

For immediate release

Thursday 20 June 2013

### **'Affordable Housing Finance' signs Government Guarantee Licence**

THFC today announced that a newly formed subsidiary, Affordable Housing Finance Plc (AHF) has signed an exclusive licence with the Secretary of State for Communities and Local Government to offer guaranteed long term debt to registered providers, developing new affordable rental properties.

AHF will perform a similar role to THFC in aggregating the individual funding needs of registered providers into market size amounts that can be funded on a long term basis in the capital markets or via the European Investment Bank. THFC is the largest issuer of social housing backed bonds in the UK, having issued over £1.1Bn of rated long term debt on behalf of 63 providers since 2004. It has also worked with the European Investment Bank in investing funding in housing regeneration, energy efficient housing supply and retro-fit since 1998.

AHF expects to assemble funding requests from all parts of the UK over the coming weeks with a view to completed funding packages to be committed to borrowers from October 2013. AHF's lending criteria are distinct from those of THFC and are determined by the Guarantee scheme rules. A copy of AHF's loan criteria are attached to this release.

#### AHF Contacts

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## **SCHEME RULES**

### **Housing Guarantee Scheme Rules – Affordable Housing**

#### **1. Project Eligibility**

- 1.1 Guarantees will only support projects that will deliver additional new-build affordable homes on schemes not included in existing affordable housing programmes.
- 1.2 Loan Applicants may also, where applicable, apply for social housing assistance (or equivalent in the devolved administrations). Eligibility for the Guarantees will be assessed on the merits of each application irrespective of whether any parallel grant application is successful. Where grant or other subsidy is provided for any nominated scheme, then a Guarantee will only be available for the net debt required to finance the development.
- 1.3 Affordable homes products that will be eligible are affordable rent and affordable home ownership in England, plus equivalent in the devolved administrations.
- 1.4 Minimum size of project: Total debt requirement to be not less than £5m. However, the “project” can comprise of more than one development site, which cumulatively meet the minimum debt requirement.
- 1.5 Units must be used for affordable rent or affordable home ownership housing (or equivalent in the devolved administrations) for the period of the Guarantee.
- 1.6 Guaranteed debt will be available for drawdown in one amount on completion of loan and security documentation. Borrowers must undertake to have commenced construction of the underlying affordable projects within 12 months of drawdown.
- 1.7 Properties will need to be located in the United Kingdom.
- 1.8 Borrowers will need to be registered providers (or equivalent in the devolved administrations) and classified to the private sector.

#### **2. Security and Recourse**

- 2.1 First fixed charge over the approved assets that meet the required loan-to-value and Interest-cover ratios.
- 2.2 Minimum property security value to be not less than 115% of the loan at all times, evidenced by professional valuation carried out on an EUV-SH basis and addressed for the benefit of the Licensee and Guarantor.
- 2.3 Minimum security portfolio rent/interest cover at all times: Net – 1:1.
- 2.4 5 yearly revaluation obligations.
- 2.5 Security release permitted when asset-cover exceeds 150%, evidenced by professional valuation.
- 2.6 Lender will have full recourse to the borrower for any shortfall resulting from recovery following an enforcement of security on default.

#### **3. Fees and Costs**

- 3.1 Approved Borrowers will be required to meet the costs of arranging the relevant Guarantee.
- 3.2 Approved Borrowers will also need to pay an administration fee to cover pro rata their share of the administration costs of managing and monitoring the facility.

#### **4. Covenants**

- 4.1 Maintenance of loan to value and interest cover covenants.
- 4.2 Financial monitoring reports.
- 4.3 Standard financial and corporate covenants for long term secured debt facilities.

#### **5. Other Undertakings**

- 5.1 Undertaking for continued use of project assets for affordable housing. See also 1.5 above.

#### **6. Documentation**

6.1 Standard loan and security documentation to be entered into.

## **7. Application**

- 7.1 Borrowers will be required to complete a standard application form which will detail the information required to support the application. Application to the HCA (or equivalent in the devolved administrations) for any grant or other subsidy should be made in parallel with the application for the housing guarantee.
- 7.2 All applications will be subject to full due diligence and approval prior to any offer of a Guarantee being made. Any such offer will be at the complete discretion of the Guarantor. No offer nor commitment to provide a Guarantee is implied by the publication of these scheme rules. The Guarantor reserves the right to amend the scheme rules at any time.