

**An Ghníomhaireacht Airgeadais Tithíochta**  
**Housing Finance Agency plc**

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46 St Stephen's Green • Dublin 2 • Ireland



4 November 2011

Ms Eimear Lavelle  
Committee Secretariat  
Committee of Public Accounts  
Leinster House  
Dublin 2

Dear Ms Lavelle,

In response to your letter of 1 November 2011, I attach a briefing note in relation to the Housing Finance Agency's debt. I wish to assure the Committee that, at all times, the Agency has properly accounted for, and reported on, its debt position to the relevant parties and authorities.

Yours sincerely,

Ian d'Alton  
Chief Executive Officer

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## Housing Finance Agency plc

### A note on borrowings

#### Background

Housing Finance Agency plc is a company limited by shares promoted by the Minister for the Environment, Community & Local Government under the terms of the Housing Finance Agency Act, 1981 and incorporated on 8 February 1982. All of the issued share capital of the Agency is beneficially owned by the Minister for Public Expenditure & Reform. Directors are appointed by the Minister for the Environment, Community & Local Government with the consent of the Minister for Public Expenditure & Reform. The Agency's debt, as appropriate, is guaranteed by the Minister for Finance.

The principal objects of the Agency are to advance funds to local authorities and the voluntary housing sector to be used by them for any purpose authorised by the Housing Acts; and to borrow or raise funds for these purposes. The Agency manages some 6,200 loans to local authorities and indirectly funds some 20,000 mortgages.

The Agency meets its costs from its operations, as required by the Act. Interest rates are set at a level that will enable the Agency, taking one year with another, and taking account of risk, to achieve at least a break-even result. It does not receive any Exchequer grant or subvention. With 11 staff, its administration budget amounts to about €1.45 million per annum, or about 0.03% of its current book. In the year ended 31 December 2010, the Agency reported a surplus of €23.33 million, bringing its reserves to €55.67 million. Further details can be accessed in documents at [www.hfa.ie](http://www.hfa.ie).

#### Evolution of the Agency's funding during the financial crisis

Until the onset of the financial crisis, the Agency's primary source of funding was through issue of short term eurocommercial paper [ECP] sold into the international capital markets. This debt facility has been operated since 2003 on the Agency's behalf by the National Treasury Management Agency [NTMA], acting as the HFA's agent. At 1 January 2010 €4.04 billion was drawn on this facility.

During the course of 2010, the basis of the Agency's funding had to change. As the sovereign debt crisis developed and Ireland's short term credit ratings were downgraded, the ECP market became effectively closed to the Agency and to Ireland. This led to a situation whereby, to ensure continued funding for the Agency, the NTMA commenced lending its own (later, EU/IMF-sourced) funds directly to the Agency through the HFA's Guaranteed Notes [GN] commercial paper programme. At 31 December 2010 the amount of NTMA-supplied GN funding was €3.58 billion.

As at 31 October 2011, the Agency had €3.83 billion outstanding borrowed from the NTMA under the GN programme, with nothing borrowed under the original ECP programme.

#### Accounting error

Housing Finance Agency plc has not made any accounting error in relation to the amounts borrowed from the NTMA. At all times the Agency has properly accounted for, and reported on, its debt position to the relevant parties and authorities – its auditors KPMG, the Department of Finance, the

CSO and the NTMA. We can confirm that this issue has had no impact on the Agency's accounts. As a public limited company, the Agency is audited to the highest standards; it has been chosen as a finalist in the Chartered Accountants Ireland Leinster Society Published Accounts Awards on numerous occasions in recent years. It is noted that, at the Public Accounts Committee meeting on 3 November 2011, it was acknowledged that no fault attached to the Agency in this matter.

*Housing Finance Agency plc*

*4 November 2011*

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