

## Leading aggregator completes first MMC charging exercise

28<sup>th</sup> January 2021

The Housing Finance Corporation (THFC) has today completed its first charging exercise involving homes being built using modern methods of construction (MMC) with borrower GreenSquareAccord.

A total of 844 properties were charged to THFC's subsidiary, bLEND Funding Plc, to secure GreenSquareAccord's £75m loan, drawn down in July 2021. Over 100 of these properties are timber frame units produced by GreenSquareAccord's specialist off site manufacturer, LoCal Homes.

THFC announced a new policy for the charging of volumetric and panellised modular housing as security in September 2020 with a commitment to identifying a partner housing association with which to put the policy into practice. MMC has become a catch-all phrase for a variety of construction techniques even though many, such as timber frames, are already fairly standard in the construction sector. THFC's policy places a 30% ceiling on the acceptance of MMC units as security on individual loans.

The valuations were provided by Savills. The 120 timber frame units in question are located in developments in and around Walsall, and all have an Energy Performance Rating of 'B'. The units have a design life which both exceeds British Standards and are covered by Premier Guarantee Insurance.

LoCal Homes was established by Accord Housing Association in 2011, before later moving to larger premises in 2018. In July 2021 bLEND lent the newly merged GreenSquareAccord £75m, a loan later converted in November 2021 to be THFC's first sustainability issuance.

After a slow uptake on MMC, recent Government policy shifts have renewed focus, and in 2021 the new Affordable Homes Programme included stipulations for 25% of delivered homes to be built using MMC. The acceptance by lenders of MMC as security has been cited as a significant obstacle to growth, but moves like that of THFC today are working to resolve this.

A number of insurance products now exist for MMC-manufactured homes, including BOPAS, BLP Insurance, NHBC, and Premier Guarantee.

Piers Williamson, THFC's CEO, said: "In 2020 we set ourselves the aim of becoming a leading actor on MMC, and the completion of GreenSquareAccord's charging exercise today demonstrates a continued commitment.

"It is clear that these methods, whether they involve volumetric or panellised modular housing, are going to be a permanent feature of construction in the future. We see it as our duty as the sector's leading aggregator to work with borrowers to ensure that the sector's lenders adjust their security policies appropriately to ensure that its pioneers are not unfairly penalised.

“Working with GreenSquareAccord and Savills on this exercise has given us invaluable experience which will help us further build our knowledge and streamline our policies and processes.”

James Tarrant, Director of Corporate Finance & Treasury at GreenSquareAccord, said: “We are delighted to be working with bLEND in delivering investment in social housing that is focused on sustainability and energy efficiency. At GreenSquareAccord we are committed to doing our part in reaching carbon net zero, and these steps announced today are all part of our journey towards reaching that goal. The use of our LoCaL Homes built properties as collateral for securing this funding demonstrates the confidence funders and investors have that our panelised system will remain durable and reliable.”

