

SOCIAL HOUSING SECTOR CAN BANK ON AIB

AIB Corporate Banking wants to increase its involvement in the social housing sector, and they are delighted to work with iCare Housing, which was set up to provide a solution for those eligible for mortgage to rent policies and to buy properties from banks and funds for this purpose, according to senior manager Eoghan O'Neill.

Actively engaged with the Irish social housing sector AIB Corporate Banking is continually looking for ways to support the delivery of housing with a key focus on helping those with funding requirements.

We provided Approved Housing Bodies (AHBs) with funding to purchase up to 500 homes last year alone.

The AIB Corporate Banking team has been fortunate to work with some of the key operators in this sector. In meeting and working with the various AHBs and advisors in the sector we are always impressed by their professionalism and their strong desire to deliver housing for those most in need.

AIB Corporate Banking currently offer a long-term loan with

the amortisation matching the term of the main revenue source e.g. the term of the Payment and Availability in the general social housing model or the term of the Local Authority Rental Agreement.

We will not look to restrict the housing body's activity once the property being funded is essentially protected or 'ring fenced' from any potential negative impact from other activities.

We also provide funding for newly incorporated investment companies which are being established for a specific project, once the new entity can demonstrate that it can professionally deliver the necessary property management and tenant management functions.



John Delahunty, AIB Corporate Banking; Niamh O'Neill, AIB Corporate Finance; David Hall, CEO of iCare; and Eoghan O'Neill, AIB Corporate Banking.

MORTGAGE TO RENT SOLUTIONS

During 2018 we were delighted to work with iCare Housing, which was set up for the purpose of providing a solution for those eligible for Mortgage to Rent (MTR) and to buy properties from banks and funds for this purpose.

If a customer's mortgage debt is deemed unsustainable following an affordability assessment completed by the bank, they may then qualify for MTR which allows them to stay in their own home. Any residual mortgage debt following the transfer is fully written off. The customer becomes a long-term tenant but has the option to buy back their home in the future.

The iCare transaction not only demonstrates AIB's ability to collaborate externally, but also demonstrates the focus and hard work from teams such as AIB's Corporate Banking and Corporate Finance divisions to initiate and deliver this solution.

AIB Corporate Banking provided a commercial funding package by way of an initial €15 million term loan facility for the purchase of the properties. It was announced by iCare on 17 January 2019 that 514 mortgage to rent (MTR) cases have been approved across a number of financial institutions.

As part of this event iCare also announced that, through its initiative with AIB, it had successfully completed an initial 19 cases, which means that those people will remain in their homes.

They also announced plans for a further 580 properties that will come online over the next 18 months. David Hall, CEO of the Irish Mortgage Holders Organisation (IMHO) and iCare said "This is a ground-breaking example of the private sector and the housing charity sector coming together to provide a practical sustainable solution to an acute social crisis. After a long journey, this announcement is a case of promises made; promises kept."

SPECIAL PURPOSE VEHICLES

The historic funding of the Irish social housing sector has been predominantly by way of Government grant funding, or in more recent years through long-term loan finance from the Housing Finance Agency.

With the Eurostat opinion delivered to the Central Statistics Office (CSO) pointing to the 'government body' classification of Ireland's largest Approved Housing Bodies (AHBs), there may



David Hall, CEO of iCare Housing and Father Peter McVerry pictured with two new iCare tenants (left) Jayne Edmondson and Anna Gallagher (right) who availed of the Mortgage to Rent scheme.

be some ongoing consideration by the sector as to how the government and the AHBs working together with the banks can resolve the Eurostat and CSO opinion and ultimately bring about a wider gap between the government and the key players in the sector.

A potential solution being considered by the sector is the establishment of special purpose vehicles by the AHBs in which they can acquire and fund assets using private and commercial bank finance.

Whilst there are numerous AHBs operating in Ireland, the sector could avail of better cost efficiencies. In particular, we have seen some consideration from the smaller (Tier 1) AHBs to the possibility of transferring housing and tenants to larger AHBs to make for a more efficient operating model. But in time, there may be some increase in the levels of consolidation going forward.

SWIFT FUNDING SOLUTION

Overall, the outcome of any consolidation could be greater purchasing power and greater operational efficiencies, with a larger housing body potentially able to negotiate lower purchase prices on properties based on the higher volume or lower property maintenance/tenant management costs. This can be disproportionate if the housing body does not have scale.

I believe that AIB Corporate Banking can provide a very swift funding solution which allows the client the flexibility to carry out its day-to-day role. We can also utilise expertise in other divisions of the wider AIB Group to provide solutions for the many challenges facing those in the social housing sector.

Overall, we wish to increase our involvement in the sector and we welcome all opportunities to help AHBs and investors in the sector to deliver on their key growth objectives.