

Press release for immediate release 24 6 13

EIB in talks to provide £500m under Affordable Guarantee Scheme

Following the Government's announcement last week of Guarantees of up to £3.5Bn to support the delivery of up to 30,000 new homes, the new funding aggregator, Affordable Housing Finance (part of THFC) is in advanced talks with the European Investment Bank (EIB) for them to provide up to a £500m initial investment in AHF.

Piers Williamson, the Chief Executive of AHF said "We are looking to launch with an EIB product, available for drawdown on a long term basis, later this year. This is an 'AAA' banking product, to be backed by a Government Guarantee, which is intended to be available nationally, and can be drawn flexibly to match the development needs of individual Affordable Housing providers".

The initial design of AHF was thought to be as a bond aggregator, and this remains the plan, albeit with a substantial lead-out financed by EIB. Williamson said "we intend to grow AHF both through bond issuance and by working with EIB. Kicking the programme off with an EIB offering allows for a more flexible start for AHF, matching funding the investment requirements of those providers that have put in a bid for the current Guarantee grant round. Pricing for EIB should match what we forecast in the bond market, but there will be more flexibility and choice of funding through EIB's offering". He added "we expect to be able to offer the Guarantee construct outside England, and Government is currently finalising the protocols for the management of this".

EIB made the following statement:

"We are in discussions with The Housing Finance Corporation, a long established partner of the Bank, about a significant investment in AHF. EIB is keen to support affordable house-building in the UK, and where possible we will seek to use our advantageous financing terms to enable more affordable homes to be delivered in areas of need. We believe this initiative has the potential to deliver low-cost, long-term funding to a wide range of affordable housing providers. It should also support the Bank's objectives in relation to job creation, through stimulating construction activity and providing more opportunities for apprenticeships and local SMEs".

Note for Editors

Affordable Housing Finance Plc (AHF) is a wholly owned subsidiary of THFC. AHF has entered into a long term licence with DCLG to issue guaranteed debt to fund the development of new Affordable Housing. It has its own standard lending criteria, which are distinct from those of THFC.

AHF Contact: Piers Williamson 020 7337 9930