

SOCIAL HOUSING

THE JOURNAL OF NEW INITIATIVES IN HOUSING FINANCE

THFC to launch £300 million commercial paper programme at LIBOR plus 5bps

Working capital requirements of major housing associations are to be met by The Housing Finance Corporation through the phased launch of a £300 million Commercial Paper (CP) programme accessing short-term funds on ultra-fine terms.

An initial group of Housing Corporation development partners is being recruited by THFC for a £100 million launch.

The full £300 million programme aimed at providing funds for around twenty associations will then be rolled out over the spring.

All-in cost of funds is expected to be the London Inter-Bank Offered Rate (LIBOR) money market benchmark plus five basis points, one basis point being one hundredth of one per cent.

This is lower than most banks charge for short-term business where rates can be near to long term credit margins, now sub-20 basis points for super-league development associations.

Demand by associations for short term funding has increased

THFC: £300 million commercial paper programme

issuer	THFC (Commercial Paper) plc
on-lender to HAS	THFC Ltd
expected short term rating	A1+
initial launch	£100 million
full programme	£300 million
target HA borrowers	HC development partners
at launch	five HAS
full programme	around 20 HAS
on lending	within RSL group for social housing
HA borrowing term	up to 364 days
all-in cost to HAS	LIBOR plus 0.05%
documentation	standard revolving loan
security	fixed or floating charge, either stand alone or through security trust
front end fees	£10,000 per borrower
programme liquidity facility	£25 million from A1+ rated bank
programme maturity	2016

since the Housing Corporation switched the release of its grant funding for development from site acquisition to start-on-site.

Several major associations have considered launching their own CP programmes only to be put off by the relatively large R&D costs compared with the potential savings.

THFC's launch of its CP programme will fill a gap in the social housing funding market.

'We have been able to capitalise on our role as a not-for-profit aggregator to launch a CP programme spreading fixed costs across a potentially wide borrower base,' says Mr Williamson.

'We estimate that the payback for an astute association borrowing through our CP programme can be under one year.

'Over ten years, interest savings for an association with average CP usage of £25 million could amount to £200,000.'

The CP programme is being launched by THFC on the back of an anticipated 'A1+' credit rating and a committed £25 million bank facility. ■■

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CHIEF EXECUTIVES' EMOLUMENTS 2005-06

Our exclusive and eagerly-awaited six page report on chief execs' pay at UK RSLs – traditional and LSVT – plus quango bosses' pay rises, and CX pay-offs

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Shaftesbury spurns Orbit for Sanctuary

Shaftesbury HG, the South of England social landlord with 9,500 homes, has backed out of the proposed merger with Orbit HG and has opted instead to join Sanctuary HG led by David Bennett.

Although Orbit was selected as preferred merger partner by Shaftesbury early last year, a rival offer from Sanctuary remained on the table and became more attractive as 2006 wore on.

After the deal goes through in

April, Shaftesbury will be based loosely in the South West.

Its geographical spread will be streamlined so that staff can focus on front line services using Sanctuary's infrastructure and policies.

Acquisition of Shaftesbury will turn Sanctuary into the country's largest social landlord with a £2.2 billion portfolio of 63,500 homes in front of David Cowans' Places for People combine which owns 58,000 homes.

The deal will enhance

Sanctuary's reputation as one of the country's pre-eminent social housing groups active in development, regeneration and stock transfers.

Only this month, for instance, tenants of Rochford DC voted by a large majority to transfer their 1,800 homes to a new Sanctuary subsidiary.

Although the group does not have a growth target, it is emerging as a front-runner to be the first association with 100,000 homes in ownership. ■■

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