



OUR GREAT INTEREST RATE “SECRET”

[Community Finance \(Ireland\)](#), is a registered charity which provides investment in the form of loans, exclusively to other third sector organisations such as community groups, charities, sports clubs and social enterprises in the Republic of Ireland. It is a subsidiary of the voluntary led, [Ulster Community Investment Trust Group](#).

It is also at the forefront of providing practical support to such organisations when it comes to finance; be that accessing it, managing it or minimising the cost of it - (e.g. “[Charity Investor highlights Risks to Clubs of Bridging Community Grants](#)”)



Figure 1: Community Finance Investee - [Dunbrody Famine Ship](#) and Visitor Centre, New Ross

Within the third sector there are invariably finite resources. Cost controls are paramount for such organisations to both become and, remain sustainable. Loan Interest which accrues on financial debt can be one of such cost. Within organisations, all income and cost lines tend to be (*or at least should be!*) examined periodically to identify savings and, if possible, implement measures to minimise cost.

From our experience over the past 20 years of investing in Communities, a consistent primary concern of prospective clients undertaking borrowing, is **Price**.

With this in mind, Community Finance (Ireland), has established within its product range, an interest rate that helps **protect its borrowers against interest rate fluctuations**.



Figure 2: Community Finance Investee - Drogheda Special Olympics

Community Finance (Ireland) does not charge Arrangement Fees...But what about The Interest Rate?

Typically, in today's market, a lender will offer:

- a **Variable Rate** (where rates fluctuate up and down, normally in line with the cost of funds to the lender)
- or a **Fixed Rate** (where the lender guarantees to maintain rates for a set period of time, regardless of its cost of borrowing, though penalising the borrower if they try to redeem/pay off part or all of the loan ahead of schedule)

At Community Finance (Ireland) our Variable Rate incorporates an **Interest Rate Cap**.

That is, **we agree not to move your rate**, irrespective of whether the European Central Bank (ECB) rate increases, **within a certain range** (*typically up to 3 percentage points*).

Borrower's availing of this product **will not be penalised for paying off their debt ahead of schedule**.



Figure 3: European Central Bank (Source - Irish Times)

At Community Finance (Ireland) however, we provide an **Interest Rate Cap** (up to 3%) **at no extra cost**, meaning that **our borrowers' rate won't change until the ECB rate moves more than 3%**.

When the ECB cut its core rate in the downturn, it did so typically in $\frac{1}{4}\%$ terms, or 0.25% meaning if it tracked upwards at a similar rate of change, clients of [Community Finance \(Ireland\)](#) would see no change in their repayments for up to 10 changes in the ECB's core Interest Rate.

This gives certainty to a sector where resources are limited!

Removing a specific variable in the project, at no additional cost to the organisation, allows progress, demonstrating Community Finance (Ireland's) commitment and knowledge of the third sector. We tailor our product to meet the desires of the target market, while the alternative involves the additional cost of a fixed rate borrowing, purchasing an Interest Rate Cap/Collar, or remaining completely exposed to substantial rate increases.



Figure 4: Community Finance Investee - Cairn International Trade Centre, Kiltimagh

For more information on Community Finance (Ireland), visit www.communityfinance.ie

Community Finance (Ireland) – Financing Social Enterprise