



**Flying the National  
Housing Finance and  
Investment Corporation**  
Piers Williamson  
Chief Executive  
The Housing Finance  
Corporation

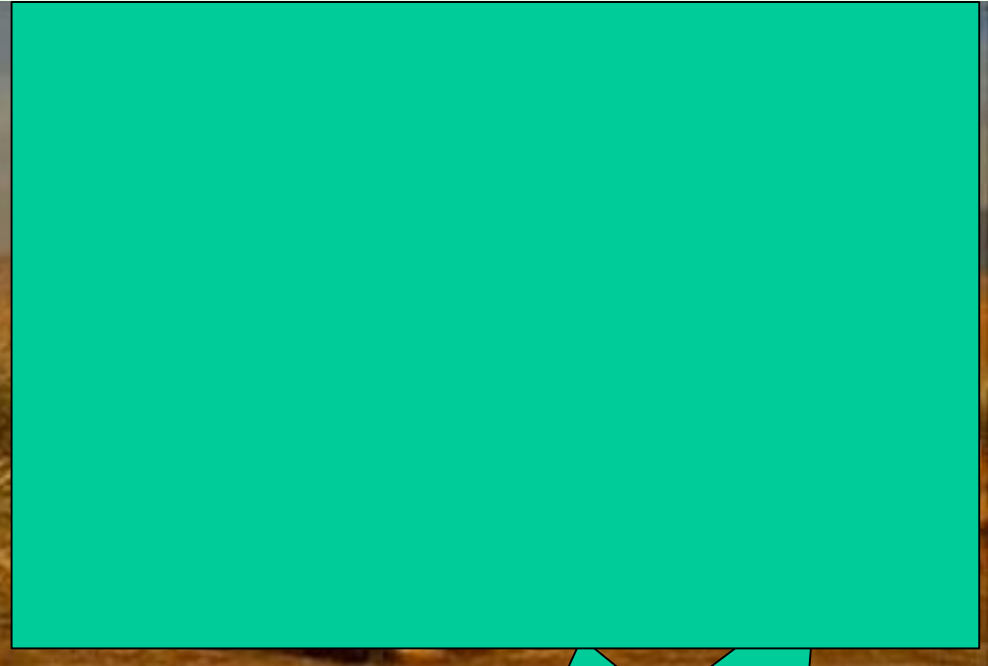
- Adviser to Australian Government Affordable Housing Working Group
- Member of Reference group for establishment of NHFIC
- Common issues combined with THFC's corporate experience
- Role of a 'not-for-profit' acting as a trusted and experienced guide
- Non prescriptive but offering learning points to help facilitate a step-change in the role of CHPs
- Attempt to shift institutional perceptions
- Recent practical experience at the interface between Government, funders and HAs

# The Case for a Debt Aggregator for Australian CHPs

- 404k Australian Social Housing, 72k owned by CHPs, 322k public housing
- 364 CHPs in Australia, 46 are 'Tier 1'
- CHPs typically serve bottom two income quintiles where lack of affordability most marked
- But: '*subsidised housing needs subsidy*'
- Subsidy can be capital and/or revenue
- Current proposal from Federal Treasury to establish PFC within the National Housing Finance Investment Corporation
- Mitigates refinance risk (Current estimate: Aus\$446m-880m)
- Introduce Super-fund fixed income investment
- Parallel establishment of National Housing Infrastructure Fund



- **Lower cost**
- Move to fixed rate interest
- Elimination of risk
- Increase capacity
- Common standards
- Encourage long term investors
- Smooth impact of economic cycle



What has distinguished UK HAs (CHPs)  
as a long term investment to date?

## The five legged stool

English HAs own **2.49m** homes (10.5%  
of total homes)

Local Authorities own 1.61m homes  
(6.8% of total homes)

- Regulation
- Grant £45Bn  
(eq Aus\$ 75Bn)
- Secured Mortgage  
Finance
- Payment Direct
- ***Independence***



- What's the point of homogeneity?
- Credibility
- Investability
- Predictability
- Orderly work outs
- Common standards
- Cost
- Creating a cadre of sector experts
- Focus on economic regulation?

# Why Guarantee UK HA debt?

- £10Bn of Housing Guarantees 'bolted on' to a £40Bn UK Infrastructure Guarantee initiative
- £10Bn split: £3.5Bn AHGS, £3.5Bn PRS, £3Bn reserve
- Market failure at the point of invention
- Gestation to completion: 5 years
- Protected/added to forecast affordable homes output at a time when cuts were biting
- Limited underwriting period, long (28 year) tail
- Upstream/downstream unique indemnity
- Execution has produced some of the most cost-effective long term finance in the last 30 years

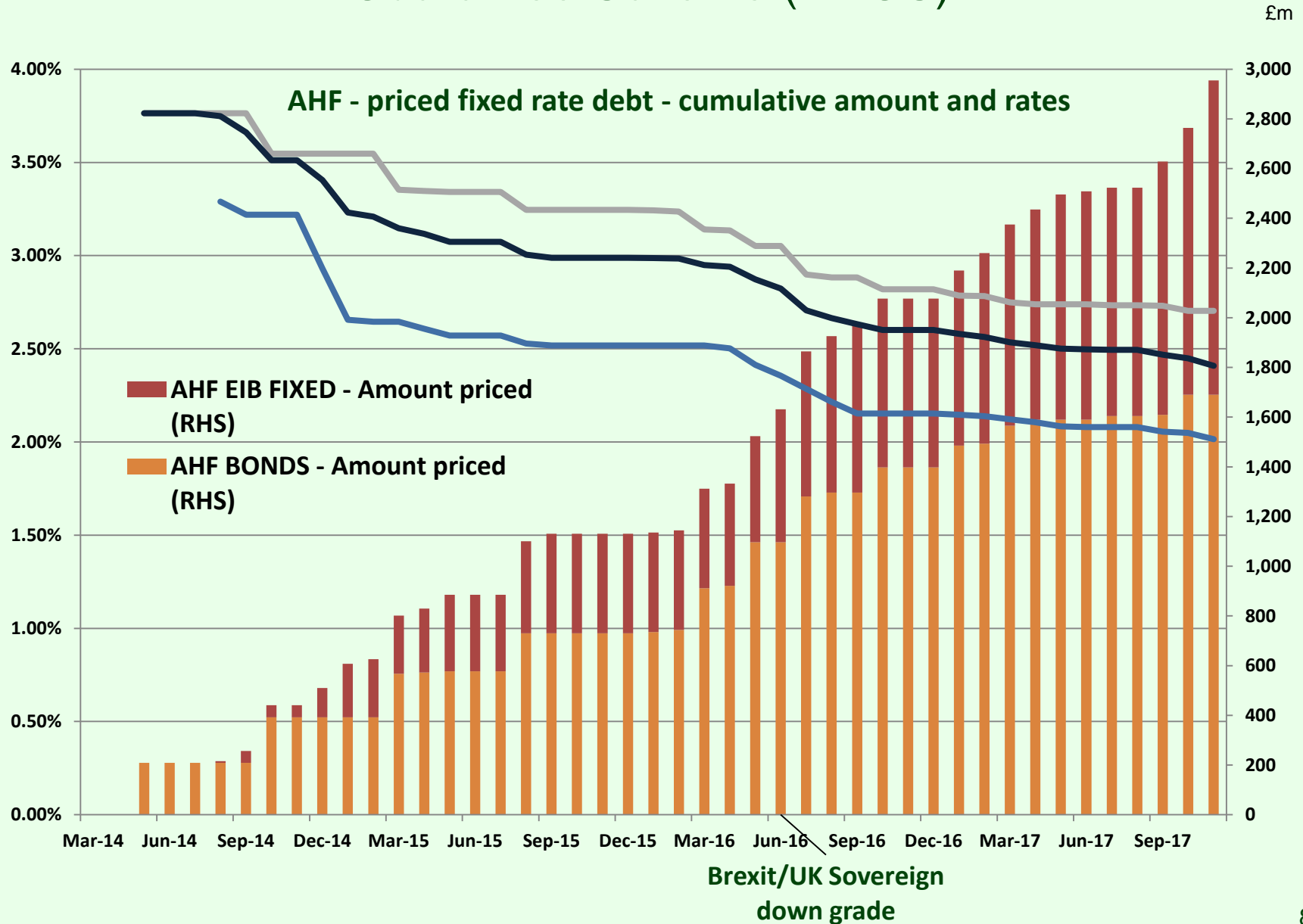


Affordable Housing  
Finance Plc

*Guaranteed Debt for Affordable Homes*

# Success of the Affordable Homes Guarantee Scheme (AHGS)

The Housing Finance Corporation







# What we have discovered about culture and interface with Government!

- The two are different!
- Post GFC, Government is having to think differently
- Decision making
- Designing workable processes
- Turnover of staff
- Political support can be fleeting
- Who gets to 'speak knowledge unto power'?



# Are we really a Rating Agency? What we learnt about our customers!


*Informed by:  
Financial Plans  
RAG Indicators  
Golden Rules  
Stress testing  
Risk mitigation*

CORE CASH-FLOW

EXECUTIVE/BOARD  
COMPETENCE

SALES  
DEPENDENCY

ACCESS TO CASH



# Are we really a Rating Agency? The pecking order!

- EBITDA MRI WITH & WITHOUT SALES
- Sales/turnover
- Exposure to vulnerable sub-sectors
- Track record
- We have 160 clients. Moody's have c 46 UK HA clients



# The Story of L&Q

**THFC**

The Housing Finance Corporation





L&Q is a (mutual) housing Association (CHP)

L&Q's mission:

“To combine social purpose and commercial drive to create homes and neighbourhoods to be proud of”

L&Q owns or manages:

90,000+ homes

Delivered: 2,552 new homes in 2016/17 of which 1,536 affordable

Existing Development pipeline:

44,000 homes

Additionally owns

42,500 development plots

Turnover: £756m (eq Aus\$ 1.27Bn)

Surplus before exceptionals: £327m (eq Aus\$ 549m)



- In 1987 THFC started an investment market
- For the next five years we grew as banks struggled through a property correction.....Countercyclical
- Overall pace of investment was faster (both bank and institutional) resulting from familiarity derived from THFC.....Accelerant
- We introduced the European Investment Bank to UK Housing Associations
- AHF (Guarantee Scheme) wouldn't have got off the ground as quickly, or been as successful without THFC