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| **DRAFT**  **Summary Terms and Conditions for a Term Loan Facility** | | **Xxxx 201X**  **Subject to Contract** |
| **Borrower:** |  | |
| **Lender:** | Affordable Housing Finance Plc (AHF) | |
| **Guarantor:** | The Secretary of State for Communities and Local Government (DCLG) | |
| **Total Loan amount:** | Up to £Xm nominal amount  To be made available by way of a Bond Facility Loan | |
| **Purpose:** | To finance the purchase, acquisition and development of property to be used for affordable housing, in the context of specific schemes/projects which meet certain eligibility criteria (Approved Investment Schemes – see Appendix 1 for more detail).  No on-lending of the facility is permitted without AHF’s prior written consent. | |
| **Maturity:** | June 2043 (implying a term of 28 years assuming a June 2015 issuance) | |
| **Drawdown:** | All of the proceeds will be drawn at closing (the “Closing Date”) | |
| **Repayment:** | Bullet | |
| **Nominal Interest Rate:** | Coupon TBA based on market conditions at the time of bond issue, payable in equal semi-annual payments | |
| **Effective Interest Rate:** | To be fixed on the Pricing Date which will be 4-5 business days prior to the Closing Date. | |
| **Initial Security** | The loan may initially be secured by the cash proceeds, held on trust, in a Sinking Fund charged to AHF, for the benefit of the borrower. Interest accruing on Sinking Fund investments will be for the account of the Borrower.  NOTE: if the net proceeds from the bond issue are insufficient to fully secure the loan there will be a requirement for the borrower to top up the sinking fund to at least the par value of the loan. | |
| **Security:** | Loans will be secured by a first fixed charge over specified properties.  A minimum of 75% of the Security Portfolio to be General Needs social housing  A sinking fund trust deed will be required to allow cash to be held as security from time to time. If a loan is secured by the cash proceeds on drawdown, after a maximum period of 12 months, the loan must be secured by a first fixed charge over specified properties. | |
| **Asset Cover:** | Asset cover shall be equal to or greater than 105% at all times on the basis of Existing Use Value - Social Housing.  On withdrawal of security, substitution of security with at least equal value must be made if the asset cover is below 115%. Withdrawal without substitution will be permitted subject to a withdrawal threshold of 115% asset cover. | |
| **Net Annual Income Cover:** | The Net Annual Income from charged security shall be 100% of annual interest payable on the loan, compliance to be certified annually by an Authorised Officer of the Borrower | |
| **Security conditions to include:** | Maintain in good and tenantable condition  Maintain insurances | |
| **Valuation:** | A full revaluation will be required every 5 years or more frequently at the request of the Lender. All revaluations shall be at the cost of the Borrower except that if the Lender requests more than one revaluation in any 12 month period the second (and any subsequent) revaluation shall be at the cost of the Lender unless such revaluation shows a breach of covenants in which case it shall be at the cost of the Borrower.  If the asset cover is less than 108%, an annual desktop revaluation will be required to confirm that the value of the charged properties has not decreased below the minimum required level of 105%. | |
| **Liquidity Reserve:** | A Liquidity Reserve shall be held on trust on behalf of the Borrower, funded by the Borrower to an amount not less than twelve months’ of interest.  The borrower must maintain this balance in the Liquidity Reserve for the term of the loan. The Liquidity Reserve will be invested in UK Gilts or cash deposits. Subject to maintaining the minimum balance in the Liquidity Reserve, interest accruing on the investments held in the Liquidity Reserve will be released to the Borrower. | |
| **Financial Covenants:** | None | |
| **Payments:** | Interest payments and principal repayments will be due and payable 8 business days prior to AHF’s payment dates to bondholders which will be xx June and xx December each year, with the maturity date xx June 2043. | |
| **Arrangement Fee:** | 0.35% flat, based on the Loan amount, payable on signing of the Bond Facility Loan agreement. | |
| **Facility Management Fee:** | 0.10% per annum, indexed based on the commitment, accruing from the date of the loan agreement | |
| **Other fees/costs:** | All other legal and out-of-pocket fees for the account of the Borrower – estimated to be c.[£XX,000] plus VAT | |
| **Events of default: To include** | The events of default include, *inter alia*, non-payment of any principal and interest due in respect of the loan; failure of the Borrower to perform or observe any of its other obligations under the Finance Documents (in each case upon the expiry of the relevant grace period); loss of status as an RP; insolvency; unlawfulness; certain actions by the Regulator and acceleration or non-payment in respect of other indebtedness. | |
| **Mergers and subsidiaries:** | The Borrower shall not enter into any merger, consolidation, amalgamation or transfer of engagements; acquire or form any subsidiary or become a subsidiary (other than its existing parent) without the prior written consent of AHF. | |
| **Intra-group Support:** | The Borrower shall not provide any member of the Group with any financial support, assistance, grant, gift, loan, equity investment, guarantee or surety (or any similar form of financial assistance) or dispose of any asset to another member of the Group (other than for full market value) where such financial assistance or disposal would in aggregate exceed 25% of the Borrower’s capital and reserves (less any revaluation reserves but adding back any sum included as expenditure in the accounts in respect of depreciation on any housing land and buildings) as shown in its latest published financial statements. | |
| **Reporting requirements:** | The Borrower will furnish to the Lender within six months after the end of each financial year until maturity, audited year-end financial statements of the Borrower and consolidated financial statements on a Group basis. As soon as they are available, the Borrower will also furnish to the Lender any regulatory returns, reports or communication and quarterly management reports. The Borrower will also provide the Lender certain information relating to Approved Investment Schemes and the Security and any other information as AHF may reasonably require from time to time. | |
| **Maintenance of status:** | Borrower as a Registered Provider (classified to the private sector), a registered society within the meaning of the Co-Operative and Community Benefit Societies Act 2014 or a Charity | |
| **Governing Law:** | English | |

The above list is not exhaustive and does not summarise all the conditions, covenants, representations, warranties and other provisions of the final legal documentation. However, the contents do represent the broad terms and basis upon which we would be willing to provide finance.

**Appendix 1**

**Affordable Housing Guarantee Scheme**

**Extract from Scheme Rules – from DCLG’s website**

1. **Project Eligibility**

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

1.2 Loan Applicants may also, where applicable, apply for social housing assistance (or equivalent in the devolved administrations). Eligibility for the Guarantees 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 a 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 registered providers (or equivalent in the devolved administrations) and classified to the private sector.