

HOUSING FINANCE

NEWS & VIEWS

EDITION 13 | MAY 2021

Shared Ownership - more details published

On 1 April, the Government issued its response to the consultation confirming the new model will proceed with (1) a 10% initial share, (2) 1% annual staircasings for a minimum of 15 years, (3) 10 year free repair period (of up to £500 per year), and (4) Right to Shared Ownership.

The Government provided further details, including:

- Key Information Document requirement for prospective purchasers setting out responsibilities, processes and costs;
- Local Authority HPI valuations on an annual basis to aid 1% staircasing;
- Minimum 990 year lease term;
- Transitional arrangements for current planning applications although a written ministerial statement is awaited;
- Unsecured lending will be permitted; and
- Further details in relation to the Free Repair period including clarifying that wear and tear, deliberate disrepair and failure to carry out routine servicing will not be covered.

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The End of LIBOR

LIBOR publication will cease on 31 December 2021 – possibly sooner, if major banks cease to supply rates. No new LIBOR debt should have been issued after Q1, and the Bank of England's Sterling Working Group has reiterated that all legacy LIBOR loans should be transitioned to a risk-free-rate (probably SONIA) by the end of September.

There is work to be done – commercially, operationally and legally – to ensure a smooth transition:

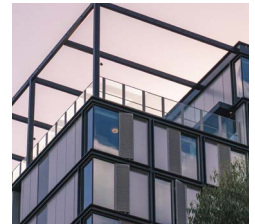
- **Commercially:** parties should be discussing transition parameters, in particular the credit adjustment spread for any existing LIBOR debt;
- **Operationally:** systems, and treasury teams, must be ready to calculate and apply backward-looking SONIA-based interest rates;
- **Legally:** legacy LIBOR loans need to be amended to adopt SONIA-interest rate calculations, to apply from either: (1) the amendment date; or (2) a pre-agreed trigger date (e.g. once LIBOR ceases to be published). Consider whether all finance documents should be aligned to the same methodologies and market conventions. The "rate switch" option may be useful for borrowers wanting to actively transition their loan book whilst leaving more time to prepare operationally. But both options will require amendment, and possibly a full restatement, of the underlying contract. Fallback provisions may well be unclear and will be impractical for any length of time. Redocumentation is needed.

Conversations need to be had, and decisions need to be made. The sooner this process is started, the better. We would be happy to assist.

Building Safety...an Update

Since the RICS Consultation recommendations were published on 8th March 2021 has there been any difference to valuations of flats with building safety issues? The guidance came into effect on April 5th, and was designed to restrict the use of EWS1 forms where possible, as lenders were routinely asking for EWS1 certificates if any cladding was present on any flat, regardless of height. The guidelines have been amended so that no flat that is in a block without either cladding or has vertically stacked balconies containing combustible material should be required to undertake an EWS1 assessment. In addition, all buildings of four storeys or fewer, even if they have cladding and balconies, will also be exempt, unless their cladding consists of any type of MCM (Metal Composite Material) or HPL (High Pressure Laminate) panels.

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Shared ownership reform: question over viability

Please [click here](#) to view our recently published report on Shared Ownership.



Upcoming Webinars:

The following seminars will take place online and are free to attend.

[Housing Finance Update](#)
23 June 2021

[ESG Panel Discussion](#)
8 July 2021

For more information and to register to attend our events, please visit [wslaw.co.uk/events](https://www.wslaw.co.uk/events)

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