



An Roinn Airgeadais
Department of Finance

Post Enactment Report

Home Building Finance Ireland Act 2018

December 2019

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

Home Building Finance Ireland Act 2018

Date of Enactment: 3 December 2018

Responsibility: Minister for Finance

1. Policy Objectives of the Act

Home Building Finance Ireland (“HBFI”) was established under the Home Building Finance Ireland Act 2018 (“the HBFI Act”) as a temporary measure to address Ireland’s housing supply shortfall which, over recent years, has seen supply continuing to fall short of estimated demand (30,000-35,000 units per annum).

A lack of availability in finance for residential developments has been identified as a key contributory factor in this shortfall. Irish banks have not been readily available to respond to the increased demand for credit for residential property development. HBFI was established in early 2019 with a simple mandate to provide funding on commercial terms to developers for the delivery of residential development across the State with a focus on segments of the market that are not currently well provided for by existing funders, this includes smaller developments and those outside the main urban centres.

The HBFI Act provided the legislative basis for the establishment of the company as a body within the National Treasury Management Agency (“NTMA”) to leverage existing State resources to address this issue.

2. Update of the legislative context

The HBFI Act was enacted on 03 December 2018 with HBFI then established as a Designated Activity Company with the Minister for Finance as the sole shareholder on 07 December 2018. A group entity of HBFI, Home Building Finance Ireland (Lending) DAC was incorporated on the 4th January 2019.

Other than the commencement order (S.I. 518/2018), there have been no Statutory Instruments or guidelines issued pursuant to the HBFI Act 2018.

Pursuant to the HBFI Act, two directions have been issued to the NTMA as controller and manager of the Ireland Strategic Investment Fund (“ISIF”) under Sections 42A(1) and 43(1) of the National Treasury Management Agency (Amendment) Act 2014 relating to HBFI.

The first direction issued on 05 December 2018 and provided for the provision of equity capital of €20 million by NTMA as controller and manager of the ISIF to HBFI allowing it to be established.

A second direction issued on 08 April 2019 which directed the NTMA as controller and manager of the ISIF to enter into a facility agreement of up to €730 million with Home Building Finance Ireland (Lending) DAC.

3. Focus on implementation /unintended consequences

Since its formal launch at the end of January, HBFI has engaged actively with builders and developers throughout the country through a range of market awareness raising initiatives. HBFI continues to benefit from a strong pipeline of interest from prospective borrowers as a result of these engagement activities.

Up to €750 million of ISIF funds have been made available to HBFI to provide funding on market terms with the ability to fund the construction of circa 7,500 homes over the next 5 years.

As of the end of October 2019, HBFI has approved €100m in funding for the construction of over 500 new homes throughout Ireland. It has received over 40 full applications, with 90% relating to developments outside Dublin. Individual developments backed by HBFI range from 10 units to 76 homes with loan facilities ranging from €1.5m to €18m. This lending is rolling out as anticipated in the original scheme with HBFI now having committed funding to developments backed in 11 counties including Dublin, Kildare, Meath, Louth, Laois, Carlow, Clare, Kerry, Wicklow, Monaghan and Cork.

4. Oversight and evaluation framework

HBFI publishes figures on its lending activities on a bi-annual basis. HBFI and its group entity is also obliged to submit its statutory financial statements to the Comptroller and Auditor General for audit and the Minister for Finance is obliged to lay HBFI's Statutory Financial Statements and the Comptroller and Auditor General's report before both Houses of the Oireachtas each year. HBFI's first set of accounts will be provided in 2020 in respect of the period from the date of enactment to 31 December 2019.

The Chief Executive Officer of HBFI or a person nominated by the Chairperson is obliged to appear before the Committee of Public Accounts as required. The Department of Finance has also agreed a reporting and monitoring framework with HBFI as a body under its aegis.

Under Section 24 of the Act, the Minister may at any time require HBFI to report to the Minister regarding the performance of its functions and that as soon as possible after 31 December 2020, and subsequently every two years, the Minister will assess the extent to which HBFI has performed its functions and assess the level of availability of residential funding in the market. This review will help to minimise any distortionary effect HBFI may have on the overall economy and the continuation of HBFI will therefore be regularly monitored, with a view to HBFI exiting the market in due course when sufficient supply of funding returns.

5. Cost of implementing the Act

HBFI has been established as a commercial entity with returns expected to accrue to the State which are expected to be commensurate with the commercial returns for loans to entities with similar risk profiles.

HBFI received its original €20 million of share capital from the ISIF in December 2018 and entered into a loan facility of up to €730 million with ISIF on the 16th May 2019. HBFI does not receive voted funds and is expected to be self-financing in the medium term as it builds out its loan portfolio.