



Department for  
Communities and  
Local Government

# Housing Guarantee Scheme Rules

Affordable Housing



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# Housing Guarantee Scheme Rules – Affordable Housing

## 1. Project Eligibility

1.1: The guarantee will only support projects that will deliver additional new-build affordable homes on schemes not included in existing affordable housing programmes.

1.2: Prospective borrowers may also, where applicable, apply for social housing assistance (or equivalent in the Devolved Administrations). Eligibility for the housing guarantee 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 the 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 Private Registered Providers as defined in the Housing and Regeneration Act 2008 Section 80(3) (or equivalent in the Devolved Administrations).

## 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 105% of the loan at all times, evidenced by professional valuation carried out on an EUV-SH basis and addressed for the benefit of the lender 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 115%, 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 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: (See 1.5 above) Undertaking for continued use of project assets for affordable housing.

### 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 Homes and Communities Agency or, in London, the Greater London Authority (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.

# Frequently asked questions (FAQs)

Note – These FAQs are intended to supplement the scheme rules for the guarantee for affordable housing. These FAQs do not constitute all of the requirements for affordable housing, particularly where grant funding or conversion income is required.

Full information on how to bid for grant funding is set out in the Homes and Communities Agency's 2015/18 Affordable Homes Programme prospectus

[\[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/343896/affordable-homes-15-18-framework.pdf\]](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343896/affordable-homes-15-18-framework.pdf); and in London, the Mayor's Housing Covenant

2015-18 programme

[\[https://www.london.gov.uk/sites/default/files/The%20Mayor%27s%20Housing%20Covenant%202015-18%20Programme%20prospectus.pdf\]](https://www.london.gov.uk/sites/default/files/The%20Mayor%27s%20Housing%20Covenant%202015-18%20Programme%20prospectus.pdf)

## **Q1. How do I apply?**

A: The Government has appointed Affordable Housing Finance, a subsidiary of The Housing Finance Corporation Ltd, as delivery partner for the Affordable Housing Guarantee Scheme. Interested investors and borrowers should contact Affordable Housing Finance (<http://www.thfcorp.com/ahf.htm>).

## **Q2. How long will the guarantees be available for?**

A: Applications for the affordable housing guarantee must be received by Affordable Housing Finance plc by 31 March 2016.

## **Q3. How long is the debt for?**

A: The debt will be available for up to 30 years. The scheme has been designed to respond to market demand, following interest from prospective borrowers to obtain shorter term debt, a 7 year financing product at variable interest rates is now available.

## **Q4. Is there a maximum size of debt?**

A: There is no maximum debt size.

## **Q5. Where is the guarantee available?**

A: The guarantee is available on schemes in England, Wales, Scotland and Northern Ireland.

## **Q6. What do you mean by “additional new build”?**

A: “Additional new build” homes can include all homes that have not started on site at the point of application, and are not already included within the 2015-18 Affordable Homes Programme or the Mayor's Housing Covenant (inter alia as firm or to meet the commitment to deliver indicative schemes), or any other government funded programme. Affordable homes on Section 106 sites funded without grant are eligible for consideration.

## **Q7. Why can't the guarantee be used for existing programmes and schemes?**

A: The guarantee was announced as part of the housing and planning package on 6 September 2012, where the intention was to stimulate additional house-building activity to drive and support economic growth. The guarantee is available to support additional affordable housing projects which are not included in the Government's existing delivery programmes.

**Q8. Q: The scheme rules stipulate that the units must be used for Affordable Rent or affordable home ownership for the period of the guarantee. What happens if they also need grant funding?**

A: If the properties need and receive grant funding, the Homes and Communities Agency (HCA) and/or Greater London Authority's (GLA) requirements for use as social housing will apply. This answer is applicable to England only; the Devolved Administrations will set out details of additional funding, if any, in due course.

**Q9. What happens to the guarantee if shared ownership properties are subject to stair-casing?**

A: The affordable housing guarantee will be secured against existing assets. Where shared ownership properties that are built using the guaranteed debt staircase, no debt repayment will be required.

**Q10. What happens if I want to apply for the guarantee, and wish to charge an affordable rent without applying for additional grant? How do I comply with the Regulator's tenancy standards on rents?**

A: To charge an affordable rent, and comply with the Regulator's requirements, the Registered Provider will need to have a delivery contract for new supply with the HCA and/or GLA. If a provider already has a contract to deliver homes with the HCA or GLA any additional homes delivered through the guarantee will be added as additional nil grant homes to the existing contract and monitored separately. If the provider (i) does not have a contract, or (ii) only has an existing short form agreement, then in the case of (i) a new short form agreement will be needed and in the case of (ii) the homes which will be funded with the benefit of the guarantee will be added as additional to the existing short form agreement and monitored separately.

**Q11. The scheme rules state that construction must have commenced within 12 months of drawdown. What are the requirements if grant is needed?**

A: If a scheme needs and receives grant funding, practical completion must be achieved and the full amount of grant claimed (both the start on site and practical completion tranches) by 31 March 2018. Further details on grant will be available in the bidding documents.

**Q12. How will it be judged whether construction has commenced?**

A: Schemes will need to meet the definition of start on site used by the HCA and GLA and set out in the current relevant grant agreement and in the Affordable Housing Capital Funding Guide. This definition will be used for schemes which only require the guarantee and for schemes which also require grant funding.

**Q13. Can the guarantee can apply anywhere in the UK, what are the geographic limitations on grant and conversions?**

A: Through the HCA Affordable Homes Programme 2015-18 and in London the Mayor's Housing Covenant 2015-18 capital grant is available through continuous market engagement. Where grant is required and is agreed to be provided by the HCA (or GLA in London), properties must be located in England. The Devolved Administrations will set out their own requirements for grant funding separately, as appropriate. If new homes in England which will benefit from the guarantee also require conversion income to support delivery (whether grant is also required or not), those conversions must also be of homes in England. Conversions in London cannot support delivery of new supply outside London, and conversions outside London cannot support delivery of new supply in London.

**Q14. What do I need to do if I want to deliver affordable housing in Scotland/Wales/Northern Ireland?**

A: The guarantee will be available UK wide – ie across England, Wales, Scotland and Northern Ireland. Further details will be available in due course about how the guarantee might interact with any additional funding in Wales, Scotland and Northern Ireland.