



An Roinn Airgeadais
Department of Finance

Home Building Finance Ireland ('HBFI')

Public Consultation

30 December 2020

Prepared by the Shareholding and Financial Advisory Division,
Department of Finance
www.gov.ie/finance

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1 Introduction and Purpose of Consultation

Home Building Finance Ireland (“HBFI”) was established as part of the Government’s response to Ireland’s major housing supply shortage and was formally launched on 28 January 2019 with an initial loan fund of up to €730 million, capable of providing funding to assist in the delivery of up to 7,500 new homes over five years.

HBFI was established under the Home Building Finance Ireland Act 2018 (the “HBFI Act”) which sets out the functions of HBFI.

Section 24 of the HBFI Act provides for a periodic review of HBFI to ensure that it is fulfilling its functions as set out in the Act and that its continuation remains necessary given prevailing market conditions.

Section 24 (2) of The HBFI Act states:

“As soon as practicable after 31 December 2020, and not later than the second anniversary of that date and each subsequent second anniversary while HBFI continues in existence, the Minister shall prepare a report setting out his or her—

- a) assessment as to the extent to which HBFI has performed its functions and complied with the obligations imposed on it under section 7 (2),
- b) assessment as to the ongoing impact of HBFI on the amount of money being made available for the purposes of residential development in the State,
- c) assessment of the amount of money being made available for the purposes of residential development in the State from sources other than HBFI, and
- d) decision as to whether HBFI should continue in operation having regard to the conclusions of the assessments referred to in paragraphs (a) to (c).”

Section 24 (3) of the HBFI Act states:

“In preparing a report under subsection (2), the Minister shall—

- 1) engage in a period of public consultation on the matters to be assessed by the Minister for the purposes of paragraph (c) of that subsection.”

A full copy of the HBFI Act can be found [HERE](#)

As part of the above, the Department of Finance would like to invite interested parties to make submissions in order to assess the amount of money being made available for the purposes of residential development in the State from sources other than HBFI.

2 HBFI Background

HBFI was established to provide funding for viable residential development projects throughout Ireland. Prior to Covid-19, this lending was focused on smaller builders and developers and sites outside the main urban areas where such lending was not readily available in the market.

HBFI commenced operations on 28 January 2019 with funding of €730 million which was made available to them by the Ireland Strategic Investment Fund (ISIF) upon direction from the Minister for Finance.

HBFI commenced operations with a Standard Development Funding Product, which is designed to fund residential projects of 10 units or more up to a maximum facility size of €35m. It was always the intention to bring additional products to the market following an initial period of operation.

In its first year of full year of operations (to end- January 2020), HBFI approved over €114m which could facilitate the construction of over 600 new homes .The funding approved, consisting of 18 facilities, had been provided across 12 counties and ranges in size from 10 to 79 units with an average project size of 34 units. The loan facilities have ranged in size from €1.3m to €18m with an average facility size of €6.4m.

Following the outbreak of Covid-19, HBFI widened its remit on a temporary basis to also provide finance for larger prime residential projects that were experiencing financing difficulties as financial institutions assess the full impact of Covid-19.

In May 2020, HBFI established a step-in fund of €200 million which is known as their “Momentum Fund”. This fund was established to focus on lending to residential developers on risk exposures that are consistent with those offered by the main banks’ (AIB, Bank of Ireland and Ulster Bank). The establishment of the Momentum Fund is not intended to compete with or replace HBFI’s original targeted market but rather offer debt to lower risk exposures for a temporary period.

HBFI widened their product offering further at this time also by launching two additional products to the market:

- HBFI developed a product specifically for smaller developments of between 5 and 10 units. These smaller schemes were not eligible to apply to HBFI for funding heretofore given the requirement for schemes to have a minimum of 10 units.
- HBFI also developed a product specifically for apartment developments as a result of stakeholder feedback which showed there was a funding gap for apartment developments of scale. The existing HBFI product was capped at €35m, however the new product can potentially provide facilities of up to €75m.

In September 2020, HBFI released its mid-year results to end-July 2020. During this period HBFI approved funding for 1,477 new homes in 29 developments in 16 counties. Social housing projects accounted for 34% of the new homes approved for funding.

The key driver of the increase in lending approvals was HBFI's new €200m Momentum Fund. In the three months between launch in May 2020 and the end of July 2020, 92% of the Momentum Fund (€184m) was committed.

In response to the strength of demand for the Momentum Fund, following consultation with the Department of Finance, HBFI announced that it was adding an additional €100 million to this fund bringing the total fund size to €300 million.

In November 2020, HBFI launched a further two new products. The first of these is the existing small development product but now with the benefit of a 50% guarantee provided by the EIF, this in turn will allow HBFI fund development that may have previously been considered too risky. HBFI also launched a Social Housing Product with reduced fees specifically for housing developments being delivered to AHBs and Local Authorities.

In Q1 2021, HBFI intend to introduce a 'Green Funding Product' which will support and encourage sustainable development.

HBFI Key statistics as at 31st July 2020

<i>Total funding approved</i>	€340m
<i>Number of homes supported</i>	1,477
<i>Number of loan facilities approved</i>	29
<i>Average loan size</i>	€12m
<i>Average number of homes per scheme</i>	51
<i>Percentage of homes for social housing</i>	34%
<i>Percentage of homes for private housing</i>	66%

3 Terms of Reference for Section 24 Review of HBFI

- The Minister for Finance shall form a report which will form a view as to whether HBFI should continue in operation having taking into consideration the following:
 - assessment as to the extent to which HBFI has performed its functions and complied with the obligations;
 - assessment as to the ongoing impact of HBFI on the amount of money being made available for the purposes of residential development in the State;
 - assessment of the amount of money being made available for the purposes of residential development in the State from sources other than HBFI.
- In order to form this report, Department of Finance officials, on behalf of the Minister for Finance, will undertake the following steps:
 - Request a report from the Chairperson of the Board of HBFI on the three elements of the review outlined above.
 - Launch a public consultation in relation to the Section 24 review of HBFI.
 - Identify and engage with key stakeholders in relation to the Section 24 review of HBFI including representative bodies and other interested groups or individuals.
 - Engage with key management of HBFI and HBFI Board members, where applicable, on this process.
- The primary purpose of this review is to determine whether, absent of HBFI funding, there is adequate funding in the residential market in the State.
- This report will also highlight:
 - Whether HBFI is performing its functions and complying with its obligations as set out in the HBFI Act.
 - HBFI's impact on the residential funding market in the State.
- Should any policy recommendations arise. the report will examine the potential of these taking into account:
 - current and forthcoming actions already being undertaken by Government and, where relevant, other stakeholders and bodies.
 - any policy recommendations should provide an indication of their potential likely impact on Government spending, spending priorities, budget and deficit.
 - State aid and competition regime considerations should also be taken into account in any such policy recommendations.

- The report will also highlight, as the Minister for Finance sees fit, any other matters which become a theme through the various steps outlined above.
- The Minister for Finance shall exercise discretion in relation to the scope and intensity of the review as he considers necessary and appropriate, having regard to the general objectives of the review.

4 The Consultation Process and Consultation Questions

The consultation period will run until 10 February 2021. Any submissions received after this date may not be considered.

In responding to this consultation you are invited to:

- Give your views on the specific questions set out below. You do not have to answer every question – you may choose to answer all of the questions or only those which are relevant to you.
- Provide details of any issues or concerns you feel should be considered in dealing with the particular topic being addressed in your response.

Consultation Questions

- 1) Do you feel that access to finance for residential development remains a challenge for the construction sector? If so, what sectors or regions do you believe are most affected?
- 2) What impact do you believe HBFI has had on the market for residential development finance since its establishment in early 2019?
- 3) What impact has Covid-19 had on the availability of finance for residential development?
- 4) Have you applied to HBFI for funding for a residential development project? If so;
 - a. What was your experience and would you recommend HBFI to other market participants?
 - b. How does the HBFI application process compare to other lenders in the market?
- 5) Do you believe that there is currently an adequate level of residential development funding (both debt and equity) available in the market? Are there particular areas or segments of the market in which funding is less readily available?
- 6) How do you feel about the range of products currently offered by HBFI? Are there particular areas of the market in which you believe HBFI could focus more?
- 7) Final thoughts / Other comments.

5 How to Respond

The preferred means of response is by email to:

hbfi@finance.gov.ie

Alternatively, you may respond by post to:

HBFI Review – Public Consultation
Shareholding and Financial Advisory Division
Department of Finance
Block 1,
Miesian Plaza,
50 – 58 Lower Baggot Street,
Dublin,
D02 XW14

Please include contact details in your response.

When responding, please indicate whether you are contributing to the consultation process as a professional adviser, representative body, business representative or member of the public

6 Freedom of Information

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. Parties should also note that responses to the consultation may be published on the website of the Department of Finance. Parties should clearly indicate where their responses contain personal information, commercially sensitive information or confidential information which they would not wish to be released under FOI or published.



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