

OBJECTIVE AND METHODOLOGY

The Economic Development Corporation of Sarasota County (EDC), on behalf of the Workforce Housing Sub Group, is interested in learning about best practices to develop an Employer Assistance Housing Programs Database.

The stated goal is "...to have a database that catalogues these programs for our businesses to be able to access to assist workforce housing challenges their employees are experiencing".

Market Insight was commissioned to research the topic by using secondary and primary data. The secondary research was conducted to obtain information about best practices and a listing of municipalities, counties, states, organizations, etc. that are participating in or administering these types of programs. This included attending the Workshop Housing Think Tank, held in Tampa on October 28, 2005. Specialists in the field of workforce housing presented in a panel format and area business and civic leaders were present and participated in the day-long discussion.

The primary research included telephone interviews with more than 35 representatives of local, county and state government, as well as private sector and non-profit organizations to address the issues outlined in the template shown below:

- Program Description and Source (FannieMae, etc.)
- Benefit Type/Amount (grant/match/loan, etc.)
- Geographic Location
- Eligibility Requirements (income, etc.)
- Type and Scope of Administration Required
- How to Get Started

The research, which is presented in the following sections, was conducted from October 5 - November 15, 2005.

Please note that the information that follows is a combination of primary and secondary research. The latter was obtained by a review of previously published materials, promotional brochures and Internet websites. As is the case with all secondary research, it includes only that which was chosen to be made available to the public. It should not be considered a random sample or representative of employers in general, either geographically or across industry segments.

In many cases the secondary research citing employers' EAH efforts are reported by others rather than directly from participating companies, resulting in less than complete program details.

In particular, the secondary research included several universities, hospitals and governmental entities and fewer private-sector programs. Some research has indicated that employer assisted housing is extremely important to these large, institutional entities due to their “land-locked” nature, that is, tied to their location and not able to relocate. In addition, it may be that private-sector employers have little incentive to report their own efforts to the general public for business reasons. However, numerous telephone interviews were conducted with private sector as well as the administrative representatives of these programs to include their experiences and best practices.

Appendix I contain a listing of articles, press releases and websites that were reviewed and may be an additional resource for employers.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Employer-Assisted Housing (EAH) may be distinguished from affordable housing based primarily on the individual's or employee's earned income level, and that the employer finances or assists in some way with the purchase or rental of housing. Most programs consider an employee eligible for workforce housing if their income is 65% to 120% of the area's median annual income. In some programs employees would be considered eligible if their income is 50% of the median while other programs require an 80% threshold.

Nearly 12% of employers nationally offer a housing benefit, according to a 2003 study conducted by the Society for Human Resource Management. They reported that it was up 7% from the previous year. All indications are that the percentage will continue to increase. A program that was originally intended only for low-income households in Maryland has now been adapted to employer-assisted housing due to the steady increase in home prices.

Among participating employers in EAH programs there seemed to be a consensus that offering this benefit to employees can directly or indirectly affect their bottom line because it improves recruitment and retention and thereby reduces training efforts. Training dollars account for 50% to 150% of an employee's annual salary according to one finding.

The data revealed that the belief that EAH programs provide a ROI (Return on Investment) traverses type of employer and is relevant in industries with high turnover, healthcare being one example, and hospitality, which experiences competition for workers. School districts were cited as an example of low-wage employers and coupled with high-cost communities the need for a housing benefit is great. Universities, which are typically "land-locked" and often engaged in community development activities, are another example of employers offering this type of benefit.

To the employees who receive the housing benefit, which is most often coupled with credit/financial counseling, a more stable household may result. These employees are typically less likely to relocate geographically due to homeownership. Productivity increases while tardiness, absenteeism and stress decrease as a result of moving closer to the place of work. There may be a greater sense of loyalty to the company, even if the employee does not personally take advantage of the program. The employer may become the preferred place of employment.

The community overall benefits as relations between the various sectors, public and private work toward a common goal; and neighborhoods are redeveloped.

The lending institutions also may benefit as a result of working with people who have received some financial/homeownership education and often times have their mortgages backed by their employer so that fewer loans default. In many cases the administrative partner assists in the preparation of all documents, etc. resulting in less staff time needed at the lending institution.

The main component of these programs is a partnership created between the employers and the funding source (i.e., FannieMae, banks, credit unions, etc.), and typically a non-profit or community organization that offers marketing, program oversight and financial/credit counseling. All of the programs that were researched for this project included these relationships.

An example of a smaller scale employer-assisted housing initiative is evidenced in a town of 700 people in Minnesota in which eleven businesses contributed \$32,000 in cooperation with the Economic Development Authority (EDA). They converted the city's old school building into affordable housing in 1999. The \$32,000 was in the form of grant funds for the eight-unit rental housing development. The dollars were matched by a state-wide program that provided a \$30,000, 0-percent deferred loan. This is, of course, an example of supply-side assistance for which there is also a great deal of data, but the community and employer partnership that was created assisted employees with their housing needs.

Seldom, either in large or small companies, is the administrative, marketing or implementation handled internally. The responsibility is managed either through a division of the local economic development council or chamber of commerce or planning department. Some state agencies have assumed the role and in Maryland the function is the responsibility of the Community Development Association of the Maryland Department of Housing and Community Development.

There are a number of initiatives available to employers to provide a housing benefit. This research focused only on the demand-side compared to increasing the supply of affordable housing in the community and found that down payment and closing cost assistance are among the most frequently used.

The options that employers most often select as vehicles to provide the housing assistance include a grant of the money or a forgivable loan, (usually the entire loan is forgiven at a specified rate and length of employment). Other options include a deferred or repayable loan, which is a low interest rate or even 0% and repayment is deferred for 30 years or until the employee sells the home or repays the first mortgage. A matched savings is another option and it usually includes a payroll deduction that is then matched by the employer. Individual Development Accounts, which originated for low-income assistance and are now a part of the Earned Income Tax Credit of the IRS may be used for housing, higher education, or to start a business. This vehicle is currently not in widespread use.

It is recommended that employers seek accounting and tax advice prior to selecting a method of housing assistance since there are numerous ramifications both to the employer and the employees. For example, if employers contribute funds to a down payment assistance pool available to their employees and others in the community, the funds may be treated as a charitable contribution rather than as income to the employees. This may present a tax advantage to both employers and employees. Similarly, a mortgage buy down option may be more advantageous to employees and not considered income since cash is not transferred directly to them.

The most commonly used EAH program is in the form of down payment or closing cost assistance, according to the programs researched. The dollar amounts typically range from \$5,000 to \$6,000 over a five year period in the form of a grant or forgivable loan.

The data also showed that the eligibility requirement is primarily based on earned income that is less than 120% of the median income for the area, and that the employee works full-time and has been with the company at least six months. A main component of many EAH programs requires employees to take an approved homebuyer-training course. Tyson Foods has relied primarily on financial literacy or homeownership counseling to fulfill this requirement.

The administration of the program is provided by non-profit or government entities responsible for the marketing of the program to employees (flyers in pay envelopes, etc.), administering the program and counseling employees. According to an EAH Specialist at Select Milwaukee, "...the most valuable service is pre-purchase guidance...good decisions that people could make that they aren't even aware of...needs an objective person...before the offer [on the home] is made". These third parties often search out the best loan programs available through local lending institutions or obtain concessions and then steer employees to them. Some employers who cannot afford the cash grant or loan subscribe to these services for the home purchase guidance and financial education provided to their employees.

The source of funding is typically area lenders, in the programs reviewed. In many instances the lending institutions granted concessions to employees in the EAH program as did realtors, home inspectors, etc. Some programs receive funding from local, regional or state governments and some also provide tax credits to employers. FannieMae has worked with approximately 750 employers nationwide and has a portfolio of loans appropriate for employees ranging from those with poor credit history to a flexible plan geared for teachers, police, firefighters and health care workers. Please refer to Appendix IV to review qualifications for this type of product.

RECOMMENDATIONS

Best practices have been identified and both the literature and the personal, telephone interviews with employers and administering organizations indicated that community resources need to be coupled with employer support for an EAH program to be successful. Some cautioned that the program requires time to develop, implement and enroll employers and employees. The following suggested steps have been culled from the data and include:

- **Conduct Needs Assessment of Employees and the Community** – The Workforce Housing Survey, July 2005, addressed the needs expressed by a sampling of area employees. A major finding was that almost one-half of employees (46%) indicated that “I am considering relocating to an area where I can afford to buy a home”. Another assessment might include the availability of medium-priced houses for sale to employees if employers opt for down payment/closing cost assistance.
- **Review and Evaluate Options for Employer Involvement** – Demand-side, which assists employees in purchasing a home, was the focus of the research and it was found that the most commonly used vehicles are down-payment and closing cost assistance. Determinations are needed as to whether the assistance will be provided as a grant or repayable loan. Some programs are structured as dues-paying and employers who are members could opt just for the financial/credit counseling and home buying guidance for their employees. (See Appendix III for example of dues structures.) Determine tax implications for employers and employees of proposed program prior to selection.
- **Obtain Commitment from Employers** – Target those in industries with highest recruiting/retention costs. Data may be available from employer-based organizations such as chambers of commerce, the Suncoast Workforce Board, etc. FannieMae is currently working with Sarasota County on its workforce housing initiative and one of the services that they provide is a cost/benefit analysis using their proprietary software and the information that employers provide. This could prove to be a beneficial tool in discussing ROI with area employers.
- **Determine Eligibility Requirements** – Based on the 2005 HUD Median Family Income for Sarasota-Bradenton, FL MSA is \$55,900. The criterion could be employees whose household earns 65% to 120% of the median. At 120% of the median income an employee could afford a home with a sales price of \$182,927, based on a published report by the Economics Research Associates for the City of Sarasota Attainable Housing Analysis Draft, July 20, 2005. If the criterion is 80% of the area’s median income then the affordable sale price of housing would be \$115,962. Length of employment may also be considered a criterion. Some employers, such as Tyson Foods piloted the program with a targeted subgroup of employees and then decided to offer it company-wide, which alleviates the appearance of preferential treatment. The requirements should also consider the available capacity for providing the grants/loans, etc. and may be based on a first-come, first-serve basis.

- **Develop Relationships with Community Partners** – The administrative function, in the programs reviewed, is managed by an outside agency or organization that is responsible for negotiating with and obtaining concessions with interested lenders and realtors. This group, which is typically non-profit, would also handle the employee marketing effort and the educational/counseling component or contract for these services.
- **Secure Match Funds** – These funds may include local, state and federal programs. The City of Sarasota and Sarasota County Government through the Sarasota Office of Housing & Community Development offers a Down Payment Assistance Program in the form of a repayable loan to first time homebuyers with median incomes of 80% or lower, adjusted for household size. The dollar amounts, based on household size may be as high as \$30,000 if the median income is below 70% of the areas. Much of the funding for programs including those through the Department of Housing and Urban Development (HUD) provides housing assistance for very low and low-income households. More programs are available for low to very low income and for first time homebuyers especially in redevelopment areas than there are for moderate to middle income households. The SHIP Program, which is The State Housing Initiative Partnership (SHIP) Program, was created in 1992 by the State of Florida to provide funds to counties and eligible municipalities to expand the production of and preserve affordable housing for very low, low and moderate income families.
- **Market to Employees** – During this phase, employees need to be assured that their financial situation will be kept confidential, perhaps another reason to take it out of the workplace to a third party.

As shown, there are a number of important decisions to be determined before employers can be invited to participate. A consultation with a representative from FannieMae is recommended because they have “off the shelf” housing benefit products and can provide not only their expertise at setting up the housing benefit program but can provide documentation to aid in employers’ evaluation, presentations, form preparation, roll out of the program and post-implementation assessment.

Please refer to the section which follows for more detailed information.

KEY FINDINGS

Employer-assisted housing (EAH) efforts, as used in this report, refer to actions taken by urban employers in response to a lack of attainable housing for their employees within a reasonable distance of the work location. Workforce housing is a subset of affordable housing and only the former is addressed in this report. Modern EAH programs, as opposed to “company towns”, began to appear commonly in the 1980’s in California and the Northeast, where housing costs increases rapidly outpaced wages. Labor shortages in the 1990’s have provided particular incentive for employers to develop these programs and they are now apparent across America.

According to one article there are approximately 500 employers across the country currently participating in various EAH programs. FannieMae has reported an even higher number of employers, 750 that they have assisted with various EAH programs. Approximately 300 employers have been included in the current research for Sarasota County, either directly or through the managing organization of their respective EAH benefit programs.

The data suggest that the number of employers continues to climb since the benefits of these types of programs are believed to offset the cost of employee recruitment, training and retention. According to a spokesperson for FannieMae, which initiated an EAH program for its own employees in 1991, among the 2,500 employees who took advantage of the program, turnover has been reduced by 25%.

EAH efforts fall into three broad areas:

1. Demand interventions, which directly assist in the acquisition of existing housing
2. Supply programs, which increase the supply of affordable housing
3. Indirect actions, which may also benefit the larger community, including those to facilitate commuting and other quality-of-life considerations.

Demand interventions are by far the most common because they are most easily implemented and appropriate for most interested employers regardless of location. They include:

- Down payment loans or cash assistance
- Closing cost cash or legal assistance
- Group mortgage origination to achieve lender concessions
- Mortgage buy-down programs
- Mortgage guarantees to relieve down payment requirements, underwriting or equity (PMI) concerns
- Group mortgage insurance
- Purchase of mortgage backed securities to fund employee needs
- Rental assistance or access to subsidized housing
- Education, financial counseling and listings information.
- Miscellaneous efforts including commuting subsidies and home improvement loans

Supply programs nationally often include cash subsidies, construction financing, purchase guarantees, housing site subsidies, inclusionary zoning requirements for builders, operation of non-public rental properties and community land trusts. Indirect actions may include participation in development of mass transit or telecommuting capabilities. Supply and indirect efforts were not studied in this analysis. Only demand interventions are included since the focus is on what employers in our community can do to assist their employees.

For purposes of this report, employer actions to lower the net rent paid by its employees to third parties are considered demand interventions. Situations in which an employer develops or operates rental housing at less-than-market rates are considered supply programs. Many of the programs studied have a rental assistance component, however, the report focused on the homeownership aspect.

Employers have several options, as found in the research, for delivering funds to employees. It can be in the form of grants, forgivable loans, deferred or repayable loans or matched savings. This latter option can include Individual Development Accounts or IDA's, which is geared to low-income households and can fund employees' housing needs, higher education, or self-employment efforts as part of the Earned-Income Tax Credit of the Internal Revenue Service.

Demand Programs Used Most Often

The data suggest that the two most frequently used types of employer assistance include Down Payment Loans and Closing Cost Cash or Legal Assistance. The definitions, as excerpted from secondary research, include the following:

Down Payment Loans - can be structured in several ways including, reduced interest rate loans and deferred loans, but perhaps the most interesting form being offered is a forgivable down payment loan. Firms are discovering that they can afford to forgive down payment loans if the rate of forgiveness is equal to, or less than, the rate of employee turnover and the cost of recruitment and training. By having the loan forgiven over time (generally 4-6 years) the employee has a powerful incentive to remain with the firm. Conversely, if the employee does not remain with the firm the loan can be structured so as to be due immediately, and thus the employer can fully recapture the investment in the employee. For employers concerned with attracting and retaining employees, concerned about employee turnover and training costs, a down payment program can be a cost-effective and risk less benefit.

Closing Cost Assistance Programs - are usually matched with group mortgage origination plans. An employer offering a closing cost subsidy program can pay closing points on a mortgage (usually 1-3% of the mortgage). Another closing cost subsidy program that employers can offer is to cover legal costs associated with the purchase of a home. This benefit, particularly if it includes title insurance, which lawyers usually offer or arrange for, can be worth a thousand dollars or more.

Group Origination Group Mortgage Orientation Plans - are essentially volume discount programs whereby a mortgage lender voluntarily reduces mortgage interest rates, closing points, and/or application fees in return for a bulk mortgage lending commitment or some other expectation of a certain level of mortgage lending activity. The lender subsidy will vary with the number of mortgages originated and other market conditions, but in any substantial program the value can be expected to approximate a 25 basis points (1/4%) reduction on the mortgage interest rate and about one point (1%) lower on the closing costs.

Mortgage Buy-Down Programs – are an option that may afford tax benefits to employees compared to the first two options mentioned above. Firms offering relocation programs are familiar with mortgage buy down programs as the practice of subsidizing mortgage interest rates is a mainstay of corporate relocation programs. These programs pay multiple points at the time of closing, usually 6-16 points, driving down interest rates 100-300 basis points. Ten points on an eighty thousand dollar mortgage is \$8,000, a substantial sum for a broad-based benefit program. For this reason many firms will want to offer other types of benefit programs, which can offer a similar benefit at ultimately a lower cost. However, firms that are in the finance sectors, banks and insurance companies are familiar with the reduced interest rate concept and they frequently offer what is essentially a mortgage buy down benefit, by agreeing to hold a below market rate loan in the lender's own portfolio.

Please refer to Appendix II for additional types of Demand Intervention Programs available and an example of a Down-Payment Assistance Program.

EAH Programs

Specific programs that are currently in place at either the city, county or state level were researched both from a secondary stand-point and by conducting telephone interviews with the key individuals responsible for developing and implementing the programs. These programs span the United States and include an example from the East Coast - State of Maryland's "House Keys 4 Employees Program". In the Midwest there are several and some include the Metropolitan Planning Council's "REACH Illinois" program, the Rock Island Economic Growth Corporation's "Employer Assisted Housing Program", Select Milwaukee and the Greater Minnesota Housing Fund (GMHF). The West Coast includes the Coastal Housing Partnership. Programs that specific employers such as Tyson Foods, Harley-Davidson and others have implemented were also included in the research. The programs discussed here administer the EAH benefits for approximately 300 employers, in total, and several have over a decade's experience in setting-up and administering the benefit. Specifics of the programs are shown below:

Maryland Department of Housing and Community Development through its Community Development Administration (CDA) has recently revamped its "Live Near Your Work" program into the "House Keys 4 Employees Program".

- Program features include a 0% deferred payment loan through CDA's Down-payment and Settlement Expense Loan Program (DSELP) of up to \$5,000, which is matched by the employer.
- Source of funds for deferred loan is from Maryland Department of Housing and Community Development
- Eligibility requirements include meeting Maryland Mortgage Program guidelines, which is basically the ability to qualify for a conventional loan. The program was originally set-up for low income families and due to recent housing price increases no longer has the income limitation. Income limits, which range from \$75,000 to \$125,000; and maximum acquisition costs range from \$250,000 to \$453,000 vary by geographic area and are generally higher within targeted counties/jurisdictions.
- Geographic location includes both targeted and non-targeted jurisdictions/counties. There are seven jurisdictions that are entirely targeted and eight jurisdictions that have both targeted and non-targeted areas. Nine jurisdictions are entirely non-targeted. In the targeted areas only buyers need not be first time homebuyers.
- Program administration is handled by the CDA of Maryland.

Metropolitan Planning Council (MPC) has two EAH programs: the Regional Employer-Assisted Collaboration for Housing (REACH), which serves the six-county Chicago area and the Statewide Housing Action Coalition (SHAC). In 2001-2003, the Illinois Housing Development Authority (IHDA) funded the Metropolitan Planning Council and REACH and was mostly limited to EAH programs in northeastern Illinois. In 2004, the allocation was granted to MPC and SHAC to expand EAH statewide.

- Program features include dollar-for-dollar matching of employers' down-payment and closing cost assistance funded by IHDA. Buyers whose household incomes are less than half of the area median are eligible for up to \$5,000 in matching assistance; with 50-80% of median income, buyers can receive up to \$3,000.
- Besides program administration for its affiliates, REACH provides credit counseling and other assistance to homebuyers throughout the buying process.
- In addition, several REACH partners have their own unique programs. MB Financial Bank has a \$15,000 forgivable loan in which the assistance is forgiven at 25% per year after the first year. Charter One Bank provides \$5,000 for any employee's home purchase and \$8,000 for purchases in targeted neighborhoods.
- Additional funding sources include the IHDA's HOME Program; IHDA Housing Trust Fund both for Purchase and Rehabilitation Assistance and the IHDA H.E.L.P Program, which is for single-family homes only.

Rock Island (IL) Economic Growth Corporation's (GROWTH) Employer Assisted Housing Program initiated its newest program in 2003 and offers it to member companies through DARI (Development Association of Rock Island).

- Program is for employees of member companies with incomes of up to 120% of area's median income, from \$48,720 for a single person household to \$91,800 for an eight person household. Employees must purchase their home in the City of Rock Island. Employees receive a grant for 5% of the purchase price minus \$500 for down payment and up to an additional \$2,000 to pay for closing costs and the first year's homeowner's insurance. The program also includes concessions from lenders and no points on loans.
- Source of funding is based on applying for and receiving state tax credits and then selling those to for-profits for cash, typically banks and other financial institutions. Member dues, which are based on number of employees and gross revenue, also go into the fund.
- Eligibility requirements include employees of member companies with incomes up to 120% of area's median income and they intend to purchase a home in the City of Rock Island.
- Geographic location served is only the City of Rock Island, Illinois. Additional sources of money are available through the Illinois Housing Development Authority's HOME Program, the IHDA Housing Trust Fund both for Purchase and Rehabilitation Assistance and the IHDA H.E.L.P Program, which is for single-family homes only.
- Administration includes individualized counseling for employees since the Rock Island Economic Growth Corporation is a Freddie Mac and HUD approved Housing Counseling Organization. GROWTH prepares loan documentation and even oversees the general contractor, if needed.

Select Milwaukee, a not-for-profit, was formed in 1991 as a response to the flight taking place from homes in the City of Milwaukee and the ensuing issues such as absentee ownership, etc. Its stated purpose is to help attract and retain employees for the area's employers that include Harley-Davidson, Northwestern Mutual, Aurora Health, etc. that are among the ten or so employers using Select Milwaukee to administer their respective housing benefit.

- Program features include down payment/closing cost assistance ranging from \$500 to \$3,000 in the form of a check made out to the employee and the lender and payable at closing.
- Funds are obtained from area employers. Select Milwaukee refers employees to partner loan officers and real estate agents that have agreed to concessions on rates and fees. Other funding initiatives are made available, including grants, to first time homebuyers who earn 80% or less of county's median income. These funds come from county, state and federal monies. Employers' annual dues support the program and its' marketing efforts (to employees and other employers), administration (relieving the human resources departments of participating employers', preparing documentation, employers' checks for closing dates, etc.) and counseling, which includes pre-purchase guidance to employees.
- Eligibility requirements are all employees of member employers.
- Geographic locations served include the City of Milwaukee and its environs. Additionally, economic districts within the City sponsor TIN (Target Investment Neighborhoods) to assist in maintaining workforce for approximately 20 employers located within the districts.

Greater Minnesota Housing Fund (GMHF) is a 501(c)(3) organization that accepts corporate contributions for affordable housing and then re-grants to designated projects throughout the greater Minnesota area. The organization provides technical advice and assistance to communities forming EAH programs.

- Programs include supply-side (i.e., increasing the number of units) and demand-side, such as down payment and closing cost assistance, grants and loans, payroll savings matches, secondary (gap) financing assistance, rent subsidies and as with all of the programs studied it provides for a homebuyer education and counseling fund. An approach that they have successfully used is an employer pool of financing, which has some tax advantages to both employers and employees.
- GMHF often matches employer funds and offers 0-percent deferred loans. An example, while on the supply-side for a rental development shows that any effort can have an effect. In Hoffman, a town of approximately 700 people, the Economic Development Authority (EDA) and local employers converted the city's old school building into affordable housing in 1999. Eleven local businesses contributed \$32,000 in grant funds for the eight-unit rental housing development. GMHF matched the employer commitment with a \$30,000, 0-percent deferred loan.

Coastal Housing Partnership is a non-profit organization with a membership of 75 companies, employing nearly 32,000 workers on the South Coast of California. This represents about one-third of that area's workforce and includes Santa Barbara County, Ventura County and San Luis Obispo County.

- Program features include discounted rates on credit reports, mortgage loans, real estate commission fees and home inspection services. Some partner banks offer 0% financing and lower interest rates to employees. Member companies include private sector, not-for-profits, universities and government entities.
- Funding source includes dues paid by members based on their number of employees. If there are less than 26 employees the annual dues are \$750 and increase to \$10,000 for companies with more than 2,500 employees. Please refer to Appendix III for the specific dues structure.
- Eligibility requirements include owner-occupied, single-family residences or condominiums in one of the three qualifying counties. Homebuyers must meet standards of the lending institution.

APPENDIX

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II. Additional Demand Intervention Programs

Mortgage Guarantees - Employers can guarantee all or a portion of, a mortgage. By guaranteeing a mortgage an employer can reduce lender risk. In return the lender can reduce down payment requirements, offer more flexible loan underwriting criteria, and waive private mortgage insurance premiums (saving the borrower about 1/2% annually).

Group Mortgage Insurance - offers the same benefit to the employee as a mortgage guarantee program does. To the employer the difference between the two programs is that a mortgage guarantee results in the firm incurring a contingent liability. An insurance program enables the employer to transfer this liability to an insurer in return for a premium.

Purchase of Mortgage Backed Securities - Mortgage revenue bonds are commonly issued by local and state agencies and many private real estate lenders. Employers can request that these issuers issue taxable bonds paying a below market rate, which the employer would purchase. The proceeds from the bonds would be used to fund mortgages or second mortgage down payment loans for the firm's employees, and the repayment of the mortgages would repay the employer's bond. Thus the employer would actually earn a return on a personnel benefit.

Rental Assistance In some communities, there may be adequate rental housing available, but the market rent is higher than the employee can afford. An employer can make the housing more affordable by providing a rent subsidy directly to the employee. As an alternative, the employer can provide operating funds directly to the owner of the property, thereby reducing the rent charged to the employees. Employers wishing to recruit new employees to the area can agree to pay the security deposit and/or guarantee the employee's rent, making the landlord more willing to rent to a family with no local rental history. Another way is to allow employees access to special housing.

Education, Financial Counseling and Listings Information A relatively low-cost form of homeownership assistance is providing homebuyer education for employees. First-time homebuyers typically do not know about the complexities of purchasing or owning a home. Credit counseling and budgeting advice can help a prospective buyer be a successful homeowner. Employers can provide assistance through financial support of local agencies and nonprofits that provide education and counseling services. By working with these organizations, employers can often arrange for classes at the workplace and can combine other forms of housing assistance with these services to ensure success and stability for the employee.

SAMPLE

Employer Down-Payment Assistance Program

Goal: To assist employees with the purchase of a home by providing down payment assistance.

Company Contribution: \$2,500 per employee; maximum of 20 loans per fiscal year.

Terms of Employer Contribution:

- Zero-percent interest deferred loan, forgiven 20 percent (\$500) each year for five years.
- Employee must remain employed with the company for the full five years.
- Employee must reside in the home for the entire five-year period.

Required Savings by Employee - \$2,500 toward down payment and closing costs.

Eligibility Requirements:

- All full-time employees employed with the company at least six months are eligible for assistance.
- Employee must complete an approved homebuyer-training course.
- Home must be purchased within a 20-mile radius of the place of employment.
- Employees with family income of less than 80 percent of the statewide median income are eligible for an additional \$2,500 grant.

Tax Liability:

The portion of the loan that is forgiven each year is treated as income and is subject to taxation by both the employee and the employer. The company's tax advisor can clarify any questions.

Administration:

Program is being administered through the local housing non-profit, who will arrange for homebuyer training, verify income funding and process the employer loan.

III. Example of EAH Program – Dues Structure

The Coastal Housing Authority with approximately 75 employer-members has the following annual dues schedule based on number of employees. Other programs use a combination of number of employees and gross revenue to determine the annual dues.

Number of Employees	Annual Dues
Less than 26	\$750
26-50	\$1,100
51-100	\$2,100
101-250	\$3,400
251-500	\$4,600
501-1,000	\$5,900
1,001-2,500	\$7,000
More than 2,500	\$10,000

IV. FannieMae Community Solutions

Community Solutions™ is an option under [MyCommunity Mortgage](#) especially for borrowers who are full-time teachers, police officers, firefighters and healthcare workers. The Community Solutions option may be right for you if you require a low down payment and greater flexibility on your credit history.

Key Features

- Temporary interest rate buydown of up to 1/2 percent per year for first three years
- More flexibility in qualifying
- Part-time and overtime income can be accepted with 12 months' of verification

MyCommunityMortgage

FannieMae's MyCommunityMortgage™ is a flexible mortgage product for low- and moderate-income borrowers. Key features include:

- Borrower contribution of just \$500 toward down payment and/or closing costs
- Remaining down payment can come from a wide range of sources, such as a gift from a family member; a gift, grant or loan from a nonprofit organization, municipality or employer; or the borrower's own funds
- Loan-to-value ratios permitted up to 100 percent for one-unit properties
- Eligible for purchase of a single-family home or condo, or a two-family home (3 percent borrower contribution required for two-family home)
- Extra flexibility on credit histories, including consideration of nontraditional credit histories
- Extra flexibility on income sources including consideration of boarder income even if boarders are not related to the borrower
- Cash reserves at closing not required in many cases