



An Roinn Airgeadais  
Department of Finance

# Home Building Finance Ireland ('HBFI')

## Public Consultation

16 December 2022

Prepared by the Shareholding and Financial Advisory Division,  
Department of Finance  
[www.gov.ie/finance](http://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.

As part of the review of HBFI, 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.

To guide the content of any submissions, a series of indicative questions are set out under Section 4 of this document.

**Submissions should be provided by 5pm, 20 January 2023 in order to be considered.**

Further details on how to respond are set out in Section 5 of this document.

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)<sup>1</sup>,
- 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

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<sup>1</sup> Section 7(2) HBFI Act “In lending money under subsection (1), HBFI shall

- (a) take into account all of the risk factors relevant to such lending, both in respect of the residential development concerned and the business of HBFI, and
- (b) aim to –
  - (i) contribute to the economic and social development of the State, and
  - (ii) enhance the competitiveness of the economy of the State.”

- 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](#).

The first periodic review of HBFI was published on 10 May 2021 and can be viewed at the following link: [HBFI Review 2021](#)

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## 2 HBFI Background

HBFI was incorporated in December 2018 to increase the supply of new homes for owner-occupiers, renters and social housing by providing funding on commercial terms to house builders for commercially viable developments throughout Ireland.

HBFI commenced operations on 28 January 2019 with an initial loan fund of €730 million which was made available to it by the ISIF upon direction from the Minister for Finance. HBFI's initial product offering at the time of its launch was limited to a single senior debt funding product designed to fund residential projects of 10 units or more up to a maximum individual facility size of €35m. This offering was targeted at small and medium sized builders, however it was always envisaged that this offering would be expanded depending on market demand.

During 2020, HBFI widened its product offering bringing four additional products to the market as a result of stakeholder feedback which highlighted particular funding gaps in the market. This additional products included a small development product specifically for projects of between 5 and 10 units and a specific apartment development product. The original HBFI product was capped at €35m, however the new apartment product can potentially provide facilities of up to €75m. HBFI also launched a dedicated Social Housing Product with reduced margin and fees specifically for housing developments being delivered to Approved Housing Bodies ("AHBs") and Local Authorities, as well as a 'Green Funding Product' which was launched in January 2021 to support and encourage sustainable housing development across all HBFI products.

### Summary HBFI Product Offering:

The products HBFI offer can fund projects from 5 to 300 units as follows:

1. Under 10 Units – aimed at funding projects of between 5 and 9 residential units.
2. 10 Units or above – designed to fund residential products of 10 units or more.
3. Apartment Development – primarily geared towards apartment development as opposed to site purchase, but may incorporate funding for site as part of the overall facility.
4. Social Housing - providing funding for projects that are contracted for sale to a Local Authority or Approved Housing Body.
5. Green Funding - to encourage the development of sustainable housing across all HBFI products.

Following the outbreak of Covid-19, HBFI widened its remit on a temporary basis to allow it to provide finance for larger prime residential projects that were experiencing difficulties in accessing financing through the introduction of a new prime lending facility, the Momentum Fund. A total of €274m of funding was provided by the Momentum Fund, which funded five facilities and 1,018 homes. This "step-in" fund was set up specifically to help housebuilders

commence large housing developments in prime locations in cases where funding may not have been available. The end date for Momentum Fund approvals was 31 December 2021.

The Momentum Fund is just one example of how HBFI's agile business model can respond to disruptions to residential development finance and tailor its offerings towards those areas of the finance market where specific demand has emerged that may not otherwise have been possible.

To end of June 2022, HBFI has approved funding of €1,156m across 86 projects in 20 counties.

#### **HBFI Key statistics as at end June 2022**

Total funding approved	€1.156m
Number of homes supported	5,210
Number of loan facilities approved	86
Average loan size	€13.4m
Average number of homes per scheme	61
Percentage of homes for social housing	23%
Percentage of homes for private housing	77%

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## 3 Terms of Reference for Section 24 Review of HBFI

The Minister for Finance shall produce 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 its 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; and
- 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 inform 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 construction 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.
- that 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.

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.



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## 4 The Consultation Process and Consultation Questions

In accordance with Section 24(3)(b) of the HBFI Act, the Minister for Finance is required to engage in a period of public consultation 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.

**The consultation period will run until 5pm, 20 January 2023. 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) What is your experience of accessing finance for residential development? Please comment on your experience across sectors/regions, and across all elements of the capital stack (senior debt / mezzanine / unitranche / equity).
- 2) 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?
- 3) Do you ever come up against debt limits when accessing finance from your current funder?
- 4) What impact, if any, have recent changes in the macro-economic environment (e.g. the impact of Covid-19, the Ukraine conflict) had on your experience of accessing finance for residential development?
- 5) What impact, if any, has the changing interest rate environment had on your experience of accessing finance for residential development?
- 6) What challenges in the housing market do you believe have the most impact on access to finance?

- 7) What impact do you believe HBFI has had on the market for residential development finance since its establishment in early 2019?
- 8) 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?
- 9) 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?
- 10) Please provide some information on your role in residential development (developer / lender / contractor), the residential categories you have been involved in (e.g. apartment development / housing / social / senior living / student accommodation).
- 11) Please include any additional comments which you consider relevant to the Minister's review of HBFI.

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## 5 How to Respond

The preferred means of response is by email to:

**[hbf@finance.gov.ie](mailto:hbf@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.

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## 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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