

# Mortgagee Protection Clause - amended GLA version

Finance

Treasury

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(Updated July 2023)

In 2019, the Greater London Authority (GLA) issued a version of the model mortgagee protection clause, which had been revised following discussions with housing associations and sector specialists.

The Property Finance Working Group produced a [standard mortgagee protection clause](#) in 2016. The clause was designed to achieve Market Value – Subject to Tenancy (MVT) funding value against borrowings (subject to usual property due diligence).

In 2018, it came to the attention of the Group that the GLA had a bespoke 'template clause' which was being used by some London local authorities. The Group recognised that if this clause was incorporated into a Section 106 agreement or other legal document, it would be ineffective for housing associations in securing an MVT funding valuation.

With the support of the G15 group of housing associations, the Group discussed this with the GLA due to the detrimental impact on values it would have, as only an Existing Use Value – Social Housing (EUV-SH) funding value could be supported where it was used.

The Group negotiated a revised GLA template mortgagee protection clause, which facilitates an MVT funding value and enables housing associations to build more new homes through making best use of their assets.

The GLA also issued a [practice note](#), which sets out the circumstances under which it uses this clause. The GLA:

- Uses its revised template clause within Section 106 agreements for development proposals where the Mayor of London becomes the Local Planning Authority following 'call-in' of the application.
- Promotes the revised clause's use for other schemes that are referable to the Mayor under the Mayor of London Order 2008, and non-referable applications, subject to the criteria referred to in the practice note.
- Applies its revised template clause where a housing association seeks a variation to an existing agreement that the Mayor is party to.

### What does this mean for the standard clause?

The standard clause is still the recommended clause to use, and remains widely used in the sector, supporting the need for consistency.

The NHF and the Property Finance Working Group recommend its use as a minimum standard to be adopted in any Section 106 agreement or other legal document. It is accepted by key stakeholders in the sector and should not be changed.

The use of the GLA's revised template clause is limited to GLA development sites, but in the knowledge that it still supports an increase in the level of finance that can be secured against Section 106 properties. This in turn expands the amount of affordable homes delivered in London.

Notes: The Property Finance Working Group comprises sector experienced lawyers and valuers: Addleshaw Goddard, Allen & Overy, Clarke Willmott, Clifford Chance, Devonshires, JLL, Savills, Trowers & Hamlins, Winckworth Sherwood & Wright Hassall, and is chaired by the Corporate Council at A2 Dominion Housing Group. It was formerly referred to as the Securitisation Working Group.

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