



London Missional Housing Bond – FAQs

1. Who is issuing the Bond?

Mission Housing (MH) is a Housing Association and registered Industrial and Provident Society, with charitable status. MH is issuing the Bond to investors in the form of loanstock. They are doing this on behalf of three 'key partner' organisations – the Diocese of London, Centre for Theology and Community and the Eden Network – with whom they have signed a legal framework agreement. MH will hold the funds, buy the houses and manage the properties and tenants. The decisions about how the funds are to be used will be taken by the three key partner organisations together.

2. How long has Mission Housing been operating?

MH is a member of the National Housing Federation and the Evangelical Alliance. It has been operating for nearly 50 years across London and has experience of purchasing, managing and disposing of properties.

3. How large is the asset base of Mission Housing?

MH currently owns and manages over 40 flats and houses across London on behalf of a number of church workers, churches and Christian charities. Some of these properties are owned outright by MH and most are let at approximately 50% of a private Landlord's rent. Other properties are partly owned by MH via a shared ownership scheme with the church worker. In all, MH owns or has an interest in property to the value of over £5million. Sometimes all that is needed is a small amount of capital to complete on a purchase so a low cost housing loan is issued. Finally, for those who are renting from a private landlord, grant support on a monthly basis is offered, or a no interest loan, to pay the initial deposit required.

4. What expertise is there to look after the properties and protect Bond assets?

MH has experience of buying houses and managing them. Sometimes this is achieved with investments from a range of people. It has the financial expertise and experience to manage a Bond of this scale. The Chief Executive has a number of years of experience working in senior roles in the finance industry before taking up his post with MH.

5. Has a Bond such as this been offered before?

The approach that MH is using – the issuing of fixed term, fixed interest unsecured loanstock to investors – is not new and has been used by industrial and provident societies for years.

6. Can a Bond be issued to joint names or to a company?

Yes, provided the details of both applicants are known or the contact details for a person within the company concerned

7. How will it be determined where to buy a house and who for?

We hope to raise £2m of investment to allow us to purchase up to 4 separate residential properties in London. The partner organisations will jointly decide how to allocate the available funds. If the funding target is met then it is expected that each of the three key partner organisations will have at least one house each, for the benefit of their respective ministries.

8. What if there is insufficient money to be able to buy all of the intended properties?

All of the partners have worked together before and we will jointly agree an order of priority for purchasing properties, depending on Missional needs at the time. Other funding options would be considered at the time, including taking low interest loans.

9. Who will live in the properties and what rent will they pay?

When a property is purchased, the 'key partner' will decide who will be the tenants. Each partner organisation has agreed that the properties will only be used for Christian church workers engaged in local mission in deprived communities within London. The tenants will pay an affordable below-market rent. The precise level of rent may vary between properties but we expect it to be approximately 60% of the market rent, and we have also agreed a formal 'cap' on how much rent can be charged each year.

10. How is the cost of administering the Bond and looking after the houses being paid for?

The regular rental income from the tenants will provide both the funds to pay MH for its services in managing the properties, administering the Bond and the income from which investors are paid their interest. If there is a vacancy in a property the key partner, for whom the property was purchased, will underwrite the full rental expected on the property. The fees received by MH for these services are agreed with the other partners and will be reviewed annually.

11. How did you decide what interest rates to pay out on the Bond?

We have undertaken detailed and rigorous financial modelling and have calculated how we can cover costs of administering the Bond, managing the houses and how we can manage the various risks and uncertainties that affect any project. We are offering a modest interest rate because we are committed to letting out the properties at an affordable rent and because we wish to be prudent in the promises we make to investors.

12. What are the likely tax implications for me with interest from the Bond?

You will need to pay income tax on the interest you receive. MH will pay the net interest and pay HMRC the tax due.

13. Can I withdraw early from the Bond and have it repaid?

The Bonds are fixed term investments. In exceptional circumstances, we may consider early repayment at our discretion.

14. What happens if I die?

The Bond and any accrued interest will be repaid to your estate once written notification has been received from your executors or their legal representative.

15. If the Bank of England Base Rate increases quickly during the course of my Bond, will the interest rate be adjusted?

No, interest rates for the Bond are fixed.

16. How will all the Bonds be repaid?

We are issuing Bonds for 3 year and 5 year terms. Our experience of other similar investments is that some investors 'roll over' their investments rather than withdraw them when the Bond term expires. This, together with further planned Bond issues, means that we hope, and expect, to be able to retain the properties we purchase and extend this work to more properties. Investors wishing to withdraw their funds at the end of their Bond term would be repaid from new investment funds raised in advance. We will also maintain a reasonable level of liquidity so some investments will be held in the form of cash. If a lot of investors wanted to withdraw their funds, and it was not possible to raise new investments or debt at the time, we would sell the properties required to pay back investors. It is also possible that if a property is no longer required by the key partner it will be sold and the capital used to repay any Bond holders at the end of their term.

17. What is the guarantee that I will get my money back?

We fully expect to repay all investors the full amount of their investments, on time. However, with an unsecured loanstock issue of this nature, we are not able to offer a formal 100% guarantee that all funds will be repaid, which is why we encourage investors to consider their investment carefully. We do believe that this is a relatively low-risk investment and that investors can have confidence in this loanstock issue. We have worked hard to manage the various risks.

18. Are there plans for a rollover Bond?

If all goes well with raising the necessary funds from this Bond, we do expect to issue further Bonds in the future.

19. Is the Bond issue authorised by the FCA?

MH is registered with the FCA and have followed their guidance in determining how the Bond can be issued. Industrial and Provident Societies do not require FCA approval for such Bond issues.

20. Can I gift my Bond? If so, does it go to LMHB or Mission Housing or one of the other organisations involved?

Yes. The gift would be used to benefit the whole project, allowing further properties to be purchased. If the Bond holder is a tax payer Gift Aid can also be claimed on the donation, in which case the Bond capital would be repaid and the Bond holder would send an equivalent donation to MH either for its use or for LMHB purposes.

21. Will I receive information about the houses purchased and who is living in them?

There will also be news and stories of the tenants on the LMHB webpage that will be updated from time to time.