

Chairman,

Thank you for your invitation and I am joined today by Mr David Malone, Financial Controller at the Irish League of Credit Unions. The League is the largest credit union representative body on the island of Ireland. 289 registered ROI credit unions, of a total of 302 in ROI, are affiliated. We exist to provide leadership, co-operation, support and development for credit unions in the Republic of Ireland and Northern Ireland.

On social housing, there is clearly a social crisis. There was also a context and timeline relating to your consideration today on how credit union funds can be used to deliver housing, in this crisis.

- In November 2014 the government published ***Social Housing Strategy 2020*** predicated on “private sector finance which will be raised from a variety of sources which could include the EIB, ISIF, Pension Funds, Credit Unions and other financial institutions, both domestic and international”.
- In response to that specific request the League responded with its detailed proposal ***Social Housing Funding*** in October 2015.
- In June 2016 the **Special Committee on Housing and Homelessness** as a priority recommendation stated, “The Government should seek to mobilise as quickly as possible, all possible sources of funding, including funding from the Housing Finance Agency, Strategic Investment Fund, the Irish League of Credit Unions and Irish Pension Funds, to increase the supply of social and affordable housing”.
- The Department of Housing, Community and Local Government policy document ***Rebuilding Ireland*** published in July 2016 stated, “The Government is also committed to a range of other structural, funding and policy supports to increase delivery by AHBs. Among these measures will be the establishment of an Innovation Fund to support the development by AHBs of innovative financial models... Support will be provided from this Fund to an Irish Council for Social Housing (ICSH)/sector-led new special purpose vehicle, involving investors, including the Credit Union movement”.

To date no fund has been established, and despite our willingness to invest, and insistent lobbying to be allowed do so. The crying need for social housing has not been supported by credit union funds which are available.

There are two roadblocks. One is regulatory and requires the Central Bank to change the criteria for permitted credit union investments. The second is the establishment of a financial vehicle, as committed to by government in ***Rebuilding Ireland***.

The Central Bank issued ***The Consultation on Potential Changes to the Investment Framework for Credit Unions (CP 109)*** in May. The League’s response has been sent to the committee. CP109 has some positive aspects which we welcome, but others we are very concerned about.

On social housing, the Central Bank is considering if it would be appropriate to facilitate the provision of credit union funding to AHB’s by way of investment. The initial potential levels of investment proposed by the Central Bank would be up to circa €900m which on the basis of 70% finance provided by credit unions at an average notional social house cost of €200,000 would fund close to 6,500 homes.

If followed through, this would be a significant step forward. More broadly, but closely connected, the same set of proposals will further exacerbate the downward pressure on investment income. Our affiliated credit unions currently have just under €2 billion invested in Bank Bonds which are an important source of investment yield. The restriction set out in CP 109 will severely curtail the universe of Bank Bonds that credit unions can invest in.

The investment yield for our ROI affiliated credit unions has declined from 3.6% in 2012 to only 1.4% in the six month period to March 2017. We estimate that the current 1.4% annualised yield from Credit unions investments would decline to as low as 0.3% in the coming financial years. How can credit unions have a sustainable future business model in the context of these future projected investment yields? Given that **CP 109** would effectively eliminate investment returns it is essential that investment rules are amended to allow for centralised lending of mortgages and SME's so that some of the c. €10 billion of surplus funds can be lent out.

As ***Rebuilding Ireland*** is being reviewed our request of this committee is that you strongly advocate for the implementation of what has been committed to by government and recommend previously by the **Special Committee on Housing and Homelessness**. The Central Bank may further to **CP109** allow at last, credit union investment in social housing. The net issue then is for government to deliver on its commitment to establish an appropriate vehicle to do so.

Then there is a wider housing agenda, beyond social housing and how that links holistically to the overall viability of credit unions, at the very moment we as an economy have returned to astonishing levels of concentration in mortgage lending especially, but other types of lending too. We need action immediately from the Department of Housing to enable investment on social housing. This should be accompanied and underpinned by real engagement, led by the Department of Finance, to develop a credit union model that can do the much more it is so ambitious to do across the board for communities, and the economy.

Thank you

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