

DÁIL ÉIREANN

AN COMHCHOISTE UM THITHÍOCHT, PLEANÁIL, POBAL AGUS RIALTAS ÁITIÚIL

JOINT COMMITTEE ON HOUSING, PLANNING, COMMUNITY AND LOCAL GOVERNMENT

Dé Máirt, 4 Iúil 2017

Tuesday, 4 July 2017

Tháinig an Comhchoiste le chéile ag 11 a.m.

The Joint Committee met at 11 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Pat Casey,	Victor Boyhan,
Ruth Coppinger,	Jennifer Murnane O'Connor.
Barry Cowen,	
Mattie McGrath,	
Fergus O'Dowd,	
Eoin Ó Broin.	

Teachta / Deputy Maria Bailey sa Chathaoir / in the Chair.

Business of Joint Committee.

Chairman: At the request of the broadcasting and recording services members are asked to ensure that their mobile telephones are turned off or switched to airplane safe or flight mode, depending on the device, for the duration of the meeting. It is not sufficient for members to put their telephones on silent mode as this will maintain the level of interference with the broadcasting systems.

I have received apologies from Senator Paudie Coffey. I propose to go into private session to deal with housekeeping matters. Is that agreed? Agreed.

The joint committee went into private session at 11.04 a.m. and resumed in public session at 11.09 a.m.

Finance for Social Housing: Irish League of Credit Unions

Chairman: Today's meeting will consider the topic of credit union financing for social housing. The meeting will consist of two sessions. I welcome to our first session, from the Irish League of Credit Unions, Mr. Ed Farrell, CEO and Mr. David Malone, financial controller.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of the evidence they are to give to the joint committee. If, however, they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any persons or entity by name or in such a way as to make him, her or it identifiable. Members are reminded of a long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House, or any official by name in such a way as to make him or her identifiable.

I call on Mr. Farrell to make his opening statement.

Mr. Ed Farrell: I thank the Chairman and members for their invitation. I am joined 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, with a total of 289 credit unions out of 302 in the Republic of Ireland affiliated to it. We exist to provide leadership, co-operation, support and development for credit unions in the Republic of Ireland and in Northern Ireland where we have another 90 affiliated credit unions.

On social housing, there is clearly a social crisis. There was also a context and timeline relating to the committee's consideration today of 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 made its detailed proposal, Social Housing Funding, in October 2015. In June 2016 the Oireachtas 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 states:

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, despite our willingness to invest and insistent lobbying to be allowed to 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 its consultation paper, The Consultation on Potential Changes to the Investment Framework for Credit Unions, also called CP109, in May. The league’s response has been sent to the committee. This consultation paper 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 approved housing bodies by way of investment. The initial potential levels of investment proposed by the Central Bank would be up to up to €900 million 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 contribute negatively to the downward pressure on investment income being earned by credit unions. 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 the consultation paper will severely curtail the universe of bank bonds that credit unions can invest in. The investment yield for our Republic of Ireland credit unions 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% per annum 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 CP109 would effectively eliminate investment returns, it is essential that investment rules are amended to allow for centralised lending of mortgages and loans to small and medium-sized enterprises in order that some of the €10 billion of surplus funds in credit unions can be lent out.

As the Rebuilding Ireland policy document is being reviewed, our request to the committee is to advocate strongly for the implementation of what has been committed to by Government and recommended previously by the special Committee on Housing and Homelessness. The Central Bank may, further to its consultation paper, at last allow 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 our economy has returned to astonishing levels of concentration in mortgage lending especially, but other types of lending also . We need action immediately from the Department of Housing, Planning, Community and Local Government to enable investment in 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.

Chairman: Does Mr. Malone wish to say a few words or shall I go straight into questions?

Mr. David Malone: We welcome the feedback on CP109 in respect of the proposals relating to the approved housing bodies’ investments. However, as Mr. Farrell has mentioned, we are concerned about some other aspects of CP109, particularly the proposed restriction of bank bonds and other proposed investments put forward in the paper. We feel that the overall impact on credit unions’ yields and investments will be quite negative.

Senator Victor Boyhan: I welcome Mr. Farrell and Mr. Malone. I am a member of a credit union and wish to acknowledge the work of the Irish League of Credit Unions. It is a mutual society, its work is highly reliant on voluntarism and other factors and it is community-based. It is to be welcomed that representatives of the Irish League of Credit Unions are here and have made their pitch. The Irish League of Credit Unions makes some very valid points in what is a very concise and to-the-point presentation, for which I thank Mr. Farrell because it is important to get to the kernel of the issue.

Mr. Farrell made the point that Rebuilding Ireland will be reviewed, as the Minister has said. It is timely that the Irish League of Credit Unions’ proposal be looked at again in the context of the Government’s commitment. As Mr. Farrell pointed out, the Government acknowledged that, among other financial institutions and as part of the Rebuilding Ireland strategy and programme, it would look at the idea of the credit unions. Mr. Farrell said in his opening statement that “there are two roadblocks” and he set them out very clearly:

One is regulatory and requires the Central Bank to change the criteria for permitted credit union investments. The second is the establishment of financial vehicle, as committed to by Government in Rebuilding Ireland.

These are valid points.

I wish to ask Mr. Farrell two questions. First, would individual credit unions outsource all investments and decisions to the proposed special purpose vehicle? He might elaborate on that. Second, is there sufficient expertise within the credit union sector to become involved in offering loans for social housing? Where all this is coming from is important in terms of centrality, decision-making, oversight, policy and governance. There is a huge number of issues here, and proven expertise must be demonstrated by the credit union movement. I thank the witnesses for coming before the committee.

Deputy Barry Cowen: I thank both bodies for their presentations. It was appropriate that the committee acknowledge the process commenced by the Central Bank and also acknowledge and support the submission made by the Irish League of Credit Unions. We have been

saying, until we were blue in the face, that there is a crisis in the provision of housing and an emergency in the provision of social housing. This is a no-brainer. We have the potential for €2 billion in investment which could yield a return to the credit union movement and provide up to 6,500 social housing units, but there are two roadblocks. The Government needs to open the two roadblocks. The Rebuilding Ireland document made a vague commitment to look at the potential which exists in this financial vehicle to support the industry by allowing new finance into the market to create more competitive finance in the marketplace than the restricted finance available from the pillar banks.

This is an emergency but this is available to assist in addressing the crisis. However, the Government and the Central Bank are procrastinating and it is just not good enough. As Senator Boyhan said, this is a simple document and it is clear about what it sets out to achieve. It has benefits for all concerned and I have no question to ask of the witnesses today. I just want to voice my full and vehement support for the recommendations. I have made a submission on behalf of our party supporting that stance. I implore Government and the Central Bank for movement in this area. We are told that NAMA is in the process of winding down and that it has the potential for €2 billion. NAMA also has the NARPS model which promotes a similar type of vehicle to what is being proposed here, one which does not impinge on European regulation. It is not on balance sheet but an off-balance sheet methodology that can work and yield results. There is a role for NAMA as an authority in respect of the management of these and other funds, to ensure we find a way out of this crisis with real and meaningful ways of doing things, different from how we did things in the past. Relying on conventional methods, which the Government is pouring money into, is just not working. It did not work under Deputy Kelly's plan, it did not work under Deputy Coveney's plan and it will not work under the current Minister's plan. This is the way social and affordable housing has to be delivered. Let us get on and do it. Let us ensure this committee plays its part in demanding that Government moves in this direction.

Deputy Eoin Ó Broin: Many of us are enormously frustrated, as is the Irish League of Credit Unions, with the fact that for two years the league has made a series of presentations to the relevant authorities but we are still here discussing it. Many of us on this committee, and across the House, share this frustration. Our party has advocated, in the Committee on Housing and Homelessness and previously, that we need a portion of these funds to be released for precisely the purposes outlined by the witnesses today. As Deputy Cowen has done, I have made a submission to the Central Bank as part of its consultation, which fully supports the proposition.

There is a double win if the State does this, because this is additional money. No funds can be used to provide housing within the Government's housing action plan but it can be used to provide additional units over and above those targets and this is the real value of what is being proposed. We should stress this very clearly. The submission refers to three funding frameworks outlined on page 3. My own preference - that is what I stated in the submission on the Central Bank - is for option 2, primarily in terms of the capacity of the tier 3 approved housing bodies to deliver units, certainly in the first three to four years. The second option in terms of the annual funds that would be released is probably the most credible not from the point of view of the credit unions, but from theirs. Obviously, if their capacity increased then, the total quantum of the fund could be increased as well, but even on that basis one would be looking at an additional 17,500 units delivered over six years. That is an additional 2,900 units, which would be hugely welcome.

We have been asking repeatedly what has been the real obstacle to a decision on the release

of the funds for social housing. I invite the witnesses to be as frank as they can to let us know where is the blockage. We all know off the record or we have our own assumptions but it is important, as part of our attempts to put pressure on the relevant authorities to make the funds available, that the witnesses would share with us whatever information they can about where the obstacles have been.

I would like the ILCU witnesses to talk a little bit about their preferred model for the shape of the fund. The Government's housing action plan was outlined but is that the preferred model of the credit unions and that, as outlined in their schedules, they would put a sum of money into a fund where there would be other private sector funding - the Irish Council for Social Housing would be part of that - and tier 3 approved housing bodies could access that on an ongoing basis in terms of individual projects? Would that be a rolling fund and as opportunities came up for the approved housing bodies, either sites to buy or to build, they could come and seek loan finance?

If I understood it correctly, the Irish League of Credit Unions talked about the possibility of 100% loans versus the 70% loans, with matching funding from the Department of Housing, Planning, Community and Local Government and the local authorities. From within the ILCU's risk assessment, is it conceivable for such a fund to provide 100% loans, obviously with the guarantee of the availability agreement coming through? If that is the case then there would be less reliance on the public funding and that could be used elsewhere in the public housing system. Has there been discussion with the approved housing bodies in terms of their capacity to deliver units? With the best will in the world, even if one has unlimited funding but the sector can only deliver so much. To what extent are the funding schedules on page 3, as a result of any of those engagements?

Has the ILCU had any discussions with the Department on the possible redesignation of approved housing bodies as State entities and therefore on-balance sheet? I am sure the witnesses are aware of the ongoing review between the Department of Housing, Planning, Community and Local Government, the CSO and EUROSTAT. If EUROSTAT and the CSO take the decision here that has been taken across the water in Britain that would obviously change some of the rationale for what is being proposed here, although not substantially in my view. Has the Department included the ILCU in that conversation or are the witnesses aware of those issues?

Deputy Fergus O'Dowd: I welcome the work done by credit unions over the years. When I was younger and buying my house, we got our bridging finance from the credit union. Credit unions are hugely helpful to people, in particular when they are buying homes or making any significant purchase. My question is slightly different from some of the questions that have been asked. One of the difficulties I find is that many of the people who are in trouble with their mortgages are with companies whom I would call vulture lenders, in other words, they charge way above market norms. People are with such companies because the traditional lenders would not lend to them because they are considered high risk and they are paying a higher premium as a result. Many people are still trying to hold on to their homes and as their economic position improves they could sustain a lower rate mortgage, but they cannot sustain the rate they are being charged. Does the ILCU think there is a role for credit unions in the context of the social service they provide to people who would be a higher risk for lending but are in real trouble? They want to hold on to their homes but they cannot find any sustainable way to do so. Has the ILCU thought about that as an option, in other words, that people who are with those companies, whom we all know, could approach a credit union with a view to getting a standard rate mortgage at a sustainable rate, which they did not get previously?

Deputy Pat Casey: I thank the gentlemen for their presentations and record my frustration that the issue has not been resolved. We were all aware of the role the credit unions could have played before Rebuilding Ireland was launched but almost a year later, we have made almost no progress. I focus today on approved housing bodies and the relationship with them. Is there enough governance in place in the approved housing bodies, in particular given their growth to almost 120 bodies in the last three years? It is a significant increase. Is the required framework in place to give credit unions a guarantee? Across Europe, the state provides the guarantee even to approved housing bodies. What are the views of credit unions and their members on this venture?

Deputy Ruth Coppinger: I support the credit union concept and am a member of a credit union myself. Certainly, it is preferable to borrowing from banks. While I support the league's right to put its proposal, it is not a total no-brainer. There are issues around it. The problem in housing overall is not really finding funding because the Government has access to funds should it choose to use them. Last week, the Government chose to pay down debt from the sale of AIB rather than to use the money for housing. The rate the league is talking about is 2.5% and I have seen 3% or 4% on previous occasions. That is still higher than using those funds or the funds in the Irish Strategic Investment Fund. NAMA, of course, has cash reserves of €3 billion. The key issue I have is not so much with credit unions but with all of these concepts. It is the desperate search to find a special purpose vehicle which does not breach EU rules. We have to stop trying to avoid impinging on EU rules, otherwise we will not resolve this emergency. The scale of what the credit unions can provide bears no comparison to what local authorities could provide, given their lands and expertise, if they were funded. That is the essential problem. I see the credit union proposal as a possible supplement but it is no replacement for the tried and tested method of providing housing on a faster, cheaper and larger scale, which is what we need.

The other issue I have has been discussed at the committee before, namely, the proliferation of approved housing bodies. There are problems with them from the point of view of tenant representation, as they tend to provide much less support than one has from a local authority where councillors can step in to assist people who are having rent or other issues. We have all had stories about trying to make contact with them. Even in respect of pyrite, there is an approved housing body we cannot get to communicate with us in the way we can with a local authority.

Is there an international or other model under which the league can foresee credit union funds being lent? Is there a risk to credit union members if credit unions get involved in the housing market? How can the league mitigate that risk? The last thing we need is credit unions gambling the money of those who rely on them and their ethos of co-operation.

Mr. Ed Farrell: I go back to Senator Boyhan's question on individual credit unions and their credit decisions. He asked if they had the required expertise. Yes and no. There are examples of individual credit unions lending for social housing on a small scale, but the Government's ambition here for the approved housing bodies is on a much larger scale than for individual credit unions or individual smaller approved housing bodies. That is the whole idea behind the special purpose vehicle mentioned in the Rebuilding Ireland report and policy. Collective credit union money on one side would initially go into the fund as per the Central Bank's proposals. We agree with that when it comes to the tier three, the biggest ten or 12 approved housing bodies. The idea is that that fund would then have, either as employees or as a retained firm, people with credit expertise who would help the fund and its shareholders: the credit unions, pension funds and possibly the Strategic Investment Fund. It would not just be

the credit union's money that would be in that fund.

There would certainly be expertise then to help make the credit assessment and credit decisions to ensure that the money is put to a safe purpose for whichever individual approved housing body and project. This would be the case whether the project involved one house or ten houses and whether it involved building or buying. Whatever that individual project might be, it has to be a safe and good improvement project. Individual credit unions do not have and would not claim to have the expertise to do the credit assessment on a €500,000, €1 million or multi-million euro loan for a project of that size. That is why the Government's policy is to have a fund or a collective, as it were. The risk is mitigated by being part of a collective.

Deputy Cowen reiterated his support and the fact that he previously sent a submission to the Central Bank's consultation paper.

Deputy Ó Broin referred to tier three and to the preferred model. Our paper and our proposal is ultimately a response to the Government's initial policy document in 2014, the Social Housing Strategy 2020. It was then refined to reflect the updated Rebuilding Ireland plan launched last July. It is fair to say that the 2020 strategy was the Government's policy to enhance the role of approved housing bodies as distinct from local authorities. That is not our area of business, however. Our forte lies in taking in money from and providing loans to our 3 million members. Our surplus funds, as I mentioned in my opening address, amount to almost €10 billion. We are looking to put this surplus into social projects. The money has to be safe, of course, which is why there is a need for credit assessment and credit expertise at a collective level. The model set by the Government's policy is to grant more and more involvement to approved housing bodies and to look for outside funding, not just from credit unions but also from the Strategic Investment Fund and from pension schemes, both national and international.

When it comes to development and acquisition, individual approved housing bodies would approach the fund with proposals for individual projects. The quicker ones to reach the market are those to acquire completed or 90% completed houses. These might be in unfinished estates and the like, although that market has probably largely dried up at this stage. Buying a green or brown field site and then developing it obviously takes longer. Initially there would probably be a bridging loan for the first 12 or 24 months. When the house is built, certified and handed over to the tenants there would be a 30% capital advance from the Department. When the rental agreement and the payment and availability agreement with the tenant kick in we would then set the loan up for 25 to 30 years. We see the fund as having a role in both development and acquisition, though probably more in acquisition to begin with. As we get up and running and gather practical experience, however, there is no reason that we would not have a bit of both. We have met with PricewaterhouseCoopers, the advisory firm, as part of the Irish Council for Social Housing's remit for this fund, and it was talking about a mix of acquisition and development. I know it is appearing before the committee after us and it will be able to provide more detail. We are more interested in the funding than the actual housing side.

The 100% or 70% is related to the model. The model, as we understand it, is that there is a capital advance payment known as the capital advance leasing facility, CALF, which is worth up to 30%. Large approved housing bodies will get 30% of the project cost on a loan that only has to be repaid after 20 or 25 years if the house does not remain part of the social housing stock. It attracts a low rate of interest but does not get repaid as long as the house is in social housing supply. The other 70% is borrowed. In theory that 70% will be borrowed from the fund. Credit union money would make up some of that fund. That is the model. We did not design the model. It is a safe model for the lender, whether the lender is the housing finance

agency, HFA, which is the current main lender, a private bank or this fund made up of credit union money and other moneys. It is as if a private person has a 30% deposit for their house. It is not 80%, 85% or 90% mortgage territory. It is 70%. We would draw the analogy of a borrower having a State job and the State stepping in, if the borrower did not repay the loan, to repay out of his State job earnings. There is a step-in arrangement if the approved housing body disappeared or got into difficulty. The borrower is almost guaranteed its money because it is only a 70% loan initially, and the loan repayment ultimately comes from the payment and availability agreement, which is the rental subsidy from the local authority for the tenant, and the tenant then pays a smaller top up.

The approved housing bodies are in communication. We have had many meetings since the end of 2014, since that initial social housing strategy that the former Minister for the Environment, Community and Local Government, Deputy Kelly, brought out. We have had many meetings with the Irish Council for Social Housing, which is the apex body for approved housing bodies, and with individual housing bodies. We have met with CEOs and finance directors. PricewaterhouseCoopers is assisting them on this special purpose vehicle. We have also met with other financial advisers that the housing bodies were engaging with during 2015, 2016 and this year. We are in constant communication with them and feel that we have a good understanding now of their business model. We have reviewed their annual accounts and their governance structures.

Deputy Casey mentioned governance and regulation or the lack thereof, but housing bodies are now becoming a regulated industry. Tier 3 incorporates ten or 12 of the biggest approved housing bodies, tier 2 incorporates some of the smaller bodies and tier 1 incorporates the very smallest. The 80:20 rule applies to any of our organisations. There are ten or 12 of the really big bodies and then hundreds of the smaller ones. The tier 3 housing bodies are now learning what it is to survive in a regulated environment. I would not speak to their experiences within that regulated environment. They are appearing before this committee later. Certainly credit unions operate in a highly regulated environment. They are regulated by a division of the Central Bank of Ireland, which is the registry of credit unions, to a very high standard, so we would have comfort that the approved housing bodies, some years after the credit union movement, are now regulated. Certainly from now on they are going to be operating in a highly regulated environment, which will provide more comfort on top of the financial contracts that I spoke about earlier, encompassing the 30% and the guaranteed rent. We have had excellent working relationships with the approved housing industry since 2014.

The on-balance sheet versus off-balance sheet debate is going on all the time. They are trying to keep the approved housing body model off the balance sheet. The Government's desire or requirement is for the social housing model to stay off the balance sheet. That is not something that would involve the Irish League of Credit Unions. We have responded to the current structure for the delivery of social housing. If the discussion about what is and what is not on the balance sheet goes in a different direction, or if the payment and availability of models like the 30% CALF model changes, we will have to consider the changed scenario, structure and environment.

Deputy O'Dowd spoke about individual members having toxic loans or loans with very high interest rates from non-main street lenders. We are talking about private mortgages for private houses. Credit unions are allowed to offer mortgages as a small percentage of their lending. Up to 10% of their loans by value may be offered for periods in excess of ten years. Such loans are generally housing loans. Under their laws and regulatory rules, individual credit

unions are allowed to allocate small amounts - up to 10% - of their loans for housing and for mortgages. Now that the global financial crisis has ended and people have more confidence in the Irish economy - perhaps the economic recovery is more evident in the cities than it is as one travels out - more and more people are approaching credit unions to see whether they can switch their mortgages from their current providers, which may include high street banks, non-high street banks and the remains of loan portfolios that were bought from foreign banks that exited the Irish market. To be fair, as Deputy Coppinger mentioned, the credit unions have to make sure such loans are as safe as possible and have as good a chance as any other loans of getting repaid. Ultimately, it is some other local person's money. We always advise members to give the facts to the people in the credit union and they will do their damndest to facilitate them. When one goes into a credit union, one deals with somebody who understands one's situation and the decision on one's application is made by that person or somebody else in that building. The decision will not have to be relayed back from regional or national headquarters. At least there will be a sympathetic ear. At the same time, it has to make some financial sense.

Deputy Fergus O'Dowd: It has to be sustainable in the context of the applicant's existing income.

Mr. Ed Farrell: Yes.

Deputy Fergus O'Dowd: There is no doubt about that.

Mr. Ed Farrell: The interest rate could be much lower in the credit union. Every lender needs to be able to make an adjudication on ability to repay. I would encourage people to have the conversation. The credit union might have another idea that has not been considered by a stressed borrower or member who is not in a clear frame of mind.

Deputy Casey asked about members' views on credit unions. I invite Mr. Malone to speak about a survey that was done by the Irish League of Credit Unions as part of the preparation of a consultation paper.

Mr. David Malone: As part of the consultation paper, we surveyed all our affiliated credit union members to get their thoughts on the approved housing bodies and on social housing. An overwhelming majority of them - more than 90% - said they were very supportive of the CP109 proposals in respect of social housing. We got feedback from them about the importance of the investment diversification provided by investment in social housing. At the moment, over 90% of the credit union movement's investments are with banks in the form of bank bonds or bank deposits. In many ways, credit unions are somewhat over-exposed to the banking and financial sector as a counterparty. Social housing can provide a significant element of diversification for them.

The credit unions have a regulatory reserve ratio of 16% at the moment. This means they are exceeding the 10% minimum requirement by six percentage points. Across the movement, this equates to €900 million, or approximately the level of funding suggested in CP109 as the maximum level that could be invested to yield 6,500 homes. Deputy Ó Broin spoke about the level of housing provided. It is interesting to note that our survey suggested that the credit unions would be willing to engage in further funding of that sector. If 20% of the credit union movement's investment base were dedicated to housing, almost 14,000 homes could be provided. There is certainly a commitment in the sector to provide substantial social funding for social housing projects.

Chairman: Does Mr. Farrell have anything to add?

Mr. Ed Farrell: I think I have more or less said what I have to say. Deputy Coppinger suggested, in the context of the AIB sale, that funds are not the problem. It is not really for us to comment on that. The Government's position, or Europe's position, is that the Government is under an EU mandate to use the AIB proceeds for something other than capital spending. We will assist in the social housing area if we are asked to do so. We started this process in 2014. I suppose the 2020 document was the written request. We had been engaging for a few years before any documents were produced in this space. Interest rates were at a totally different level back then. In 2014, the rate was approximately 3.5%, which would have been the average in this area. It was at 2.5% in some of the material that was drafted by financial advisers more recently, including late last year. Obviously, interest rates have been decreasing even further. We are into negative interest rates at the European level for the foreseeable future. The latest proposal involved a 2.5% rate. We have not had detailed conversations because, as we understand it, the fund has not been opened and is not nearly up and running. We do not have details of the interest rate. If it is 2% or 2.5%, it will represent good value for the approved housing body. I know the current rates are going to be much lower if they are on the balance sheet than if they are off the balance sheet. If a rate of 2% or 2.5% is secured, that is much better than what is being achieved in Government bonds or in bank deposit accounts at the moment. It would then be a question of issues like prudence and credit assessment, about which we had a conversation earlier. Assuming that stacks up, a rate of 2% or 2.5% would be economically viable for us.

Deputy Coppinger's final point related to the risk to members' funds. We cannot speculate. No credit union will decide to put its members' funds at risk. Every credit decision, from a €500 loan for Christmas or a communion to a €5,000 loan for a car or a loan of €50,000, €75,000 or €100,000 for a house, is put through the wringer internally in every single credit union. Some credit unions even seek outside assessment from experts as well. It is certainly the case that the credit unions exist because their 3 million members trust them. If they tried to do anything that was too risky or not worthy of being approved, the Central Bank would not allow it. The boards of the credit unions would not want to do anything that was not within risk parameters or not appropriate.

Chairman: I will take a few more questions.

Deputy Eoin Ó Broin: I thank the witnesses for their answers. I have two follow-up questions, the first of which relates to the possibility of 70% loans, as opposed to 100% loans. The approved housing bodies have an availability agreement that is guaranteed by the State. They also have the step-in clause that has been mentioned, which means that the local authority can step in if something happens to an approved housing body. I presume the existence of these two arrangements means there would not be a huge amount of additional risk if a 100% loan as opposed to a 70% loan, were provided. The only reason I am asking is that the 30% CALF complicates the lending procedures. Given that the two safety nets to which I have referred - the availability agreement and the step-in clause - are in place, what is the view of the credit union movement from a financial risk management point of view about the possibility of having the 100% loan option?

I want to go back to the first question. I think it is really important for us to press Mr. Farrell on it. Two years ago, capital investment in social housing by the State was at rock bottom. It was approximately €400 million per annum. Many of us challenged the Government to increase capital investment. It said it did not have the money. We challenged that and identified other sources. At the same time that the Government was saying it did not have the money,

the Irish League of Credit Unions and others were putting on the table amounts of money that were equivalent to what the State was spending at that point. I am working on the basis of the figures provided by the league. The credit unions are proposing an annual fund from their own resources, let alone from other funds that may be available, equivalent to what the State was funding at that point, somewhere between €347 million and €520 million. Everybody wanted to know about funds and we asked the Departments of Finance and Housing, Planning, Community and Local Government about this. The Government said it had no funds but the credit unions said, “Yes, we have funds, here they are and here is the sustainable model for funding”. From the sector’s direct experience with the Central Bank and the Departments of Finance and Housing, Planning, Community and Local Government, can the witnesses tell the committee who was blocking the access to those funds? I believe the public has the right to know.

The credit union sector was saying that it could double the amount of investment in social housing in a way that is good for the credit union members and for the people who need the housing. Somebody was stopping the sector from doing that. Was it the Central Bank’s Registrar of Credit Unions, the Department of Finance, the Minister or was it the Department of Housing, Planning, Community and Local Government? Without putting the representatives too much on the spot, could they give their experience of those engagements over the past two years? We are talking about 10,000 to 15,000 homes. This is the kind of quantum of units that could have been commenced two years ago and built over a six year period, if this had been taken up when the sector first proposed it. These are not trivial amounts of homes and families that would have benefited if the Government had taken up the offer two years ago when it was first made.

Chairman: There are no further follow up questions before I go back to the witnesses.

Mr. Ed Farrell: With regard to the 70% and the 100% figures, it would certainly not be the same if the capital advance leasing facility, CALF, disappeared and we were at 100%. It would not be as risky or the same as a bank or a credit union giving a 100% mortgage to an individual person, because there is the payment availability that guarantees 92% to 95% of the market rent by the local authorities or by an arm of the State. The rent is guaranteed and there is the step in, as the Deputy and I have mentioned. It would certainly not be as risky or as out there as lending 100% mortgages would be.

At the same time, I believe that while a 100% mortgage would be a bit far, it is possible there could be somewhere in between because if the value of property went down again, everybody would find themselves in negative equity again. This would not be so good because the accounting has to be reflected on balance sheets. If the stock of housing at the approved housing body level dropped substantially again, there would be minus figures in the accounts. This would not look right even if the houses remained rented and the rent was still coming in. It is possible that somewhere between 70% and 100% would still leave it safe but with some extra capital and investment for social housing by means other than approved housing bodies. I presume this is where the Deputy is coming from.

Turning to the roadmap or the path we have been on for the past two years, to be fair to the Irish League of Credit Unions and the approved housing bodies, early on we identified issues with three significant arms of the State. The Central Bank is the credit unions regulator and we operate in an environment that is highly regulated by the Central Bank. It is very prescriptive and rules driven, and had been long before any global financial crisis. We were never run on the principles-based system, rather it was always on the rules-based system. We have a very prescriptive rule book in legislation and in Central Bank regulation on what credit unions can

and cannot do, on how much they can lend and for how long.

Very early on in the debate, or in the journey, we outlined that the first issue was that credit unions could not invest in a collective to do with approved housing bodies. They could only invest in bank bonds, Government bonds and bank deposit accounts. That was one issue on which we have worked and lobbied the Central Bank. We had Members in both Houses to help us do that. The consultation paper that issued in May looks like it is going to open the door to a first phase that could allow up to €900 million to go into tier 3. As a first phase, I believe it to be a good start. There is a commitment from the Central Bank to review that in two years to see if we are looking good and if the approved housing bodies are proving a good investment class for credit unions. The consultation paper issued in May and we started the conversation back in 2014, so it is there but it took a while and a lot of work by us and others to get that consultation paper. It looks like in the next three months, by the fourth quarter, it will hopefully be up and running and we will be open for business.

The other arms we had identified were the Department of Finance and its role in looking after credit unions on behalf of the Government, and the Department of Housing, Planning, Community and Local Government in the context of housing and social housing. The capital advance leasing facility, CALF, and the payment and availability, P&A, agreements came out.

We have worked with the Departments on the special purpose vehicle also since the Rebuilding Ireland report was issued one year ago, as Deputy Cowen said. During the past year we have lobbied and pushed hard in this regard. We met the then Minister, Deputy Coveney. Before that, we met the then Minister, Deputy Alan Kelly, and recently we met the Minister of State, Deputy Damien English, to push them on the commitment in the report for the special purpose vehicle. As we understand it, they are to provide some support. The Rebuilding Ireland report states that “Support will be provided from this [innovation] Fund to an Irish Council for Social Housing (ICSH) [approved housing bodies] sector-led new special purpose vehicle, involving investors, including the Credit Union movement”.

We have been meeting with the two Departments, as the second and third arms of the State in this context, and pushing hard since the end of 2014 and especially since the Rebuilding Ireland report was issued one year ago. The report contains a clear commitment and a clear sense of direction from the Government that it is going to make this special purpose vehicle, or sponsor it, for the approved housing body industry in order to create this fund. We have met PricewaterhouseCoopers, who they have engaged. The NTMA and the Ireland Strategic Investment Fund were also mentioned in the Rebuilding Ireland report as the other State agencies that could or would be asked to come in and help to administer the fund. Professional advisers, custodians and trustees, etc., must be employed by these funds to be compliant with their own regulations. All of those funds, and this one in particular, would be regulated by a funds division of the Central Bank, which is a different division from the credit union registry. It would be a regulated entity in its own right and would have to have professional advisers in the background.

Now that we seem to have the Central Bank door slightly ajar, or looking like it might be ajar later in the year, we will now have to increase our focus and push on to make sure the Departments come through for the approved housing bodies to have the fund so they can take in credit union and non-credit union money.

Deputy Eoin Ó Broin: With the payment and availability agreement being linked to a percentage of market rent, does this create an uncertainty? In Mr. Farrell’s view, would it be better if the way in which the payment and availability agreement was calculated was the pay-

ing down of the loan plus something additional for the maintenance of the property? Credit unions would then not be dependent on the fluctuations of the rental market for what that is set at. Should it be set to guarantee the loan being paid down plus some maintenance costs for the approved housing body? I know this has been an issue between the approved housing bodies and the Department of Housing, Planning, Community and Local Government. What is Mr. Farrell's view on this?

Mr. Ed Farrell: From a personal understanding of the property market in general, in a rising tide the market rent probably made perfect sense, but in a reducing tide one would want to have the rent bottom lined and with some maintenance built in. I presume that the 30% of CALF was some cushion and the two together stepped in as a bundle made good sense. Two years ago when rents were depleting, it probably had its own challenges. We would assess whatever model is there. When credit union money starts coming into the pipeline, we will have to get expertise to adjudicate if the model is as tight as can be, if it could be tighter, and, if modifications were to be made, the pros and cons as a bundle. As a model, it appears to be a good, secure model with the CALF, the P&A and the step in. We can consider tweaks and changes. We are always on one side or the other of a problem. Property is going up too fast now but three years' ago it was the opposite domain and one would be sorry to be in a market rent. Perhaps long-term investors or pension funds would take the long view, with some better years than others, but credit unions would like it steady as it goes. Knowing that one is getting 80% or 90% of the basic figure, not linked to a market might actually be more security for us and the extra bit comes as a bonus. At least we know we have the basics covered.

Chairman: I thank Mr. Farrell. As we have no further questions, can I thank our witnesses Mr. Malone and Mr. Farrell for attending this morning and for sharing the information with the committee? I thank the witnesses in the Public Gallery.

As our next session is not due to start until 12.30 p.m. I propose that we suspend the sitting until 12.20 p.m. Is that agreed? Agreed.

Sitting suspended at 12.05 p.m. and resumed at 12.25 p.m.

Finance for Social Housing: Housing Supply Alliance

Chairman: I welcome representatives from the Housing Supply Alliance, Mr. Cathal Callan, director of finance and corporate services, Clúid Housing; Mr. Kieron Brennan, chief executive officer of Co-operative Housing Ireland. I also welcome Mr. Patrick Coyle, development officer with Oaklee Housing, and Mr. Declan Dunne, CEO of Respond! Housing Association.

Before we begin, I draw the witnesses' attention to the fact that, by virtue of section 17(2) (l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to this committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they

should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

I invite Mr. Brennan to make his opening statement.

Mr. Kieron Brennan: On behalf of the members of the alliance, I thank the committee for inviting us to participate in its consideration of credit union finance for social housing provision. We are four housing bodies - Clúid, Co-Operative Housing Ireland, Oaklee Housing and Respond! - that co-operate on matters of housing supply. We are four of the larger approved housing bodies, AHBs, and collectively provide more than 12,500 homes for families across Ireland. Some 3,000 of these have been delivered in the years since 2010 or, in other words, since the end of 100% capital funding. We have a delivery pipeline of 6,000 new homes to be delivered over the remaining years of the Rebuilding Ireland plan and are potentially some of the largest customers for credit union investment. All of us are tier 3 AHBs, have experience in accessing private finance and have been certified for lending by the Housing Finance Agency.

The national housing action plan, Rebuilding Ireland, identifies AHBs as key delivery partners for social housing, recognising “their track record in terms of both housing provision and management”. This builds upon support for the sector in the Housing Policy Statement 2011 and Social Housing Strategy 2020, published in 2014. There is a clear and ongoing Government policy of support for AHBs playing a central role in social housing delivery.

Rebuilding Ireland sets out the key recommendation that 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”. Regarding credit unions, the proposed addition of investments in tier 3 AHBs as a permitted investment class is welcome to us as a potential additional source of finance as we seek to play our part in responding to pressing local housing need. It would assist in promoting credit unions to our members and tenants and would offer an opportunity to showcase the potential for local social investment by the movement.

For our organisations, credit unions play a key role in local communities in promoting sound money management, providing access to travel, education and home improvements, and tackling the challenges associated with moneylenders. The ongoing sustainability of the credit union movement is vital to us and the members and tenants whom we represent. We also see key additional benefits for credit unions themselves from the higher yields that may be possible compared with the current range of permitted classes of investment. It would also allow credit unions to invest in a highly visible way in the delivery of services of value to the local community and to strengthen their bonds with their members.

Liquidity and stability are obviously key issues for all financial services providers. As the Central Bank’s consultation paper notes, at the end of 2016, credit unions had assets of €16.1 billion, loans of €4.1 billion and investments of €11.4 billion. Given the range of permitted investments under the 2006 guidance note, it is clear that the movement as a whole has more than adequate levels of liquidity and is suffering from falling rates of investment income. We believe that diversification of the investment portfolio can be undertaken to provide for improved investment returns while sustaining adequate liquidity levels.

As a proposal that would support AHBs and credit unions, we welcome the consultation from the Central Bank on credit union finance for social housing. We have provided a collec-

tive response to that consultation and have circulated a copy of it to the committee. In it, we set out some of the key features of the funding arrangements for new AHB delivery through the capital advance leasing facility, CALF, and the payment and availability agreements. These and associated schemes can provide confidence to the Central Bank and credit unions about the robustness of social housing as an investment class. We are happy to provide more detail to committee members during our conversation.

The current consultation represents the culmination of many years of work by credit unions and housing providers in seeking to make the case for locally backed social housing delivery. The Housing Alliance would value the support of this committee in the context of the current consultation, both for the benefit of housing delivery and for the good of the credit union movement.

We thank the committee again for the opportunity to present to it and we are happy to answer whatever questions members might have.

Chairman: I thank Mr. Brennan. I might ask witnesses and members to check that their phones are switched off, as there is a little bit of interference on the microphones.

Deputy Eoin Ó Broin: I thank Mr. Brennan for his presentation. At the risk of us boring other committee members, some of us will probably repeat some of our comments from the start of the previous session so that the witnesses can know where each of us stands.

Sinn Féin supports the work being done by the witnesses' organisations and their efforts to access credit union and other sources of funding. As they will know, we argued for it at the Committee on Housing and Homelessness last year and have again argued for it in our submission to the Central Bank's consultation. We share the witnesses' frustration over the length of time it has taken this proposal to reach the point of the Central Bank considering it as a possibility. Some of the signals seem to be positive. We are conscious, particularly as constituency representatives who work with families that are homeless or at risk of homelessness, that if the decision by the powers that be had been taken two years ago when the credit unions first made their approach, thousands of families that are not housed currently would have been. That is an important point for everyone to acknowledge.

I will ask a couple of technical questions and I am interested in the witnesses' opinions on them. The payment and availability agreement has always been a complex issue to be negotiated by AHBs and the Department and local authorities. The current system uses a percentage of market rent as opposed to, for example, a calculation based on the cost of paying down the loan plus the AHBs' maintenance of the properties. Would the latter be a preferable model and provide more certainty or would the situation balance out between the swings and roundabouts and peaks and troughs of the rental market over 25 or 30 years?

In the witnesses' experience, do the payment and availability agreements cover their organisations' housing management maintenance and staffing costs?

Going by our discussion with the credit unions, the current arrangement is 30:70 between CALF payments and private financing. Is there an argument at this juncture for us to consider 100% loans so that there is no additional 30% requirement? Would that be advantageous or disadvantageous to AHBs? Does the 30% CALF payment benefit AHBs' overall financing and the structure of that or would 100% loans give them more flexibility? I would be interested in the witnesses' views.

A significant issue for the AHB sector is the capacity to deliver units. In its submission to the Central Bank, the Irish League of Credit Unions, ILCU, set out three funding schedules that in some sense depend on what the witnesses believe is their organisations' ability to deliver. If there was the type of funding that the ILCU and others are proposing, what do the witnesses believe their organisations could deliver above and beyond what is currently in their pipelines?

I am interested in the witnesses' thoughts on affordable housing. Traditionally, AHBs provided differential rent social housing. There is considerable demand for affordable renting and purchasing from middle-income families. Is that an area into which the sector could expand? What kind of funding could be provided and what are the witnesses's thoughts on that? My final question is for Mr. Coyle. The Irish League of Credit Union's submission to the Central Bank listed the tier 3 approved housing bodies on the basis of their stock in this jurisdiction. Oaklee obviously has a very significant amount of housing stock in the North of Ireland and people may not know that it is a much bigger housing association on this island than suggested by its 400 units here in the South and the information before the committee. The members of this committee might benefit from having a clearer sense of the organisation's profile, North and South.

Deputy Ruth Coppinger: I thank the witnesses for their presentations. Speaking for myself and for a number of other representatives across the Oireachtas, some of us have an issue with this proliferation of approved housing bodies. What is their purpose? They started out as the provision of specialised knowledge or connection between groups of people, be they the elderly or the disabled or similar. Alone, for example, was known to provide specialised knowledge in the area of older people. That now seems to be gone, however, and housing bodies are popping up all over the place without any areas of specialisation. I do not really see why approved housing bodies have the degree of involvement in housing that they do. They are now being encouraged, both by the Government and by local authority managers. This is probably for ideological reasons because the Government does not want the local councils to provide housing on the scale that they once did. There are many different reasons for this.

Sometimes there are certainly problems with council housing. People are sometimes put into large-scale areas with no transport facilities, for example. We have all seen that happen over the years. I was a councillor myself for 11 years. Fingal County Council, for example, does not seem to run any housing anymore and this is largely ceded instead to housing bodies. I know that Clúid is involved in an upcoming project, as is Respond! Why is this case?

There is a difficulty here for the tenant. Many people on the housing list do not realise that when they get a house from a housing body they are not in fact council tenants. The problem with this is that tenants do not have the same level of representation from councillors and public representatives to help them address problems. It was previously the case that when, for example, windows needed to be replaced, councillors would lobby council management to get the funds from the Government to do this. We do not have that facility with the approved housing bodies. There is probably a good reason for this, as the bodies are not sufficiently funded or resourced.

There is also the issue of rent. If people get into massive arrears for some reason, the councils have always been willing to sit down and work out a programme to deal with this.

Then there are issues like pyrite. I have found it very difficult to set up a meeting on the pyrite problem in the Parnell Estate in Mulhuddart. Respond! is in charge of that estate. If the council were running that estate, not only would the problem be fixed by now, but they would

also have sat down to have a meeting with public representatives like myself and with tenants. This has not happened. The approved housing bodies have to answer for that. People are contacting us as public representatives thinking that we can assist them but we cannot. The point I am raising is that we do not have the same ability to intervene with approved housing bodies when problems arise.

Another issue I have is a financial one. One of the reasons why approved housing bodies are being used more is the desperate search by the Government and like-minded parties to find off-balance sheet models and special purpose vehicles. So it is then, that local authorities are no longer to be provided with money. We have loads of money in this country and we could solve this housing problem. The funds are there. The Ireland Strategic Investment Fund has money to offer, interest free. In my view, this is a political decision. I am sure some people began their involvement with approved housing bodies because they wanted to get specialised housing. However, I do not see how it can be argued now that the latter remains the case. I do not think that approved housing bodies can solve the housing problem. They are being looked to far too much in that regard. They are being given local authority lands. I do not know the nature of the transactions with the councils or whether the approved housing bodies pay for the land involved. From what I see in my constituency, the approved housing bodies are being given all the council lands. They are also being given responsibility for running housing estates. From the point of view of public representatives, this is a major problem. I would like the witnesses to address these issues.

Senator Jennifer Murnane O'Connor: I agree with Deputy Coppinger in the context of her concerns. Like previous speakers, I was a councillor for years. As councillors, Clúid and Respond! were the main approved housing bodies with which we would have dealt, if on a smaller scale. All of a sudden, Co-operative Housing Ireland has entered the picture and on a bigger scale. I welcome the fact that we need to work with the credit union movement to provide houses because local authorities are not doing that. I think this is a Government call. We are getting to the stage that this is the way forward.

When one applies to Clúid or Respond!, one must apply to the local authority and the names are then submitted to the different agencies. On some of the application forms it states that one cannot go to any political parties or one cannot have representations from political figures. As a person who has worked in the area of local authority housing and who has made constant representations on behalf of people on the housing list, that is an issue. The major issue is that a tenant cannot purchase his or her house. I do not like that. The impact of approved housing bodies appears to be growing. In my constituency, Fruithill Manor was developed by Co-operative Housing Ireland in Graiguecullen, County Carlow. I was at the launch of this development of 67 houses, and we are waiting to get word in respect of four of these. I hope we will receive word this week. This body is different to what it was previously. Even though the names of those applying for houses go to the local authorities, it is different because everything goes through the approved housing body. I know that Co-operative Housing Ireland has managers who run some estates. I have no problem with that because I think it is good that everybody can participate.

The main issue I have relates to the fact that the approved housing bodies need to look at giving people the option to buy. This is a major concern. It is putting people off applying for some of these houses because they feel, given that they are younger, that they may not be able to buy their houses. Hopefully, however, things are going change and they want the option to buy at a later stage. They will never have that opportunity unless they hand back their keys

and seek either a local authority mortgage or to go on the local authority housing list. From my experience as a former councillor and as a Senator, I am of the view that there should be more co-operation with councillors because they work through the local authorities. I have had individuals to whom I could not give references because it is stated that people cannot obtain references from public representatives. I have been making representations for people for 18 years and I am concerned in that regard, particularly because we, as public representatives, ensure that we represent our communities and we recommend people who we believe would make good tenants.

I know that the approved housing bodies have been buying houses. Can I have an update on that? Numerous houses in my local authority area have been purchased. More houses have been bought by approved housing bodies than by the local authority. They are buying once-off houses. Originally, the approved housing bodies were supposed to cater for the needs of people with disabilities or those with special needs but that all seems to be changing.

I know we have a housing crisis. I acknowledge that it would be good if the credit unions worked with the approved housing bodies going forward. I think it would be good for the people who are looking for houses. However, in terms of the bigger picture, there needs to be an option for people to buy their houses and there must be increased co-operation with councillors, Senators, Deputies and local authorities. Perhaps the witnesses will revert to me on those points.

Deputy Fergus O'Dowd: This is a very important discussion. I agree with many of the points that have been made. I wish to raise a number of points as I have questions I need answered. I agree with Deputy Coppinger that one needs protocols in place between the housing agencies and elected representatives. I had a case where a constituent was being put out of his home as a result of significant difficulties by a housing agency. Notwithstanding the fact that he was in my office, that we rang the housing body and spoke to the person in charge and that he confirmed to the person in charge his consent to me speaking on his behalf, the person on the other end of the telephone refused to communicate with him or with me on the grounds that she did not have a written letter of consent from the individual who informed her that he was illiterate and could not write. That was the bull that person had to face. It was an absolute disgrace. However, it was dealt with and we got a different outcome when I protested to the chief executive of the body. It goes back to the point made by Deputy Coppinger that one needs proper protocols in place. Obviously there must be data protection but when a public representative rings a State body, as we do, with the named individual in the room with him or her and with the person's PPS number, cut the bullshit and get on with the job. We have to be able to represent people.

NAMA has 6,564 houses that it offered to local authorities around the country. Only 2,520 of the houses were taken up by the local authorities. In Dublin, 2,030 homes were offered to local authorities, of which 757 only were taken up, which left 1,273 homes in Dublin. Were any of the approved housing bodies present offered any of those homes and if so, did they take them up or if not, what was the reason for refusing them?

It seems to me there is a significant lacunae of activity in housing. The local authorities have turned a blind eye to the housing crisis. They were offered houses they did not take. I acknowledge the good work that Ministers are doing, there is no criticism implied or intended on this matter, but we need dynamic leadership reporting to the Minister who will cut across all this red tape and get action.

In County Louth, they conducted a survey of empty houses, including boarded-up houses and they have done it very successfully. Is there anybody who lives on any street in any town that does not see or know of a house that is boarded up or shops or houses that have been boarded up for years? We need a more dynamic approach from the housing bodies, from the State or from an agency that will deal with this. If Louth County Council can go after empty homes that are boarded up and put them back on the market with social housing clients for an average of approximately €100,000 per house, without the need for additional infrastructure, as water, sewage works and other services are laid on, why do we not pursue this? What are the approved housing bodies doing about it? It is a no-brainer. One does not need millions to do this job right. It can be done for approximately €100,000 per home. The local authority puts the compulsory purchase notice on the boarded-up house and within a couple of months, if that is not responded to, it goes in and does the job. I think the approved housing bodies should do that as well.

I brought a housing agency round my town. I showed them 30 to 40 empty dwellings, blocked up, locked up and nobody in them. I hope something will happen out of that. There is a lack of urgency in our Administration in respect of dealing with this issue. I do not mean to be lecturing. I accept and acknowledge the excellent work the bodies represented by the witnesses are doing but that sense of urgency is not there today. We need to inject that sense of urgency into those dealing with housing. We as public representatives need to be more active as well.

Were the approved housing bodies offered houses that they refused? Is it not a disgrace that nationwide, there are 4,000 homes that could but do not house families as social tenants? Such people may be paying exorbitant rents to vulture landlords. We missed a huge opportunity to deal with this matter. An opportunity exists now. If there are 165,000 empty homes in this country - there are at least 31,000 empty homes in Dublin - in the name of God, the housing bodies should get in there and deal with the matter. I urge the organisations to meet the Minister and the local authorities at county manager level. When that is done they should come back to us with a plan and we will push the initiative with our agencies and Ministers. The shame, disgrace and appalling situations that too many families face every day of the week cannot continue. They are living in extreme situations. Yesterday I read an article in a newspaper that highlighted the plight of a family who had to live in a tent located outside of a local authority building for three weeks.

Deputy Ruth Coppinger: That is not the fault of housing bodies.

Deputy Fergus O'Dowd: No. I am addressing the issue of housing. I will take no lectures about my views from anybody.

Deputy Ruth Coppinger: The Deputy might stay on topic.

Deputy Fergus O'Dowd: The family should be in a home. Regardless of whether one likes to hear it, we need to do more and be much more active. I feel strongly about this matter. I hope I get an opportunity to speak about this matter in the Dáil on Thursday. People who are not officeholders or leaders of other parties are allocated 12 minutes in which to speak. This agenda must be debated in this Oireachtas whether one likes it or not. Perhaps the Chairman wishes me to close me down.

Chairman: No.

Deputy Fergus O'Dowd: I will finish, if I may. The challenge for all of us is to stop human

rights being abused. We must act outside of our little boxes. We must go for it and do it. That is the challenge I set for the organisations. I do not know what reply I will get. Notwithstanding all of the good work that has been done by the organisations, they have not done and are not doing enough.

Chairman: The next speaker is Deputy Casey. We tend to be quite lenient on this committee. I remind members that today's topic for discussion is credit union finance for social housing. I have been lenient with members and I hope they will stick as close as possible to the topic.

Deputy Fergus O'Dowd: On a point of order, is that a specific reference to what I said?

Chairman: No, I mean in general. A number of speakers spoke before the Deputy.

Deputy Fergus O'Dowd: Let me be very clear. Everybody else has raised the same issues as me.

Chairman: That is what I said. I have been lenient with all members.

Deputy Fergus O'Dowd: I hope that the Chairman did not criticise me specifically.

Chairman: As I have said, I have been lenient with all members.

Deputy Fergus O'Dowd: Yes.

Chairman: The Deputy was the fourth speaker.

Deputy Fergus O'Dowd: I thank the Chairman for her leniency. The job of a Chairman is to allow members to speak.

Deputy Ruth Coppinger: Chairwoman. She is a woman, in case the Deputy did not notice.

Deputy Fergus O'Dowd: Chairperson or Chairwoman. I do not mind using any title. I do not want to offend anybody by not using the correct title. The job of this committee is to articulate our views. The job of any Chairperson, Chairwoman or Chairman is to facilitate that.

Chairman: I did not single out anybody, Deputy O'Dowd.

Deputy Fergus O'Dowd: I thank the Chairperson. I have made my point.

Chairman: I said that in general I am lenient with all committee members. I call Deputy Casey.

Deputy Pat Casey: I have a few brief questions and will commence by asking about finance and the application process. Can the organisations avail of different types or sources of funding? Have they experienced difficulties in accessing finance? Is there a criterion for approved housing bodies to categorise them as tier 3?

Earlier Deputy Coppinger and I mentioned the regulation and governance of approved housing bodies. In 2014, there were only 300 approved housing bodies yet there are 520 approved housing bodies at present. A new housing body has been created every week for the past three years. Are there proper regulation and governance structures for approved housing bodies?

Deputy Mattie McGrath: I apologise for being late. I welcome all of our guests here to-

day. I am sorry to have missed their presentations but I have read them.

I am a chairperson of a small housing body that has never been invited here or anywhere else. Deputy Casey mentioned the creation of housing bodies. I can assure him that many of the new housing bodies may be small but they have done a tremendous amount of work. My housing body has only 17 units but they are full and the tenants are happy. We built houses that were good value for money and we maintain them.

I wish to thank the person who originally set up Respond! The organisation has done wonderful work over the years. I am very interested in learning more about the funding model used by the Irish League of Credit Unions. How does the Central Bank view the practice? The Central Bank and the Minister for Finance viewed this matter in a different light, including that other forms of funding were taboo for credit unions.

I was a member of the Irish Council for Social Housing, ICSH, for a decade or more. One of the reasons I left the organisation was because of the incremental way the bigger groups took it over and knocked out the smaller volunteer groups. I mean no disrespect but the ICSH was influenced by the boom generated by the Celtic tiger. It went mad buying up property and could not buy enough land in places. Expectations were raised and this country was left with a savage housing crisis. The organisation got too big for its boots in many ways. I do not mean anything personal by that, but I saw this situation occur before my eyes. The ICSH was taken over. The smaller groups could never progress or become a member of boards because the larger ones held power. It became a symptom of the problem rather than a solution. The movement did great work over the years, especially Respond!, and before we ever heard of Clúid, Oaklee Housing and many of the other housing organisations. The organisation had managing directors, boards of directors and whatever. Different people dealt with communities and the organisation had elected members throughout the country on sites. Unfortunately, the organisation is part of the problem now that is bureaucracy. One cannot build the blooming houses.

I want to ask the same question that Deputy O'Dowd asked about the NAMA offer. My own local authority refused NAMA. The NAMA complement of property was not taken up for a plethora of reasons, and the vacant properties as well.

The ideals of the organisation were perfect but it got caught up in big business rather than looking after the needs of customers or clients. Some clients of housing associations must endure awful issues. In some cases, public representatives cannot act on their behalf, which is anathema to what I stand for. I have a foot in both camps because I chair a very successful voluntary housing group. It has a small number of houses but we stuck to what we wanted to do. All the other smaller groups, and Deputy Casey might have mentioned some of them, have done great work but remained small. The organisation has gone into big housing like the big developers and is left with huge platters of land and maybe lots of houses that are not properly maintained or finished. It acted like NAMA.

The county councils have completely lost their way. I do not know whether they will hand over their housing provision to the AHBs or anyone else. I do not know who is expected to deliver all of the houses that the county councils have aspired to provide. No houses have been built in Tipperary and the same applies up and down the country. There is just talk. What about the unfortunate people who must sleep rough or live in unsuitable houses? The number of houses that are locked up is a disgrace. Any time one turns on the radio one can hear Fr. Peter McVerry and others talk about houses that are boarded up. I do not know why the organisation present cannot tackle the problem. Leaving houses boarded up attracts anti-social behaviour.

I suggest that the organisation thinks about where it came from and what it originally set out to do. I suggest that it remain small and good at what it does because being all powerful has not proved successful in the building industry or in the voluntary association. I urge the organisation to show more respect for the voluntary associations. One or two of the voluntary associations may have grown too large, but volunteers took hold of them, which was necessary. Voluntary associations need a code of conduct but not because they are high and mighty. We can see why they have not been the answer because the houses have not been delivered. We need more volunteer groups but they need to be shown respect and given fair play.

Chairman: I thank Deputy McGrath. I ask Mr. Brennan to answer all of the questions and urge members not to interrupt him. Members can clarify their questions afterwards.

Mr. Kieron Brennan: I thank members for their questions. I will begin and then I will call on my colleagues to respond.

Some of the questions shared a common theme. Members inquired about the capacity and size of approved housing bodies, AHBs. Deputy Casey mentioned that there are over 500 AHBs. There are 30,000 housing units between them all. That sounds like a big number but it is only one tenth the size of the local authority stock.

Let us be honest. AHBs will not solve the housing crisis on their own. They do not have the scale to do so but are willing to play their part. One of the reasons we are sitting here is that we are determined to do so.

We must admit that our capacity is an issue. We plan to deliver 6,000 units. That is a growth level of 50% over the duration of the remainder of the housing plan, which I think we would all agree is considerable. We hope it will mean 6,000 families in new homes, something to which we should all aspire and which we should support. However, we would like to do a lot more. Everybody, including local authorities and approved housing bodies, AHBs, needs to be firing on all cylinders to sort this housing crisis. Although in the overall scheme of things we are not the major players, we can make a major contribution in our own right.

Within the Rebuilding Ireland plan and the social housing strategy issued prior to that, there are commitments to assist or develop the capacity of AHBs. Those commitments have not been acted upon in the proposals from Government, I am disappointed to say. I wish to draw the attention of the committee to this. The development of AHB capacity is a commitment that has not yet been acted upon. We have an issue with this.

Affordable housing is very much an issue for us and for society at large. While we at AHB and local authority level are providing social housing for those within the limits of the income threshold, there are a lot of people above that threshold who cannot provide for themselves in the private market and have no recourse. At least social housing tenants will end up on a scheme and may hopefully be catered for at some point. There is no scheme for those who are above the income threshold. There is a commitment in the various programmes issued over the past year that there will be an affordable scheme brought about. It has to happen in order to create a balanced and fair housing market. AHBs and particularly the four bodies before the committee today are very much open to playing their part. It requires a degree of subvention, however. By definition, we are talking about people who cannot wholly look after their own housing need. As a group, we have also made a submission to the Government as to how we would like to see the affordable option being brought forward. If we have time later we might discuss it.

In respect of NAMA, my own housing body, Co-operative Housing Ireland, has never refused an offer from it. We have accepted every offer it has made. We found NAMA good to work with and have done our best to deliver quickly on what it offers. If NAMA was to offer more, we would gladly consider it. This would generally be the experience of the AHBs before the committee today.

In terms of vacant units, unfortunately we cannot resort to compulsory purchase orders. It is the prerogative of the State-----

Deputy Fergus O'Dowd: Working with local authorities. I accept that.

Mr. Kieron Brennan: I accept that, absolutely. There is a whole raft of issues around vacant housing. A strategy is, I hope, to be announced shortly. One issue to which we must all have regard is economy of scale and the efficiencies involved in dealing with individual units. In some cases we must consider the advisability of dealing with individual units. By and large, the AHBs do not normally engage in the purchase of single units, except in cases of special need such as elderly or disabled people, refugees, migrants, tenant members and so on, and unless requested to do so by a local authority.

Deputy Fergus O'Dowd: With respect, some actually do. I appreciate that Mr. Brennan is giving his opinion.

Mr. Kieron Brennan: Usually that would be at the request of a particular local authority.

Deputy Fergus O'Dowd: So the approved housing body will not. That is fair enough.

Mr. Kieron Brennan: Senator Murnane O'Connor mentioned Fruithill, a large project which we announced a couple of weeks ago. The Senator was in attendance at the announcement; it was a great day. It is an interesting project in that it is mixed tenure - the holy grail of housing development. It contains a mixture of social and private housing. We put some youth services on the site as well. We have two local authorities, Laois and Carlow, nominating into that site. It is a great example of how we should be dealing with the housing crisis. That was a NAMA site and we were able to do it because we were dealing with a lease arrangement. In the absence of an affordable scheme, how could we go out and purchase stock to try to replicate it? We would need a scheme allowing us to purchase and put stuff on at market rate. It is difficult for AHBs or any players, including local authorities, to come up with those options. It might be facilitated through local authority or State lands being used for that purpose. The affordability piece could be offset against the value of the site, for example.

Senator Murnane O'Connor also mentioned tenant purchase. AHBs do not do that for a number of reasons. In our own case, it is a matter of belief and the reasons for which we were established. We want to provide social rental on an ongoing basis. One of the reasons we are in our current difficulties is that local authorities sold off a lot of their stock and are now short. We have less social housing available in this crisis than would have been the case had this not happened. That is just my view and the view of my organisation.

As a co-operative body, we support people into home ownership on a co-operative basis. For example, in Dún Laoghaire-Rathdown the local authority has provided a site and people have come together to form a co-operative. They are going about building units for their own benefit and, at the end of the process, the units will be in private ownership. The owners will have achieved this through a co-operative and affordable model. That is something that could be replicated on a wider basis.

I will pass some of the other issues raised to my colleagues. Mr. Cathal Callan might wish to address Deputy Ó Broin's questions about the payment and availability agreements and possible alternatives.

Mr. Cathal Callan: The first question was a comparison between cost rental and the current payment and availability structure. The second question was whether the payment and availability structure allows us to cover our costs. The current payment and availability structure is sort of structured on a cost rental basis anyway. It is set as a percentage of the market rent and is then measured against the asset we are buying and how much loan is required on it. What has moved is the amount of CALF that is available. There may be a situation in which no CALF is required and in that instance one would borrow 100% if one had a funder who was prepared to lend. Clúid has borrowed solely from the Housing Finance Agency, HFA, which will fund to 100% in that situation.

What is allowed by the Housing Agency when we put our assessment through is 3.5% above cost of funds. If we bring in a cost rental model, it will match the cost of funds to the amount of payment and availability required. We would also have to create a margin because the differential rent does not cover the day to day reactive maintenance, management of the property plus the planned programme. At the moment, the margin is around 3.5%, in return for which the housing associations are picking up the risk. A cost rental model would have to attach to a fixed loan over 25 years as there would have to be cost certainty whereby the cost of funds required would be set at the start and would stay the same for the full period. At the moment, if housing associations are not going to the market to fix the rate, they are bearing the risk of a variable rate over the full life of that loan. Comparing the two, what is in place at the moment is effectively a variant on the cost rental model. It has a slightly higher margin than one would expect of a pure cost rental model but that is because the housing associations bear the risk of the variability of the loan over the period.

Regarding risk mitigation in 100% loans, the key driver behind CALF when it was introduced up to a maximum of 30% was the fact that AHBs did not have adequate funding to put equity into the purchase of properties. If they did, they utilised their cash reserves very quickly. CALF was meant to create a situation whereby the risk that the funder - in our case, the HFA, external funders or credit unions - brought to the table was mitigated via the funder not taking the full risk on the loan. Those are probably the main drivers regarding the payment and availability agreements and the fixed loans.

To give some context to the question on funding pipelines, Clúid's pipeline is in the region of €350 million over the next three years, which will supply just short of 2,500 units. That is a considerable amount of debt to be taking on. It is being done within a framework of a regulator, which is now coming on line, and under which we are being more closely monitored and managed. Reference was made to an earlier statement. The professionalism within the sector is required because of the level of debt that we are taking on. Were we taking on that level of debt without the attendant professionalism in the sector, we would be running the risk of a larger AHB getting into problems or having difficulty accessing the funding because it is not adequately set up to do that.

Mr. Declan Dunne: I might answer a few of the questions, starting with the general points about the housing and homelessness crises. It is acknowledged everywhere that we are in a bad situation. There is no other way of looking at it. I often wonder how we can have a thriving economy if we do not have a functioning housing market. It is hitting many people in different ways. Constantly on my mind is the question of whether young people who are at the point of

family formation will stay in this country if they cannot access housing in some form or other. What is their future in Ireland? This issue affects people who are trying to access mortgages or social housing, but there is also a group in the middle who are seeking an intermediate solution because they qualify neither for social housing nor mortgages. There is a significant question to be addressed in that. For this reason there is a need for the State to consider some intermediate provision, be it called “affordable”, “cash rental” or whatever model is considered to be the right one.

As for the role of AHBs in all of this, I have been in my role since last August when I joined Respond! I come with an outsider’s view of AHBs and a strong feeling that there is room for improvement. In a voluntary role, I chair the network of all of the homeless organisations in the four counties of Dublin. Previously, I worked as the CEO of a specialist AHB, Sophia Housing, which deals with people with complex needs. I cannot get the situation that those people are in out of my bloodstream. I cannot forget the degree of need that people have. That is why we in Respond! try to deliver our part. Our AHB role is a small part, though, and we are not the solution for housing. Local authorities, the wider State and private provision have a role. If all of the organisations present improved our delivery three times over, it would be a small contribution. We should increase our delivery and make our contribution, but it is not going to sort out the problem.

With people’s needs in mind, the first thing that I did upon joining Respond! was to say that we needed to accept some responsibility for homelessness. We could not just sit pretty as a landlord taking in rent, able to do what we do and have 100 employees, a finance department and this and that department without accepting our responsibility for doing something about homelessness. For that reason, we have engaged in the provision of emergency accommodation. No one wants to do that and we should not have to provide emergency accommodation. It is crazy that we have to go down that route, but we absolutely have to because the delivery pipeline of all sorts of housing - private, social and any kind of affordable housing - is so slow that it will take us years to address it. We have to do it while also doing other things.

I would be with anyone who wants to challenge us, our arrogance, our efficiency, our effectiveness or whatever. It is appropriate that happens and I would welcome it. My colleagues feel the same way. We are at this meeting trying to determine how we can be held to account and demonstrate how we are regulated, how we operate and how we can be challenged to improve what we are doing, and whether it is possible for us to do more, be that through credit union money or whatever. That is our motivation.

In terms of representation from local authority members or Deputies, I would personally be comfortable with that. We are in a democracy and that is what we are supposed, and need, to do. I have a personal commitment to doing that. It happens. It is helpful to our role on the balance.

Deputy Ruth Coppinger: I know that we have to finish, but I wish to ask about the pyrite problem in housing owned by Respond! in Mulhuddart. In June 2016, I wrote to Respond! about this matter but have still not received a response. Will Mr. Dunne agree to hold a meeting with the affected residents to give a progress report? The Pyrite Resolution Board copied Respond! in on its letter.

Mr. Declan Dunne: I would be happy to do that. I joined Respond! in August, so I did not receive the Deputy’s letter. The situation has gone to the European court and the Supreme Court. It is looking positive in terms of an outcome. We accept our responsibility and will live

up to it.

Chairman: I thank Mr. Dunne. Deputy Ó Broin had a question for Mr. Coyle on North-South issues but, with the agreement of the committee, I wish to stick to the topic of credit union financing and how it can facilitate AHBs.

Mr. Patrick Coyle: Oaklee Housing was established in Dublin in 2000 and has 700 units under management. We have ambitions to provide a further 700 homes over the next three years. We are a member of the Choice Housing Ireland Group, which is primarily based in the North and has more than 10,000 units of housing under management. The benefit of us being a member of the group is that we have many professional resources, for example, stock management. Senator Murnane O'Connor asked how quickly repairs would be made. We conduct a regular stock condition survey. Many of our new technical resources have allowed us to maintain and respond to our tenants quickly.

Regarding Deputy O'Dowd's question on vacant homes, we are working with the Housing Agency to purchase properties that were vacant in County Louth as well as in Dublin and a number of other counties around the country. It is a time-consuming process because the houses must be brought up to a standard at which they can provide a suitable home. We must recognise that significant work is involved in doing that and in ensuring that what we provide is safe and secure.

In terms of the question on-----

Deputy Fergus O'Dowd: I do not disagree with Mr. Coyle, but it is working and the houses are occupied now whereas they were not a year ago. That is my point. I accept all of the issues that Mr. Coyle has properly raised and Oaklee Housing is doing an excellent job in County Louth, where it has transformed areas where houses had actually been burned out and left derelict. That is the future, but doing that work is faster than applying for planning permission and going through the construction phases when houses are sitting empty and boarded up and everything is in place except the families. Obviously, the organisations before us must do significant work on such units, but the average cost in County Louth is approximately €100,000 per home, which is far less than it takes to build a house. I acknowledge and welcome the work that the organisations are doing.

We all have good ideas and are doing excellent work. I take on board the strong point that was made, in that we need to manage the situation more aggressively in terms of achieving outcomes and cutting through the red tape. We need to plan it and do it. If a special unit is needed to look at the costs associated with individual loans, that should be facilitated. I accept that Mr. Coyle and his colleagues might not have the skills. This work needs to be done. When it is done, it works. Today, there are 50 families in houses that were boarded up a year ago. If this work were done in every county, thousands of homes would be occupied. No infrastructure needs to be built because the water, sewerage and electricity connections are already there. People are already living in these communities. This is an easy win. I thank the Chair for her indulgence.

Chairman: I will take a second round of questions in order that members can seek clarifications. We have 40 minutes left. I ask all present to stick to the topic we are discussing today, where possible.

Deputy Eoin Ó Broin: I thank the witnesses for their answers. I have a couple of follow-

up questions. How do the housing bodies envisage that the special purpose vehicle fund will emerge if the Central Bank and the Registry of Credit Unions consent to change the rules to allow credit unions to provide such funding? Do they envisage that funding from the HFA will form part of that fund, or will funding from the HFA be available separately as it currently is? Given that HFA funding is currently available, what is the additional advantage of having another source of funds? Somebody might rightly or wrongly point out that the housing bodies can seek to borrow from the HFA anyway. What is the added value of the credit union fund? That is my first question.

I would like to repeat a question that I put to the representatives of the credit union movement this morning. The housing bodies are in discussions with the Department, which is involved in discussions with the CSO and EUROSTAT about the possible redesignation of approved housing bodies as on-balance sheet State actors rather than non-State actors. How concerned are the housing bodies about that? What is their sense of where that is at the minute? If this redesignation happens, as it has already happened in the UK, it will create a particular difficulty for their operations and for the Government's plans.

Obviously, the housing bodies are involved in ongoing negotiations with the Department about the legislation, which we have yet to see. I am sure the bodies have more of an idea than we do of how it is shaping up. Are those discussions going well? Are there concerns about this process? Is there anything that the witnesses feel it would be appropriate to share with the committee about all of that at this stage?

I would like to say that my experience of approved housing bodies in my constituency has been quite different from that outlined by other members today. I want to acknowledge that difference. Co-operative Housing Ireland, which was formerly known as NABCO, has a significant number of units in Dublin Mid-West. Respond! has acquired units there more recently. Clúid also has a significant number of units. My experience has been very good. That does not mean there are no problems. We sometimes have difficulties with housing managers. My experience with housing bodies has been no better or no worse than my experience with local authorities. I have found that these relationships have been very productive. The units the housing bodies provide and manage are of a very good standard. I had quite a lot of experience with Oaklee when I was a councillor on Belfast City Council and my experience was the same. I do not suggest other members are wrong but it is important to acknowledge good engagement with housing bodies, good housing managers and well-managed approved housing bodies. My experience is that these bodies provide good-quality social housing in addition to the local authority housing that is there. The witnesses have clearly articulated today that this should continue to be the model. As long as it is, I will be very happy to support it and to see more of it.

Senator Jennifer Murnane O'Connor: The houses that the housing agencies provide to people, often after buying them in groups, are of an extremely high standard. That is not the question. I totally disagree with what has been said in one respect. This is the way forward from the Government's point of view. I hope the credit unions work on the tier 3 we are looking at because that is important. I still think people should have the option of buying after ten or 15 years in a house. I think it should be given to them. I would stand firm on that. The other issue I would like to raise is not a major one. I am concerned about the timescale of the delivery of the houses. I think that is crucial in one sense. When a housing estate is built, how quick is the delivery? I think that is crucial. As the witnesses are aware, we have had separate dealings with the different bodies. I asked a question about this but I did not get a reply. I welcome the once-off purchases that all the housing bodies are doing now. They are providing houses that

people need and that has to be welcomed. That is not even an issue here. I have never had an issue with the standard of any of the houses that have been provided by the housing bodies. They have an excellent standard in that sense. I hope the plans for the credit unions work as we go forward. It is crucial because we have a housing crisis. What is the timing? I find that the timing can sometimes be slow. Do the housing bodies have a regulation or rule that requires them to complete their work within a certain timeframe after they purchase a house or get a housing estate through NAMA? I know they have worked very well with NAMA. I compliment them on that. They have always taken on the houses. I know they have been working on this issue.

Overall, we have to be positive here today. There are some little things that people come to me about. It is a question of political representation. I will make sure to say this if anyone comes to me again. I had felt that this issue needed to be addressed. These are just concerns that I have. I think we are positive here. We need to get more housing. I think the housing bodies have good plans and ideas for the future. That is really welcome.

Mr. Kieron Brennan: I will make a contribution. I am sure some of my colleagues will do likewise. I will begin by answering Deputy Ó Broin's question about additionality in the context of the availability of HFA assistance. The HFA provides a pretty good product at a good rate. We have to allow for that. We would not be sure that it will necessarily be available into the future. In the interests of having a workable market, it is better to have more than one good supplier of a product - finance, in this case - in the market. I would welcome the possibility of credit union funding for all sorts of reasons. It is not just about the funds themselves. It would be a great example of social finance doing what it should do in a particular local area. It would be a huge win for local authorities, the State and ourselves. We can all combine to provide housing for people who badly need it.

It is clear that credit union finance would be off the balance sheet. We are off the balance sheet at the moment. It is possible that this will change because we are under assessment by the CSO and EUROSTAT in this context. We have been communicating with the various authorities involved. We have been making our case fairly strongly. The Irish Council for Social Housing is working hard on that. We hope we will remain off the balance sheet. When the AHBs in the UK ended up on the balance sheet, one of the issues was that the regulation was deemed to be so intrusive that it amounted to State control. I think that has been factored into the regulation Bill that has been mentioned and will be introduced this month.

The wider question of regulation arises in this context. The word "proliferation" was used by someone when speaking about the number of AHBs. There are approximately 500 AHBs. As Deputy Mattie McGrath mentioned earlier, the vast majority of them are small, locally based entities that were established through local initiative to deal with a particular problem in a village or community. Those who put AHBs in place, drew down funding and have continued to manage those bodies must be applauded. They will continue to operate in this way. Most of them do not have the ambition to expand to deal with the particular issue of the general housing crisis. Since those days, more recently it has become extremely difficult to establish a new AHB. I understand that no new AHB has been established since the rules were changed a number of years ago. Regulation has increased significantly, as the members of the committee will be aware. Like all developing AHBs, we must sign up to the code of conduct with the regulator. We are heavily regulated. When the new legislation comes in, it will put additional requirements on us.

As Deputy Casey mentioned earlier, tier 3 might be called the ultimate level of regulation. All of the housing bodies represented at this meeting are tier 3 AHBs, which are bodies that

have more than 300 units. All of us have significantly more than that. We are deemed to be suitable for increased regulatory attention because we are developing, borrowing and taking on judicial responsibilities. Cathal Callan has spoken of Clúid's level of borrowing - €350 million - going forward. If a lender is to lend into that situation, such as the credit unions may be, they would want to ensure that those entities are properly regulated and that the systems to which Mr. Callan referred are in place. We welcome the additional regulation that will result, on a statutory basis, hopefully after the enactment of the Bill to be introduced this year. All of this is good.

With regard to representation, in general, approved housing bodies do their best to respond to representatives, be they Deputies, councillors at local level or council officials when they raise issues with us. Yesterday I was invited to a local authority strategic policy committee. I sat down and answered all the questions and addressed all the issues that the committee members had to deal with. We would do this on an ongoing basis.

As Co-operative Housing Ireland, CHI, is a co-operative, our members own and control our organisation. The majority of our members, be they at local co-operative level or at national board level - which I report to - are tenant members of our houses. They are elected, they control us and they keep us accountable. We are pleased with this structure.

Reference was made to the responses.

Senator Jennifer Murnane O'Connor: It was the timing of responses.

Mr. Kieron Brennan: On the timing of responses, once we receive completed units we must first pay for them. As the repayments kick in straight away, it is in our interests to ensure the units are filled. In our case, and I believe it to also be the case with most approved housing bodies, all of the nominations for allocations that we would take come from the local authority. If we have units coming on board, we approach the local authority - which is aware because it would have given approvals and so on - and we let the local authority know that we have, for example, ten new units and that we need ten, or more, nominations. Some of the units may not be accepted by the people involved. We depend, to a degree, on local authorities in that respect but this process would always happen in co-operation with the local authority. By and large, much as we do not or cannot tolerate much in the way of voids or empty units among our stock, neither can we tolerate unfilled homes. For financial reasons we must fill them.

Mr. Cathal Callan: Going back to the added value issue, and Mr. Brennan has touched on it, all of those present here are actively looking for alternative finance to that from the Housing Finance Agency. The motivation behind this is to widen the portfolio of debt and where we get it from, but it is also because we realise there is a limit to how much we can borrow from the Housing Finance Agency in the long term. As I have said, our programme will require significant additional funding. This is why we welcome the potential to borrow from credit unions. When we looked at additional funding coming in to the sector we recognised the limitations within the commercial banks for long-term matched funding. We then looked at long-term investor funding, which is long-term commercial bank funding from outside Ireland. We would welcome the opportunity to have another source of funding that could match the time periods we need to borrow for, which are around 20 years, 25 years or 30 years.

The second question relates to the CSO. I have very serious concerns about the implications of any decision. I believe the implications within the United Kingdom were not as significant and were managed quite well. However, they pertained to the level of governance and not to

the financial or economic aspects. I do not believe we would have a problem with governance because, given the regulator is not on a statutory footing, there is not the same level of control in place. We will potentially have a problem around the funding streams that are coming through to us. I have been with Clúid for eight years. I came in when the capital loan subsidy scheme and capital assistance scheme funding stopped and it came as a juddering halt to the sector as to how we were going to move forward. It has taken a number of years for us to get to the point where we could borrow properly and where we knew what we were doing in relation to it. The regulator was put in place. My concern is that if there is a decision regarding the price and availability structure or the CALF structure that has implications in respect of the CSO decision, it could have the same juddering effect on the sector as had that cessation in funding. This could present major problems for this proposal in the context of credit unions accessing funds. There are also major problems about our long-term plan and delivery programme because it is all premised on accessing funding from the HFA or elsewhere. I am concerned about the decision, and it will not be reversed quickly. There may have to be changes and the changes that are put in place may cause problems for the funding stream. One is stepping somewhat into the unknown but I would estimate a two-year or three-year window to rectify it, if it is possible to do so.

The issue of tenant purchase was raised. There have been lots of discussions and Clúid has looked at running some form of tenant purchase. Our executive board has actively held discussions on whether we want to do it. Mr. Brennan spoke about retaining properties for social housing but there is another problem, which is that all our assets are encumbered and have a loan against them. Any tenant purchase system has to work on a significant discount basis and the discount for AHBs, for example, would have to be compensated somewhere. It is not that we will start crying because we are out of cash - we have a debt and have to repay that debt. Whether it is with the CLS or the debt finance units there is the same implication. Clúid would welcome a tenant purchase system if we understood the mechanisms behind it and how it would work. However, we also understand the risk and there are issues that need to be worked through.

Chairman: I thank Mr. Callan, Mr. Coyle, Mr. Dunne and Mr. Brennan for coming before us and for their ongoing engagement. The committee will resume consideration of this topic tomorrow morning with officials from the Department of Finance and the Central Bank.

The joint committee adjourned at 1.37 p.m. until 9.30 a.m. on Wednesday, 5 July 2017.