

## **Employer Assisted Housing Benefits.(EAH)**

### **Why offer EAH Benefits to your employees?**

More and more business leaders understand that meeting the demand for workforce housing requires their involvement.

Everyone gains when employees live closer to where they work. They can devote more time to their work, family and community. Employers reduce turnover costs and increase their competitiveness in recruiting new employees. Communities benefit from increased local investment, a more vibrant local economy, less stress on transportation and the environment.

This article provides background and a way to get started. There are as many adaptations of EAH Benefits as there are businesses. The most important thing to keep in mind as you read through the outline below, is that your program should be a one that fits your

Unique business needs and staff. There are sources of help both locally and nationally.

### **What are the programs that are typically used?**

#### **Non-Financial Benefit Options:**

**Financial Literacy and Employee Assistance:** Sponsor or fund "Finally Home" training for employees. Classes are 8 hours and \$10 a student, offered in Hailey at CSI quarterly. An online version is available through [www.ihfa.org](http://www.ihfa.org) for \$50 a person. This program enables eligibility for such programs as down payment assistance and gifted funds, lower mortgages through IHFA (Idaho Housing Finance Association)

**A packet with information and resources on help:** for housing that is available in the county. (Home- Buyer Education, Blaine Ketchum Housing Authority program & application( BKHA.org), Arch Community Housing Trust, IHFA and local lender information.)

**Make available Home Buyer Help Publications:** The newest additions to our growing range of valuable practitioner resources are the Home Buying Guides, a set

of four consumer-focused guides to various stages of the home buying process. Developed by Fannie Mae Foundation, these guides deliver practical, specific and concise information in a user-friendly format.

1)Opening a Door to a Home of Your Own: Learn if you're ready to buy a home; determine how much house you may afford; see how much money you may need for a down payment; and estimate your monthly mortgage payments

2)Knowing and Understanding Your Credit: Learn what credit is and why it is important to buy a home; find out how to order your credit report and correct any errors; discover what your credit score means to lenders; and get helpful tips on how to repair past credit problems.

3)Choosing the Mortgage That's Right for You: Learn what a mortgage is and calculate your buying power; understand fixed-rate, adjustable-rate, government, and other mortgage options; see where to shop for a mortgage loan; and understand key factors that affect your mortgage payments.

4)Borrowing Basics: Learn what you can do to avoid predatory lenders; discover signs that may point to an untrustworthy loan situation; understand ways you can get the best loan for your situation; and receive a useful glossary of loan terms.

## **Financial Benefit Options:**

1. Downpayment and Closing Cost Assistance
2. Secondary (Gap) Financing
3. Rent Subsidies

### **1. Downpayment and Closing Cost Assistance**

Saving enough money for a downpayment and closing costs can be a significant barrier to homeownership for many families. Individuals employed in lower-wage jobs often cannot afford to save the upfront investment that is required to purchase a home, despite the fact that they may be able to afford the monthly mortgage payment. Employers can help to minimize this problem by offering the following assistance to employees

## **Grants and Loans**

Employers can provide grants, forgivable loans or deferred loans to employees that can be used for downpayment and closing costs. If the funds are provided as a loan, the interest rate should be low and repayment should be deferred until the employee sells the home or repays the first mortgage. Assistance by the employer directly to the employee is considered income and is subject to taxation for both the employee and the employer. Employers can also contribute funds to a downpayment assistance pool that is available to their employees and others in the community. In those cases, funds may be treated as a charitable contribution rather than as income to the employee. Check with your tax attorney or accountant for more information. Contact the Housing Trust if this idea may work for you – 726-4411.

### **Payroll Savings Matches**

Payroll savings matches are another way to help employees obtain downpayment and closing cost funds. Many lower-wage workers spend their paychecks on immediate necessities rather than saving for large purchases that may seem far away or less urgent. Employers can help employees save for homeownership by establishing a payroll savings plan. A portion of the employee's paycheck is deducted and put into a special account, allowing for funds to be saved before the employee receives them.

As an incentive to get employees to sign up for the savings program, an employer can promise to match the employee's savings for home purchase. The employer can set a goal amount and match the employee's savings once that amount is in the account and the employee has found a home to purchase. In some communities, individual development account programs are available that encourage saving by providing matching funds from public and private sources.

## **2. Secondary (Gap) Financing Assistance**

While downpayment and closing cost assistance can help many people purchase homes, some employees may need additional assistance to make homeownership affordable. Rising home prices mean that many lower-income households cannot qualify for a mortgage that is large enough to buy a home.

To help cover this gap, employers can develop a secondary financing program or contribute to a loan pool that provides financing to local employees. Secondary financing assistance is typically structured as a zero- or low-interest loan with repayment deferred until the buyer sells the home. The amount of assistance may range from a few thousand dollars to \$20,000 or more. If the employer provides assistance directly to the employee, it is considered income and is subject to taxation for both the employee and the employer. If the funds are contributed to a pool and not reserved for specific employees, the funds may be considered a charitable contribution.

## **3. Rent Subsidies**

In our community, there may be adequate rental housing available, due to the nature of the second home and speculative element in the market 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.

## **How do I get started?**

1. Conduct a Needs Assessment. This step is critical to making choices which will lead to a more appropriate menu of benefits to achieve your goals effective for both the company and the employee. Too often employers make assumptions based on their own biases or experiences. This can lead to putting in place a benefit program which is not fully utilized by employees, yielding little or no results. Getting input from your employees on their plans and decision criteria is a valuable component that shouldn't be guessed at but instead worked at. A two to three page questionnaire is often used. For a small firm, individual interviews by a neutral party can help take the sensitivity out of the situation and bring better result.

2. A cost benefit analysis, local determination of opportunities and resources along with the results of the survey are the inputs needed to develop an appropriate program for your organization. Include training, management time and hard costs of recruiting frequently.

3. Identify programs and resources available through private and public agencies. Consider partnership opportunities with community organizations, local governments and other employers. Nearly all businesses in Blaine County have been affected by the lack of employees and high turnover.

4. Select and Design the program with input from employees and local resources in mind. Announce the program to employees and the community to obtain maximum results.

5. An annual review of the program and how its working, allows you to assess its success and make any additions or changes as you go.

## **National Legislative Update- potentially helping small businesses provide EAH cost effectively.**

EAH Benefits are a nationwide need. You can help support a nationwide effort to make these benefits tax deductible by contacting Senator Crapo and Rep. Simpson.

This is a bi partisan issue and both of them understand our housing crisis and support our efforts to address this unique need in our resort community.

The Housing America's Workforce Act was introduced in the Senate as bill S1330 by Hillary Rodham Clinton, Senator Gordon Smith, and Senator Mel Martinez and introduced in the House by Representative Velasquez as HR 3194 in 2005. These bills are the first initiatives that were proposed on the federal level to alleviate the nationwide workforce housing shortage by providing economic incentives to employers investing in housing solutions through employer assisted housing (EAH). In both the Senate and the House numerous co-sponsors (29 to date) have signed onto to the Bill.

These bills work toward allowing workforce housing to be incorporated as an HR benefit and for the IRS to allow .50 back on the dollar for any employer that contributes to rental or homeownership. It is my understanding that developer tax credits will also be allowed for homeownership .

For help or more information call Arch Community Housing Trust at 726-4411. Bob Saltenstall is our Business Ambassador and can help you find the path to the best Benefit package for your business. Arch is a non-profit 501c3 and does not collect any fees for this assistance.