Jenny Makin	jenny.makin@homegroup.org.uk
Home Scotland	Scotland	£10.7m	Jenny Makin	jenny.makin@homegroup.org.uk
Mount Green	South East	£6m	Claire Boyer	claireboyer@mountgreen.org.uk
Network	London	£30m	Barry Nethercott	Barry.Nethercott@networkhg.org.uk
Paradigm	South East	£32m	Andy Nicol	andy.nicol@ParadigmHousing.co.uk
Sentinel	South	£15m	Lionel Haynes	lionel.haynes@sentinelha.org.uk
Wales & West	Wales	£12.5m	Tony Wilson	tony.wilson@wwha.co.uk

To be finalised/verified prior to release