



THE SCOTTISH HOUSING REGULATOR

Heritable Securities including Securities for Private Finance Application for specific consent under Section 66 of the Housing (Scotland) Act 2001

This application should be completed for disposals involving the granting of a heritable security, including security for private finance.

For any references to Communities Scotland (or Scottish Homes) please read the Scottish Housing Regulator.

Section 1: General information on RSL

1. Name of RSL:		
2. RSL registration number:		
3. Correspondence address:		
4. Contact person:		
5. Contact telephone number:		
6. Constitution (<i>tick as appropriate</i>):	Industrial & Provident Society	
	Company Limited by Guarantee	
7. Does the RSL have charitable status?	Yes / No	

Section 2: Information on disposal

8. Address of social housing properties being disposed of (<i>please attach separate schedule if necessary, 2 copies of schedule should be submitted</i>):	
9. Address & type of non-social housing assets being disposed of:	
10. Value of properties to be disposed:	£
11. Basis of valuation:	
12. Date valuation was carried out:	
13. Name of valuer and qualification:	

Section 3: Loan arrangements (securities for private finance only)

14. Name of lender(s):		
15. Charge holder (if different from lender e.g. security trustee):		
16. Will the loan facility be used for on-lending?	Yes / No	
17. Is this a new loan facility?	Yes / No	
18. Is this an application for a revised consent?	Yes / No	
19. If yes, give original consent information:	Consent number:	
	Date of consent:	
20. Loan facility value:	£	
21. Drawdown value:	Current Drawdown:	£
	Cumulative drawdown:	£
22. Drawdown date:		
23. Redemption date:		
24. Are there any derivatives associated with this current drawdown?	Yes / No	
25. Current drawdown, fixed interest rate:	a) Value:	£
	b) Number of years fixed:	
	c) Interest rate:	%
26. Current drawdown, variable interest rate:	a) Value:	£
	b) Basis for variable interest rate:	
	c) Margin:	%
27. Repayment terms (<i>tick one box</i>):	a) Capital & interest:	
	b) Interest only:	<i>Until date:</i> (/ /)
	c) Other:	<i>Details:</i>
28. Costs: Paid up front <i>Or</i> Rolled up and paid over the period of the loan (<i>Circle as appropriate</i>)	a)Arrangement fee: <i>paid / rolled up</i>	£
	b)Non-utilisation fee:	%
	c)Other fees: <i>paid / rolled up</i>	£
	d)Breakage costs: <i>paid / rolled up</i>	£

Section 4: Form of security required for loan (*tick one box*)

29. Form of security: (<i>tick one box</i>)	Fixed	Floating (<i>companies only</i>)	Fixed and floating (<i>companies only</i>)
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Section 5: Certification

I, the undersigned, request consent to the disposal detailed above and certify that the disposal meets the following conditions:

1. The disposal is within the RSL's governing instrument and charity law where applicable.
2. The property is to be disposed of in such a way that there will be no failure to comply with the terms and conditions of the offer of any Housing Association Grant or other public funding.
3. The individual disposal or a policy covering this type of disposal has governing body authority and decisions have been properly minuted. Subject to the RSL's constitution, governing bodies may delegate authority to sub-committees or employees. In this event, governing bodies must: (i) consider whether employees or officers are suitably experienced before deciding on delegation; and (ii) explicitly set out the terms of the delegated authority (e.g. in a minute, policy or scheme of delegated authority). Governing bodies must not delegate authority for major disposals, for example refinancing or multiple disposals.
4. The disposal will be recorded in the RSL's Disposals Register. The register will be kept at the RSL's head office and be available for Communities Scotland's inspection at all times. Supporting papers for that disposal should also be easily accessible for inspection purposes and form part of a systematic filing system.
5. The disposal does not, in the opinion of the RSL's governing body, affect the RSL's ability to meet its financial obligations or breach the covenants contained in any loan agreements entered into with any of its lenders.

Additional conditions for securities for Private Finance only

6. The loan facility will be used by the RSL itself or, if on-lent, will be to an RSL within the same group or a non-RSL within the same group following Communities Scotland's approval of a specific business case. The funding agreement must specifically allow this. It must be in accordance with the RSL's constitution, be at arms length and at terms that can demonstrate no loss to the RSL. Where the RSL is a charity, the loan must be a "qualifying loan" in accordance with Inland Revenue rules.
7. If social housing properties are being charged and the loan being secured will be used in full, or in part, to finance non-social housing activities, the RSL should have received prior approval from Communities Scotland, following submission of a specific business case.
8. The loan must not be made by, and the disposal must not be made to, any person or business specified in Schedule 7 of the Housing (Scotland) Act 2001.
9. If the loan facility is raised by a multi-RSL vehicle (i.e. the legal entity that raises and on-lends finance for the group), each governing body, or delegated authority, has considered cross-default and other liabilities in respect of the other participating RSLs.
10. The governing body, or delegated authority, has considered the financial impact of obtaining the loan funding and of the associated loan servicing, repayment and covenant terms.

Signature of governing body member* or staff member with delegated authority	
Name of governing body member/staff member (block capitals)	
Designation	
Date	

* Signed either at a meeting of the governing body or when acting under properly delegated authority.

Witnessed by:

Signature of witness (governing body member or senior staff member)	
Name of witness (block capitals)	
Designation	
Date	

Notes on completion - application from S66 Con/HS

Section 1 – to be completed for all applications

1. The full name of the RSL should be entered.
2. Each RSL has been designated a unique 3 digit number by Communities Scotland (CS) and this is used to confirm that a social landlord is on the Scottish Register of Social Landlords. This number should be entered.
3. An address for correspondence should be entered.
4. The name of the person who should be contacted about the application should be entered.
5. A direct telephone number for the individual submitting the application should be entered.
6. RSLs can be constituted as Industrial & Provident Societies, or Companies Limited by Guarantee. Please tick as appropriate.
7. RSLs may have charitable status for tax purposes, as agreed with the Inland Revenue. Charitable RSLs will also become registered with OSCR, the Office for Scottish Charity Regulator. Please select Yes or No.

Section 2 – to be completed for all applications

Note – for applications that do not relate to private finance, a separate letter to outline and explain the reasons for the application should be submitted, with the completed application form.

8. The address of properties being disposed of should be entered. This may be the postal addresses, or the name of a development or developments. Where the list of properties is too long to enter on the application form, a separate list should be attached (**2 copies please**). One copy of this list will be returned to the RSL with the consent letter.
9. The address and type of property being disposed should be entered where non-social housing assets are being disposed of. For example, “RSL head office at 30 Westway Place” or “Community Centre at The Green” would be sufficient description. If a transfer is taking place and the properties make up the entire stock to be transferred, the form need refer only to the properties identified in the transfer agreement.
10. Before an RSL considers disposing of properties by granting a security, it is usual to have a valuation of the properties carried out. The value should be entered here.
 - i. The standard “basis of valuation” for social housing is known as “EUV-SH” or Existing Use Value, Social Housing. An alternative basis for non-social housing property may be “OMV” or Open Market Value”. The basis that the professional valuer uses must be entered here.
 - ii. For low-risk social housing lending, a small number of lenders use their own internal cashflow model. This will be an acceptable basis for granting security to a lender, as the lender has satisfied themselves that the value is sufficient to enable them to lend. The basis of valuation would be “Lender’s cashflow”.
 - iii. The value for new developments is generally determined by the HAG model and grant offer. Where this basis of valuation has been used and is acceptable by the lender, the basis of valuation for the application form would be “HAG offer”. The

valuation shown must be the same as the grant offer and a copy of the offer letter should be held on the RSL's file as supporting documentation.

11. The majority of valuations will be carried out by either members of RICS (the Royal Institution of Chartered Surveyors), or members of ASVA (the Association of Surveyors & Valuers Association). Two alternative valuation methods, where appropriate, are noted at 10 above.
12. Please enter the date of the valuation.
13. The name of the valuer should be shown as appropriate:
 - i. Firm of chartered surveyors & qualification; or
 - ii. Name of lender if their cashflow model used; or
 - iii. HAG offer

Section 3 – to be completed for securities for private finance only

14. It is usual to borrow money from one lender. However, there are instances when a syndicate or group will lend to an RSL. In these circumstances, the name of each lender should be noted, and it will also be necessary to indicate the breakdown of borrowing from each of the lenders. It may be necessary to provide this information separately.
15. When borrowing from a syndicate, it is usual to have a charge holder or security trustee. This is the body to whom the RSL is granting security over the assets it is disposing and this is the name that will be shown on the consent letter.
16. If the facility is to be used for on-lending, you must have the prior agreement of CS before submitting an application for S66 consent. You should submit, with your application, a copy of our letter confirming that the on-lending arrangement has been agreed as acceptable. Please select "Yes" or "No".
17. You would generally enter "Yes", if it is a new facility. However, there are circumstances when the answer will be "No". For example:
 - i. The RSL already has a loan facility in place, possibly a "global" loan facility and has drawn down the first tranche. It now wants to drawdown the second tranche. This would not be a new facility, but it would be a new drawdown on an existing facility.
 - ii. The RSL already has a loan or loan facility in place and has repaid some of the money borrowed. The RSL wants to borrow some additional money, the lender is willing to lend without additional security being required therefore an easy solution is to increase the facility.
18. If you answer "Yes" to question 17, the answer will be "No" and conversely, if you answer "No" to question 17, the answer will be "Yes". A revised consent is issued for two reasons:
 - i. The value of the cumulative loan drawdown is being increased therefore the previous consent needs to be revised to reflect this increase.
 - ii. Further disposals are taking place (security is being granted over additional assets) therefore the previous consent needs to be revised to reflect the additional disposals.
19. If you answer "Yes" to question 18, you should complete the Consent number and the Date of consent. We will update our records to archive the old consent number, and overwrite our record with the new consent number that will be issued.
20. RSLs may enter into a straightforward loan, for a single purpose, or they may enter into a larger facility, sometimes referred to as a global facility, for a number of purposes. The

loan facility value may be equal to the current drawdown value, or the loan facility may be greater than the current or proposed drawdown value.

The total value of the facility should be entered here, which will be the total of all of the tranches that can be drawn down, per the loan conditions, whether or not they are being drawn down now or at a later date or dates.

21. Consent will be given for the cumulative drawdown against the loan facility. You should enter the current drawdown value, and the cumulative drawdown value. Common scenarios will include:
- i. For a straightforward loan, the loan facility, current drawdown and cumulative drawdown will have the same value. A new consent will be granted.
 - ii. For a new global facility, the loan facility may have a higher value than the drawdown. If this is a new facility, the current drawdown and cumulative drawdown are likely to have the same value. A new consent will be granted.
 - iii. For an existing global facility, the loan facility may have a higher value than the drawdown. The current drawdown may be the second, third or final drawdown. If this is the final drawdown, the loan facility and cumulative drawdowns will have the same value. A revised consent will be granted for second and subsequent drawdowns.
 - iv. For “revolving facilities”, a separate application will be required. It is possible that two applications will be submitted together for (i) the first drawdown, and (ii) the revolving facility drawdown. A consent letter will be issued that covers both i.e. for the cumulative value of these drawdowns. (Note: the revolving facility may NOT be physically drawn down, however, if it is “secured”, consent must be given for the disposal of assets).
22. The drawdown date is the actual or estimated date that the funds will be drawn.
23. The redemption date is the actual or estimated date that the funds will be repaid.
24. Derivatives are instruments that are available to hedge risk and can be built into loan agreements. Forwards, futures, options and swaps are all types of hedging instruments and **collars & caps** are probably the most commonly recognised of these instruments. RSLs should select “Yes” if they have used derivatives in relation to their current drawdown.
25. A proportion, or all, of the current drawdown at Q21 may have been borrowed at a fixed interest rate. There are three pieces of information that should be recorded:
- a) Value – This may be the full value of the current drawdown, or a proportion of the current drawdown. If this value is a proportion only, the balance borrowed at a variable rate should be entered at Q26.
 - b) Number of years fixed – RSLs can enter into fixed rate borrowing for the duration of the loan, or for shorter periods. The number of years for which the rate has been fixed should be entered.
 - c) Interest rate – The fixed interest rate, expressed as a percentage (%), should be fully inclusive of any margin that the lender has applied.

26. A proportion, or all, of the current drawdown at Q21 may have been borrowed at a variable interest rate. There are three pieces of information that should be recorded:

- a) Value – This may be the full value of the current drawdown, or a proportion of the loan. If this value is a proportion only, the balance borrowed at a fixed rate should be entered at Q25.
- b) Basis for variable interest rate – examples of this would include:
 - i. Bank base rate (official minimum Clearing Bank lending rate, as announced by the Bank of England)
 - ii. LIBOR (London Interbank Offer Rate)
 - iii. 3-month LIBOR (a rate indexed to money market rate)
- c) Margin – The charge applied by the lender, on top of the basis for the variable interest rate, for example – loan give at “bank base rate” plus a “margin” of 0.3%. Note: 0.3% may also be expressed as 30 “basis points”.

27. RSLs may enter into arrangements to repay loans in a number of ways. The most common arrangement is to pay “capital & interest”, in regular instalments, perhaps quarterly, from the date of the drawdown. This would be similar to a repayment mortgage. Different arrangements are entered into with lenders when circumstances dictate that an alternative arrangement will be necessary. You should tick the box that matches your repayment arrangements, and give additional information as required:

- a) Capital & interest – the most common arrangement
- b) Interest only – please also note the date that you will commence repaying capital
- c) Other – please also give some details for example:
 - i. Balloon payment
 - ii. Bullet payment

28. Costs can be paid upfront, or in some instances, rolled up and paid over the period of the loan. You should select “paid” or “rolled up” for a), c) and d).

- a) Arrangement fee – banks & building societies will charge a fee for lending money. The fee may be a straight value, or it may be agreed as a percentage of the loan. You should record the actual cost, to the RSL at 28a.
- b) Non-utilisation fee – the use of “revolving facilities” are becoming more common and RSLs will be charged a percentage for the non-utilisation of the unused facility. These types of fees can sometimes be referred to as commitment fees and can also apply to loan facilities that are not “revolving facilities”. The percentage charge should be entered at 28b.
- c) Other fees – other fees may include:
 - Legal fees
 - Valuation fees
 - Advisor fees
 - Agent fees

⇒ The total of all of these fees should be entered at 28c.
A breakdown is not required.
- d) Breakage costs – penalty paid to existing lender for the early repayment of a loan, prior to maturity.

Section 4 – To be completed for securities for private finance only

29. We will give consent to Industrial & Provident Societies for “fixed” charges or standard securities to lenders. We will give consent to Companies limited by guarantee for “fixed” and/or “floating” charges to lenders.