HOMING IN ON HOUSING

SWAPPING A CITY BANKING CULTURE FOR A NOT-FOR-PROFIT ORGANISATION IS A MOVE **PIERS WILLIAMSON** OF THE HOUSING FINANCE CORPORATION DEFINITELY DOES NOT REGRET.

Career progression

1982-89	NatWest International
1989-92	Assistant Group Treasurer, Mortgage Funding Corporation
1992-00	Treasurer, HFC Bank
2000-02	Director of Corporate Finance, HFC Bank
June 2002	Deputy Chief Executive, The Housing Finance Corporation
October 2002	Chief Executive, The Housing Finance Corporation

The not-for-profit (NFP) sector is not suited to everyone. The culture and atmosphere are invariably different from the commercial sector and adjusting from one to the other can be difficult. However, the rewards of working for an NFP organisation can be considerable, as Piers Williamson discovered when he moved from a long-standing and varied career in banking to The Housing Finance Corporation (THFC), a specialist NFP organisation that grants loans to registered social landlords.

"If I walk through parts of London I can see the result of what THFC does every day," he says. "There is a danger that you can get removed from reality if you work in finance and I've found that this is an excellent way of getting back in touch."

HOUSING BENEFITS. Registered social landlords, such as housing associations, provide affordable housing to tenants across the UK. THFC acts as an aggregating financial intermediary in that process, diversifying risk for those who make funds available to it, and reducing the cost and standardising the loan terms for registered social landlords which borrow from it. THFC itself raises money in the UK bond markets and from banks. It currently has £1.8bn of loans, including £0.6bn of third party loans under management. It is a complex and growing organisation in a fast-expanding sector. "About 25% of the housing market in the UK is social housing and the funding requirement is increasing by £2bn-£3bn a year," says Williamson.

When Williamson joined THFC in 2002 as Deputy Chief Executive, it marked a directional change in an eventful 20-year career in the commercial financial markets.

He began his working life as a graduate trainee at NatWest International in the City of London. He describes the programme as "an all-singing, all-dancing training regime", which saw him move from department to department, gaining a series of invaluable tasters of life in different areas of banking – from financial futures to Third World debt restructuring.

"I saw things like the government bailout of ICL, the Heron Group and Robert Maxwell – he used to come into the NatWest tower regularly," he remembers. Williamson was eventually moved onto a fast-track management tier and spent a year as a personal assistant (PA) – or a 'personal appendage', as they were known at NatWest – at the time of the Blue Arrow collapse. "I eventually ended up in the financial structuring group, but my time as a PA showed me that if you stuck to your knitting at the bank, you could see exactly where you would be in 20 years' time. So I made up my mind to leave."

TAKING THE TREASURY ROUTE. It was a time when the treasury profession was beginning to evolve, while the banking sector seemed overloaded with young professionals. "Most treasurers had come from accountancy, but a few had started off in banking," says Williamson. "It was apparent to me that life was much more interesting on the other side of the desk. It's better being the decision-maker rather than just one of so many bankers."

Treasury seemed like an attractive route and so Williamson joined Kleinwort Benson, which was running a securitisation vehicle for residential mortgages. "There was a big trend towards disassembling different product processes at that time," he says. "It was a curious place to be because I was a bank employee but, to all intents and purposes, an assistant treasurer of a debt-intensive corporate. We had relationships with about 70 different banks and it was the first time I had had a wide exposure to financing and interest rate risk management across the City."

He had, though, joined the company at the end of the 1980's housing boom. "It was the start of the collapse of the residential housing market, which was my first taste of the school of hard knocks. I'd made it to the other side of the fence but found that there were parts of the economic cycle during which the banks did have a greater say in the running of the business. The credit insurers had ended up with a £4bn or so liability from the residential mortgage market and they didn't like it one bit," explains Williamson.

He stayed at Kleinwort Benson for three years: "I enjoyed it, but there were times when it was enormously stressful because we were trying to get securitisations done often in the face of a credit enhancer who didn't want to play ball. It had its moments."

In 1993, the opportunity arose to become treasurer of HFC Bank, principally to set up a securitisation programme, at a time when the organisation had hit a low. Williamson says: "I joined right at the bottom of the business cycle for consumer banking and HFC Bank had got itself into a mess after it relaxed its lending standards in 1990." At the point he joined the bank most of the underlying causes of its difficulties had been tackled, but there was still what Williamson calls "an amber flashing light" over the bank, as far as the regulators were concerned. Still, he barely considered turning the offer down: "You don't say no when you are offered the post of bank treasurer at 32, but I also think that when a company has been in difficulty is often the best time to join."

CREDIT WHERE CREDIT'S DUE. The first task for HFC Bank was to restore the City's confidence in its brand and Williamson also set about diversifying its sources of liquidity. Within six months, HFC Bank took a risk when it won a mandate to launch the GM credit card in the UK, the first major UK launch of a credit card since Barclaycard in the 1960s. "At the time we didn't know if it would work and we didn't have significant experience of running a credit card business. But we got through the accreditation process in 123 days from scratch, mainly because there were people at the bank with extremely good project management skills," he says. The card was a success, notching up almost 700,000 customers.

The credit card launch opened up an entire new area for HFC Bank's treasury team, as Williamson explains: "We launched an SEC-registered vehicle and issued three or four public US-style bonds, which generally had US mutuals as investors. It gave me an exposure to the US public debt market, which was an enormous eye-opener in terms of relative liquidity."

While Williamson was with HFC Bank, it grew from about £750m managed assets to £5.5bn – funding that was raised through the treasury function. There was also the added complication that the bank had a US parent. "There were a lot of restrictions we had to work around, so we effectively took a UK legal and tax model and provided it with the relevant bells and whistles that would ensure it complied with US GAAP," he says.

In 1998, HFC Bank took a step further and acquired Beneficial Bank, which required a private Act of Parliament for approval. "That was interesting, going through a merger process that is subject to the vagaries of politics at any point," he says. Steadily, Williamson's remit at the bank was widening and his role began to move away from treasury. He explains: "I was getting involved in wider business issues, such as pricing policy for parts of the business."

He was also keen to avoid a "dead men's shoes" situation within his department: "I had a very good number two in the function who was ready to be the bank's treasurer. Treasury can be a very specialised career path and I didn't want to be a finance director – coming from a banking background I enjoyed the deal-making side of treasury, the technical side of the relationships you build with the City." His answer was to "create a job" for himself as Director of Corporate Finance. "I ended up doing a lot of work in Europe, including setting up a bank in Hungary and in Poland. We had to set up institutions from scratch because the prices being paid for businesses were significant multiples, even there," he says.

MOVING INTO THE DRIVING SEAT. Another downturn in the business cycle – and, he admits, his 40th birthday – persuaded Williamson the time was right to leave HFC Bank. "The mergers in the City meant there were more capable people chasing fewer openings for bank treasurers, so it was time to be truthful. I'd left my treasury comfort zone, so I sat down and really thought about my marketable skills and what I wanted to do," he says.

The answer came from former Association of Corporate Treasurers (ACT) Director General David Creed, who was executive chairman of THFC. The organisation was looking for a chief executive who could "develop and implement THFC's strategy for reinforcing its leading position as an issuer of asset backed securities funding housing associations".

Williamson says: "The brief was a combination of bringing in securitisation skills and building an appropriately skilled team." By his own admission, THFC had fallen behind to some extent in the mortgage market. "A lot of mortgage banks had put out more aggressive finance terms, which meant that THFC had got a little left behind. It had to get introspective and think about whether it was positioned correctly. We are effectively injecting specialist skills into a business that has stood still for 18 months," says Williamson.

The demand for treasury skills in the sector is, in general, extremely high. "The top housing associations are large businesses in their own right, but are fundamentally debt-driven animals, and there is a huge demand for debt management, liquidity management and interest rate risk skills," he says.

If the working atmosphere is different from his previous working life – "it's interesting being in a small business and realising that something has to be done and you have to do it yourself" – Williamson has become passionate about the social housing sector. "It is getting to the stage where if you earn less than £40,000 you can't afford to live in London. We have an ageing population and a growing number of over 40s, divorced people. The demand for smaller properties is growing and there is a mismatch between availability in the south and the north of the country," he says. THFC is exploring new options, such as raising Islamic mortgages, as part of its new strategy, and will go forward with the help of a finely tuned, professional treasury function. "You can't afford to be a romantic," says Williamson. "I'm definitely a pragmatist."

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