

Homes *for* Working Families

Understanding Employer-Assisted Housing



A Guidebook for Employers

changing policy

to bring working families home



Understanding Employer-Assisted Housing

A Guidebook for Employers

Prepared by

Homes for Working Families
Metropolitan Planning Council



METROPOLITAN PLANNING COUNCIL



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Homes for Working Families, through its publications and other programs, is committed to the full and fair exposition of issues related to affordable homes for working families. The opinions expressed in this publication are those of the authors and do not necessarily represent the views of Homes for Working Families or its officers or directors.

Dear Colleague:

Maintaining an edge in today's aggressive marketplace is an unrelenting challenge. Companies everywhere – large and small – are struggling to retain productive, stable workforces. Rising attrition rates and recruitment costs are leading executives to consider new, innovative employee benefits packages. According to a 2007 MetLife study, when employees are highly satisfied with their benefits, 80 percent say they also are satisfied with their jobs.



Employer-assisted housing (EAH) is an emerging strategy that can help businesses stand out among their competitors. Through EAH programs, employers promote affordable housing solutions for their workers. These programs can offer one or more of a variety of benefits, such as homebuyer assistance, rental assistance, education and counseling. Employers across the country have found EAH to be a cost-effective, easy-to-administer way to attract and retain quality employees.

At Wachovia, we strive to assemble and maintain a competitive workforce. We currently offer down payment assistance and matching grants for eligible employees, as well as mortgage discounts to help them manage their home affordability challenges. This guidebook highlights many EAH approaches; I encourage you to review and consider the many program elements featured.

As home costs continue to outpace wages, too many median-income families can no longer afford homes near their workplaces. Research from Harvard's Joint Center for Housing Studies finds that a record 17 million families now spend more than half their incomes on housing. According to a public opinion survey conducted by Peter D. Hart Research Associates and Public Opinion Strategies, working families in high- and moderate-cost real estate markets worry about the shortage of affordable homes even more than they do about rising health care costs.

EAH programs can meet the needs of employees and companies alike. The programs increase staff satisfaction while also improving an employer's bottom line. Higher morale leads to greater productivity. Likewise, less turnover and reduced recruitment and training expenses result in considerable cost savings. As an added benefit to the community, EAH programs also are linked to increased local investment.

On behalf of Homes for Working Families, I applaud the business leaders who are pioneering this new terrain. We are proud to present the achievements of noteworthy EAH programs – some of which are still in their infancy – in the pages that follow. We hope you will share this comprehensive guidebook with your leadership team and consider if an EAH program is right for your company or institution. Accessible, affordable homes are vital to the health of our nation's businesses, families and communities.

Sincerely,



Alan Wiener

Board Director, Homes for Working Families
Managing Director, Wachovia Multifamily Capital

About the Contributors

Homes for Working Families

Homes for Working Families is a national, nonprofit organization dedicated to advancing policy changes that enable more of America's working families to find safe, good-quality homes they can afford. The organization focuses on the families of teachers, police officers, retail associates, office workers and other working families who struggle to find homes they can buy or rent in the communities near their jobs. Homes for Working Families pursues its mission at the local, state and national levels.

Metropolitan Planning Council

Founded in 1934, the Metropolitan Planning Council is a nonprofit, nonpartisan group of business and civic leaders committed to serving the public interest through development, promotion and implementation of sound planning and development policies so all residents have access to opportunity and a good quality of life, the building blocks of a globally competitive greater Chicago region. Building on its employer-assisted housing successes in Illinois, the Metropolitan Planning Council assists colleagues nationwide in engaging employers as workforce housing leaders and investors.

Acknowledgements

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The project team that developed this guidebook was led by Amy Hosier, director of research and policy at Homes for Working Families, and Robin Snyderman, housing director at MPC. Additional staff contributing to the project include Patricia Babb, Meg Reed and Kathryn St. John from Homes for Working Families, and Samantha DeKoven, Dawn Stockmo, Jane Hornstein and Josh Ellis from MPC.

This guidebook was edited by TheWadeGroup, Inc., and designed by HDN Studio, Inc.

Any opinions expressed in this publication, and any errors and omissions, are those of the authors alone.

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What is Employer-Assisted Housing?

Employer-assisted housing (EAH) is a term used to describe a variety of housing benefits employers can offer to help their workforce afford homes. An EAH program can be a cost-effective way to help improve employee recruitment, retention, productivity and morale, thereby improving the employer's bottom line.

Originally conceived as a tool for recruiting senior executives, many companies now offer some type of housing assistance across their pool of employees. This trend is driven by factors affecting employees such as the persistent disparity between home costs and wages, long and costly commutes, and the desire to achieve an improved work-life balance. For employers, ongoing and anticipated challenges in hiring and retaining workers, and the desire to increase employee productivity and morale, make EAH programs attractive.

Many companies adopt EAH programs that enable employees to live closer to the workplace. In addition to boosting employee morale, broader benefits of implementing these programs can include safer neighborhoods, increased investment in the local area and community stabilization.

"IT WORKS. IT'S EASY. AND IT'S CHEAP."

**—Henry Webber
Vice President of Community
and Government Affairs
University of Chicago**

Today, EAH programs reflect the many ways through which companies strive to meet the housing needs of their workforce and to balance those needs against business objectives. EAH programs can be customized to meet employee

housing needs and the company's budget. They also can be tailored to address the obstacles facing families in the local housing market and support the company's role as a stakeholder in the community.

EAH programs can be designed to work for any type of employer — private companies, public institutions and nonprofit organizations — in any type of market. In many cases, employers partner with third-party organizations to help design and manage EAH programs. These outsourced arrangements help ensure that EAH programs are easy to administer and very cost-effective for employers.

Though the types of EAH programs are as varied as the employers who use them, benefits typically include one or more of the following elements.

Homebuyer Assistance

By far the most frequently employed feature in existing EAH programs, homebuyer assistance promotes family and community stability, and encourages employees to build assets and invest in the community. Homebuyer assistance covers a wide range of benefits, including mortgage guarantees, mortgage discounts, discounted closing fees, and loans or grants for down payments or closing costs. These benefits can be offered individually or in combination.

Rental Assistance

Rental assistance provides an attractive option for many types of companies. Depending on the characteristics of their workforce and the types of housing available to their workers, employers might absorb a portion of an employee's monthly

rent, help an employee pay a security deposit or help with the costs of searching for a place to live. Again, these benefits can be offered individually or in combination.

Education and Counseling

Homeownership education and counseling are key components of many EAH programs. These benefits help workers manage their personal resources effectively, understand the home-buying process, save for a home purchase and prepare for the financial responsibilities of homeownership. Employers frequently offer these programs by partnering with third-party experts, thus ensuring employees' privacy while also lowering the company's administrative costs.

New Construction

Employers also choose to invest in the construction of new homes – usually in neighborhoods near their facilities. These homes are made available to employees, often at a discounted, affordable price, and are coupled with loans or grants for down payment or rental assistance. Options employers pursue to support new construction

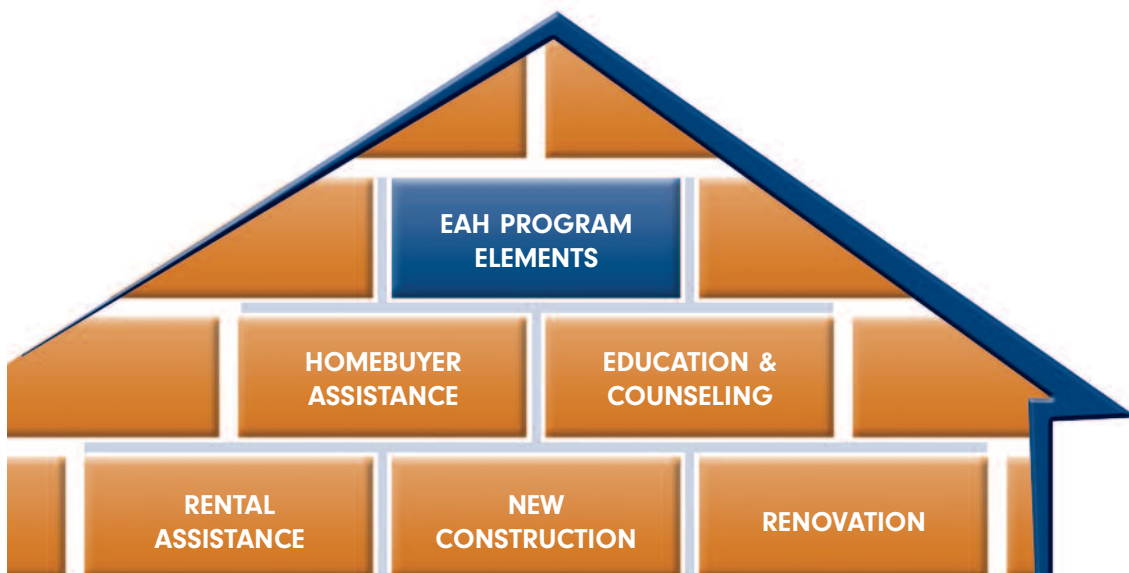
include land donations, participation in a land bank, investment in or development of rental properties, investment in a loan pool and providing loans to developers of affordable homes.

Renovation

In renovation programs, employers provide loan or grant assistance to employees to help cover the costs of improving their homes. This type of assistance helps employees protect their assets and build wealth.

Summary

The majority of EAH programs include an education and counseling component coupled with one or more types of homebuyer assistance. However, no matter which elements an employer chooses to offer, each EAH program can be designed to provide employees with a set of tools to help them purchase, rent or remain in a home. As a benefit option for a growing number of U.S. companies and institutions, EAH programs also are characterized by their cost-effectiveness and relative ease of administration, particularly with the assistance of third-party partners.



Far-Reaching Benefits of Employer-Assisted Housing

Traditionally, employers have helped working families by providing benefits such as flextime provisions, telecommuting, parental leave and employer-supported child care. Today, as the list of family-friendly benefit offerings expands, employer-assisted housing (EAH) is one of a number of emerging options that is gaining popularity in an increasingly competitive marketplace. EAH can add to the constellation of benefits that together help improve the bottom line for employers, enhance the quality of life of employees and revitalize communities across the country.

As with introducing any new benefit offering, employers who are considering implementing an EAH program will want to carefully weigh the questions, concerns and challenges involved in this endeavor. This guidebook addresses some of the most common questions and concerns in the “How to Create and Administer an Employer-Assisted Housing Program” section on page 34.

These concerns should not be overlooked, but as the case studies herein demonstrate, many companies have successfully implemented EAH programs that are tailored to fit their unique

circumstances and needs. For some employers, this has meant spending a small annual fee with third-party partners to provide their employees with access to homebuyer assistance, and education and counseling services. For others, it has meant committing significant funds to provide substantial down payment assistance grants to its employees around the country.

No matter the level of financial commitment an employer chooses to make, EAH programs can achieve satisfying, wide-ranging benefits for the employer, employees and the surrounding community.

Improving the Bottom Line for Employers

A compensation package that includes EAH can be an effective recruitment tool, especially in tight labor markets and where housing costs are high. An EAH benefit can influence the job choices of relocating workers, particularly those leaving more affordable communities and facing the challenges of living in a more expensive market. In a Prudential Relocation survey on mobility trends, 61 percent of respondents listed “cost of living/housing concerns” as the top issue influencing employee decisions to turn down relocation offers.¹

As workers from the Baby Boom generation begin to retire in large numbers, the demand for skilled labor will increase across most industries and the competition for human capital will likely intensify. The fifth annual MetLife Study of Employee Benefits Trends (2007) suggests that employers view a potential labor shortage as a serious risk: 88 percent of companies expected

“EMPLOYER-ASSISTED HOUSING IS A TOOL FOR ATTRACTING NEW TALENT, BUT IT’S ALSO A TOOL FOR RETAINING ESTABLISHED EMPLOYEES. IT’S A MEANS OF STRENGTHENING OUR FIRM, AND IN DOING SO, BENEFITING EVERYONE AT NORTHROP GRUMMAN.”

**—Tom Sullivan
Real Estate Project Manager, Sector Real Estate
Northrop Grumman Integrated Systems**

¹ Prudential Relocation. North American Trends Survey: Exploring Best Practices in Employee Mobility. September 2006. <<http://www.presentationselect.com/prudential/archive/ref/tips/NAmbestPr.pdf>>

competition for skilled employees to remain at current levels or to increase over the following 18 months. As the face of the labor market begins to change, an EAH program can help a company establish itself as an “employer of choice” and significantly enhance its ability to attract new talent.

In 2007, for the first time in the five years that MetLife has conducted its Study of Employee Benefits Trends, retention is listed as the primary objective of employers offering benefits. Turnover costs currently are estimated at 30 percent to 50 percent of the annual salary of entry-level employees, 150 percent of the annual salary of mid-level employees, and up to 400 percent of the annual salary for specialized, high-level employees.² Clearly, retention issues directly affect an employer’s bottom line. In addition, less tangible costs – lost productivity, loss of

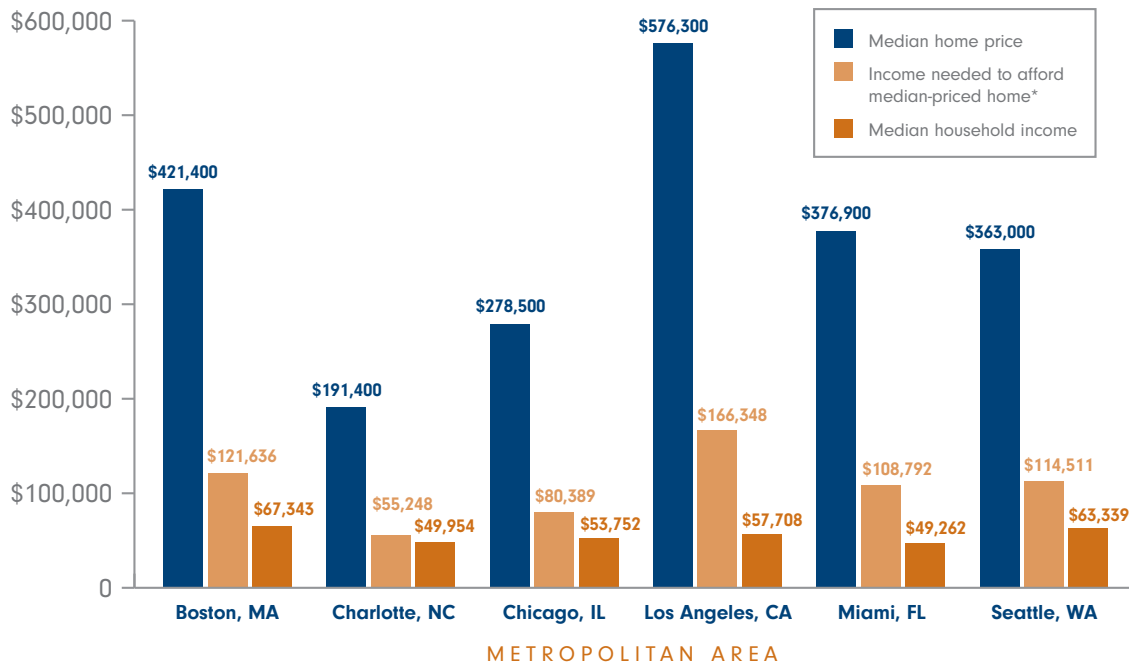
institutional memory, customer dissatisfaction, reduced or lost business, lost expertise and the possibility of needing to hire temporary workers – combine to make turnover potentially even more costly.

Anecdotal evidence demonstrates that EAH programs increase morale and loyalty, thereby enhancing an employer’s overall rate of productivity. In turn, these positive changes help reduce tardiness, absenteeism and turnover, which ultimately reduce costs associated with training new employees.

Enhancing the Quality of Life for Employees

In many cities across the country, the cost of purchasing a home continues to exceed what most working families can afford (see Figure 1). Even

Figure 1 – Home Affordability Gap



*Income needed to afford a median-priced home is calculated assuming a 10-percent down payment, a 6.4 percent 30-year fixed-rate mortgage, and national estimates of property tax payments and private mortgage insurance.

Sources: National Association of Realtors (Second Quarter 2006); Moody’s Economy.com Estimated (Second Quarter 2006).

² Blake, Ross. “Employee Retention: What Employee Turnover Really Costs Your Company.” Webpronews.com. July 24, 2006.

Far-Reaching Benefits of EAH *Continued*

in numerous areas where home prices have softened, they remain unaffordable to working families. In addition, rental rates continue to rise.

“EMPLOYER-ASSISTED MORTGAGE PROGRAMS PROVIDE A GOOD OPPORTUNITY TO HELP CLOSE THE HOME AFFORDABILITY GAP IN MANY COMMUNITIES.”

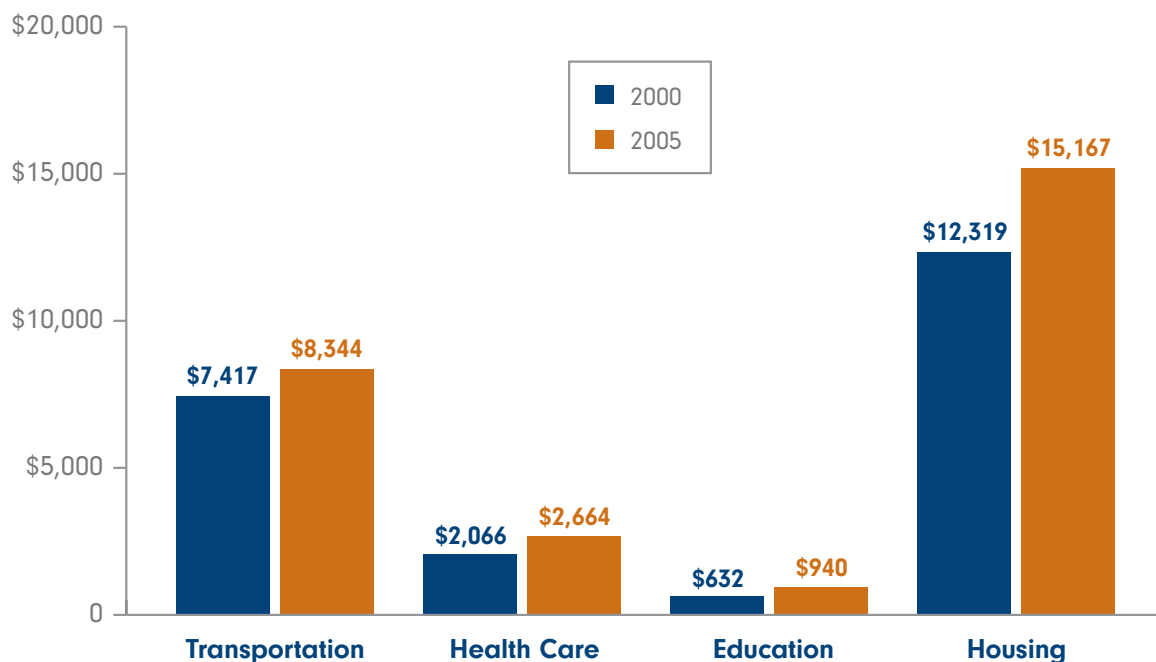
**–John C. Dugan
Comptroller of the Currency
U.S. Department of the Treasury**

This situation is prevalent in most large metropolitan areas and in emerging growth centers, such as Charlotte, N.C. The home affordability gap – the persistent divide between high home costs and lagging incomes – also is exacerbated

when mortgage underwriting standards tighten and interest rates increase.

In recent years, there has been a sharp increase in the number of cost-burdened households, with one in seven households paying in excess of 50 percent of their income on home costs. Moderate-income households also have been increasingly squeezed by other major expenditures, further limiting their ability to adapt to increasing home costs. From 2000 to 2005, household spending increased 48.7 percent on education; 28.9 percent on health care; and 12.5 percent on transportation. Housing costs (including shelter, utilities and energy, and household operations), which represent the single largest household expense, increased 23.1 percent (see Figure 2). At the same time, median household income increased only 10.2 percent.

Figure 2 – Increase in Annual Household Spending, 2000–2005*



*Reported in nominal dollars.

Source: Bureau of Labor Statistics, 2006 Consumer Expenditure Survey.

Even in those markets where overall home prices are not high relative to wages, affordable homes are often located far from jobs, as well as from schools, grocery stores and health care facilities. This mismatch between jobs and housing has given rise to increasingly long, costly commutes in cities across the country. The Texas Transportation Institute's 2007 Urban Mobility Report notes that congestion causes the average peak-period traveler to spend an extra 38 hours

"FINANCIAL STRESS IS PROBABLY THE NUMBER ONE STRESS THAT GETS PEOPLE TO FAIL. PEOPLE ARE PREOCCUPIED AND NOT BEING AS PRODUCTIVE."

**-Arkadi Kohlmann
CEO
ING Direct**

of travel time per year – wasting the equivalent of one extra workweek – and consume an additional 26 gallons of fuel, amounting to an estimated cost of \$710 per traveler.

Additionally, the quality, location and cost of homes can significantly affect the work-life balance of working families. Work-life balance is one of the top five factors influencing job satisfaction, according to the Society for Human Resource Management's (SHRM) 2007 Job Satisfaction Survey Report. Interestingly, younger workers (35 years old or younger) are particularly focused on this issue. Early initiatives designed to achieve work-life balance objectives tended to center more on health care, retirement and education benefits, however, high home costs and mortgage credit issues are refocusing attention on EAH benefits.

EAH programs can help address these issues and enhance the quality of life for employees and communities by expanding the range of housing options. Armed with employer-provided resources, employees have an increased capacity to purchase or rent good-quality, affordable homes and build financial assets. By living in homes near their workplaces, employees also gain additional time – formerly spent in traffic – for family or community life.

Improving Communities

Implementing an EAH program to help employees gain access to affordable homes near their places of work helps stabilize and revitalize the areas nearby a company's facilities. Increasing the population of responsible, involved homeowners and renters helps set the foundation for a vibrant, engaged community that can more easily support and attract local business. Policymakers take notice of effective EAH programs, and, in turn, often are inspired to initiate creative legislative solutions to the home affordability problem in the area.

EAH programs can have a significant impact on improving business and community relations, as well as on the public perception of an employer. Companies that have implemented an EAH program for their employees often report that their reputations as responsible and caring corporate citizens are greatly enhanced within their communities.

Employer-Assisted Housing Case Studies Overview

Today, though it is still a relatively young practice, employer-assisted housing (EAH) is gaining momentum with businesses across the country as a progressive and valuable employee benefit. The following case studies provide snapshots of innovative and successful EAH programs currently in place. These programs have been established by employers of many different sizes and from a variety of industries and locations.

Each of the companies profiled here has developed an EAH program that fits its unique needs and delivers a meaningful benefit for its people. The case studies capture not only the details of each EAH program, but also the employers' perspectives on the success of the programs and their insights on implementation.

Taken as a whole, these case studies illustrate both the flexibility and the cost-effectiveness of EAH programs. They also show how the adaptive nature of EAH programs enables companies to offer a benefit that reflects their core corporate values, setting them apart from competitors in the recruitment process. In addition, the case studies demonstrate how companies can partner with government, nonprofit groups and other organizations to create a program with maximum impact at a lower cost.

To provide a concise yet comprehensive description of the selected EAH programs, each case study has been divided into several sections representing the key points and considerations for employers interested in implementing their own EAH programs. These sections are:

- **ORGANIZATION BACKGROUND**
- **SITUATION OVERVIEW**
- **EAH PROGRAM AT-A-GLANCE**
- **COMPETITIVE ADVANTAGE**
- **PROGRAM DETAILS**
 - **Employee Eligibility**
 - **Program Expenses**
 - **Key Partners**
- **OUTCOMES**
- **IMPLEMENTATION INSIGHT**

In addition to breaking out these sections, the case studies include data on the home affordability gap and other pressing market issues for the communities in which these companies operate.

Homes for Working Families – Defining the Affordability Gap

Homes for Working Families has identified a pervasive problem it has labeled the “affordability gap” – the persistent divide between high home costs and lagging incomes – as one of the primary reasons median-income families are unable to find homes they can afford. To highlight this gap, each case study includes a table with data on the affordability gap in that particular area. These data illustrate that most workers earning an income between approximately 60 percent and 120 percent of the area median income cannot afford a median-priced home.

The data provided in these tables come almost exclusively from national sources. In a few cases where national data were not available, local data were utilized. The income data provided in these tables are sourced solely from the entities credited under each individual table and are in no way meant to be a reflection of the salaries paid by the companies profiled here. See the diagram below for an explanation of the data included in the affordability gap tables.

AFFORDABILITY GAP IN PROVIDENCE, R.I.

Median home price	\$291,300
Income needed to afford a median-priced home	\$84,083
AVERAGE ANNUAL SALARY FOR:	
Employment, recruitment and placement specialist	\$46,800
Financial analyst	\$62,030
Insurance underwriter	\$46,210
Loan counselor	\$37,200

Sources: National Association of Realtors (Second Quarter 2006); Bureau of Labor Statistics (May 2006).

Median home price: the middle point of the home-price range in the given metropolitan area. In most cases, median home price data are from the National Association of Realtors (Second Quarter 2006), but local data have been used when national data were unavailable. Refer to individual tables for sources.

Income needed to afford a median-priced home: assumes a 10-percent down payment, a 6.4 percent 30-year fixed-rate mortgage, and national estimates of property tax payments and private mortgage insurance.

Average annual salary: in most cases, average annual salary data are from the Bureau of Labor Statistics (May 2006), but local data have been used when national data were unavailable. Refer to individual tables for sources.

Matrix of Case Studies

EMPLOYER	LOCATION(S)	EMPLOYER & PROGRAM HIGHLIGHTS
American Family Life Assurance Company, Inc. (Aflac)	Columbus, Ga.	<ul style="list-style-type: none"> • Employs 4,400 in Columbus. • Provides education and counseling, and down payment and closing cost assistance. • 72 percent of program participants cite EAH as an incentive for remaining with the company.
Applied Materials, Inc.	Santa Clara, Calif.	<ul style="list-style-type: none"> • Employs 4,000 in Silicon Valley. • Contributes funds to the Housing Trust of Santa Clara County, a public-private partnership. • Trust provides down payment assistance for first-time homebuyers and low-cost financing for developers of affordable rental homes.
Citizens Financial Group, Inc.	Providence, R.I.	<ul style="list-style-type: none"> • Employs 24,500 nationwide. • Provides forgivable loans for down payments and closing costs. • Used research to design a program that increases retention.
CVS/Caremark	Washington, D.C.	<ul style="list-style-type: none"> • Employs 3,000 in D.C. • Provides homeownership education and grants toward home purchases. • Program designed to recruit and retain pharmacists and other management-level employees.
Harley-Davidson Motor Company	Milwaukee, Wis.	<ul style="list-style-type: none"> • Employs 3,900 at Milwaukee-area facilities. • Provides down payment assistance and credit counseling for employees. • “Walk to Work” program encourages employees to invest in transitioning neighborhoods.

EMPLOYER	LOCATION(S)	EMPLOYER & PROGRAM HIGHLIGHTS
Hatch & Parent, A Law Corporation	Santa Barbara, Calif.	<ul style="list-style-type: none"> • Employs 64 in Santa Barbara. • Third-party partner provides a variety of discounts for home purchase, refinancing or rent. • Each employee retained equals a 60-to-1 return on program investment.
Northrop Grumman Corporation	Long Island, N.Y.; Pascagoula, Miss.	<ul style="list-style-type: none"> • Employs 2,000 at Long Island facility; 11,000 in Gulf Coast region. • Provides forgivable loans toward employees' home purchases. • Long Island program helps younger, skilled workers live closer to the facility.
The Schwan Food Company	Marshall, Minn.	<ul style="list-style-type: none"> • Employs 2,500 in Marshall. • Develops affordable homes, and provides homebuyer education and assistance. • Program designed to maintain a stable workforce and recruit employees.
System Sensor	St. Charles, Ill.	<ul style="list-style-type: none"> • Employs 500 in St. Charles area. • Provides down payment assistance and homeownership education. • Program has reduced turnover and decreased workers' compensation claims.
University of Chicago and University of Chicago Medical Center	Chicago, Ill.	<ul style="list-style-type: none"> • Employ 14,000. • Provide interest-free forgivable loans and homeownership counseling for employees. • Program encourages investment in transitioning neighborhoods.

AMERICAN FAMILY LIFE ASSURANCE COMPANY, INC. (AFLAC) COLUMBUS, GA.



ORGANIZATION BACKGROUND

- American Family Life Assurance Company, Inc. (Aflac), headquartered in Columbus, Ga., is a leading provider of supplemental insurance. There are more than 4,400 employees at Aflac's headquarters.
- Aflac established its employer-assisted housing program in 2002.

AFFORDABILITY GAP IN COLUMBUS, GA.

Median home price	\$117,410
Income needed to afford a median-priced home	\$33,890
AVERAGE ANNUAL SALARY FOR:	
Administrative assistant	\$33,020
Bookkeeping, accounting and auditing clerk	\$28,170
Customer service representative	\$26,250
Human resources assistant	\$32,180

Sources: Moody's Economy.com Estimated (Second Quarter 2006); Bureau of Labor Statistics (May 2006).

SITUATION OVERVIEW

Aflac maintains a strong commitment to caring for its workforce, which helps increase employee morale, well-being and productivity. That commitment was one of the primary reasons for the creation of the employer-assisted housing (EAH) program in 2002. Since its implementation, the program has increased investment and improved conditions in the surrounding community where Aflac employees live.

EAH PROGRAM AT-A-GLANCE

The Aflac EAH program was developed as a partnership with NeighborWorks Columbus, a private, community-based, nonprofit organization. In an effort to promote homeownership opportunities and enhance community stability, Aflac and NeighborWorks Columbus designed a program that provides grants Aflac employees can use toward the purchase of a first home and encourages those purchases in targeted neighborhoods by offering additional grant money. Aflac provides down payment and closing cost assistance in the form of "no strings attached" grants, as well as homeownership and financial counseling.

COMPETITIVE ADVANTAGE

Aflac's EAH program has enhanced the company's reputation as an "employer of choice." In 2007, Aflac was named by *Fortune* magazine as one of the "100 Best Companies to Work For" for the ninth straight year. The EAH program also has increased employee retention. Aflac's 2007 survey of program participants revealed that 72 percent feel Aflac's financial contribution to EAH will influence their decision to remain with the company.

THE BOTTOM LINE

"We are proud to be able to assist our employees in achieving their dreams of homeownership. It benefits the employees, it benefits Aflac and, of course, it benefits the community where we all live and work together."

-SHARON DOUGLAS

Vice President, Chief People Officer
Aflac

PROGRAM DETAILS

Employees purchasing their first homes can receive “no strings attached” grants of \$1,000, which do not have to be repaid to Aflac. If employees decide to purchase homes in one of Aflac’s four targeted, transitional neighborhoods in Columbus, the grants are increased to \$5,000. The EAH program is restricted to first-time homebuyers.

Aflac’s partner in this effort, NeighborWorks Columbus, conducts counseling, grant administration and mortgage brokering for participants. NeighborWorks Columbus also packages Aflac’s financial assistance with other available subsidies, where appropriate. Aflac is responsible for marketing the program to its employees.

Financial education and counseling are required for all Aflac employees who participate. When employees initially enter the program, NeighborWorks Columbus reviews their credit history and, with their input, conducts a basic financial evaluation. The analysis categorizes participants as either “near ready,” “short term” or “long term” with regard to homeownership preparedness. Based on this evaluation, employees are placed in technical assistance programs. The minimum financial education that employees are required to receive is eight hours of classroom education and six hours of individual counseling. For employees who require more financial assistance, NeighborWorks Columbus provides peer-learning sessions and one-on-one counseling in conjunction with its more traditional financial education program.

Employee Eligibility

- All employees who will be first-time homebuyers are eligible to participate in the program.

Program Expenses

Aflac’s EAH program was launched in 2002 with \$20,000 in grants made available to employees for down payment and closing cost assistance. That year, Aflac also provided NeighborWorks Columbus with an extra \$5,000 to promote the first targeted neighborhood to program participants. The following year, Aflac made \$25,000 in grants available to employees. Today, program costs vary from year to year based on projected employee involvement.

Key Partners

- **NeighborWorks Columbus:** administers Aflac’s EAH program, and provides financial education and counseling to employees.

OUTCOMES

- More than 200 employees have participated in the EAH program, of which 44 have purchased their first home.
- Eighty percent of the employees who successfully purchased their first home through the program are women.
- The decision to provide “no strings attached” grants as a show of faith to employees has paid off in terms of staff loyalty and retention, as the company’s 2007 EAH program participant survey demonstrates.
- Most participating employees receive the \$1,000 grant and decide against purchasing homes in the targeted neighborhoods.

IMPLEMENTATION INSIGHT

Aflac found that by limiting the program to first-time homebuyers, the company was able to target its desired income group (i.e. people earning 80 percent or less of the area median income) without adding further restrictions to its program. Aflac also discovered that making more money available to employees for the purchase of homes in a targeted neighborhood did not necessarily correlate with a greater number of employees purchasing homes in that area.

Since the inception of the program, Aflac has surveyed participating employees annually in order to gain an understanding of the employees who utilize the program, the services they used and their level of satisfaction with the program. This process has enabled Aflac to assess program success and make informed decisions about program design and funding.



“I consider Aflac the best employer in Columbus, and I thank God for a company that values its employees so highly. My children and I are very pleased with our home.”

—LASADA WILLIAMS
Customer Service Specialist
Aflac

APPLIED MATERIALS, INC.

SANTA CLARA, CALIF.



ORGANIZATION BACKGROUND

Applied Materials, Inc., is the global leader in nanomanufacturing technology for the electronics industry. The company employs approximately 4,000 people at its headquarters in Silicon Valley, Calif., and approximately 14,000 worldwide.

Since 2000, Applied Materials has committed \$1.4 million to the Housing Trust of Santa Clara County to fund affordable home solutions for residents, including employees, in the area.

AFFORDABILITY GAP IN SANTA CLARA, CALIF.

Median home price	\$865,000
Income needed to afford a median-priced home	\$249,681
AVERAGE ANNUAL SALARY FOR:	
Computer hardware engineer	\$112,660
Computer support specialist	\$61,980
Elementary school teacher	\$56,450
Firefighter	\$72,030

Sources: California Association of Realtors (June 2007); Bureau of Labor Statistics (May 2006).

SITUATION OVERVIEW

By the late 1990s, home prices in Santa Clara County had risen significantly, pricing some of the area's most critical workers — teachers, police officers, computer support personnel — out of the market. These home prices were affecting the quality of life in the region, including schools and community services. Applied Materials knew its ability to recruit and retain talented employees would be affected by the overall quality of life in the region. The company determined it could help improve the community by increasing the availability of affordable homes.

EAH PROGRAM AT-A-GLANCE

Applied Materials helps to make homes more affordable by funding the Housing Trust of Santa Clara County. The Housing Trust is a public-private partnership that provides down payment assistance to help first-time homebuyers purchase homes and low-cost financing to qualified developers of affordable, multifamily rental units. Since 2000, nearly 2,000 families in the area have used the first-time homebuyer assistance and more than 1,200 rental units have been created.

COMPETITIVE ADVANTAGE

Applied Materials stands out as a trusted community partner and a socially responsible employer. The company's involvement in the Housing Trust and its other ongoing corporate social initiatives have earned it national recognition, including being named one of the "100 Best Corporate Citizens" in the United States by *Corporate Responsibility Officer* magazine (2007) and one of America's "100 Best Companies to Work For" by *Fortune* magazine (2004).

THE BOTTOM LINE

"While many high-tech employees can afford homes here, it is important that firefighters, teachers and others can, too. Our investment has made a difference for these community members while making the Valley a better, safer place for all."

—JOE PON
Vice President
Applied Materials

PROGRAM DETAILS

In 2000, Applied Materials and four other leading companies each committed a \$1-million grant to the newly launched Housing Trust of Santa Clara County, which was created to help first-time homebuyers purchase homes and spur the development of new affordable homes. Through investments in affordable, multifamily rental housing and special-needs housing, and by providing first-time homebuyer loans, the Housing Trust works to make homes more affordable for area residents.

The Housing Trust provides down payment assistance for first-time homebuyers through no-interest, deferred loans. Buyers can receive up to \$6,500 in down payment assistance, which does not have to be repaid until the home is sold or refinanced. The Housing Trust also provides loans to qualified developers of affordable, multifamily rental housing. Qualifying projects include new construction and acquisition, preservation or rehabilitation of multifamily rental property for households earning up to 80 percent of the area median income. Five primary financing products are offered: land or property acquisition loans; construction gap loans; predevelopment loans; debt service coverage guarantees; and long-term gap/permanent loans. The Housing Trust incorporates “smart growth” principles in its lending policies, encouraging developers to provide homes in dense neighborhoods near transit, jobs and other services.

Eligibility

- First-time homebuyers must not exceed the household income limit of 120 percent of the area median income to receive homebuyer assistance.
- Households with incomes less than or equal to 80 percent of the area median income are eligible to rent homes created with Housing Trust financing.

Program Expenses

Applied Materials has donated a total of \$1.4 million to the Housing Trust. The tax-deductible donation funds the lending activities for affordable housing development and first-time purchases, as well as staff and program administration.

Key Partners

- **Housing Trust of Santa Clara County:** provides loans and grants to homebuyers and developers of affordable, multifamily rental housing in Santa Clara County.
- **Silicon Valley Leadership Group (SVLG):** convened stakeholders to launch the Housing Trust. SVLG is a

nonprofit business organization that addresses policy issues affecting the quality of life and economic health of Silicon Valley. The president and CEO of SVLG serves on the Housing Trust’s board of directors.

OUTCOMES

- With its initial \$1-million contribution to the Housing Trust, Applied Materials encouraged other local businesses to contribute to the organization, helping the Housing Trust reach its fundraising goal of \$20 million in just two years.
- According to the Housing Trust of Santa Clara County, as of August 2007, nearly 2,000 families, including the families of 10 Applied Materials employees, had purchased homes through the first-time homebuyer assistance program, receiving a total of \$13.7 million in assistance.
- More than 1,200 rental homes have been created with funds from the Housing Trust. The Housing Trust’s investment of \$5.4 million helped to create \$341 million of affordable, multifamily rental developments in Santa Clara County.



“If it were not for the Housing Trust, we would not have been able to purchase our first home. The Trust’s \$6,500, zero-percent loan was critical to our success.”

—DANIEL BRODY
Silicon Valley resident

IMPLEMENTATION INSIGHT

The model used for the EAH program brought together a variety of representatives from community organizations, businesses and government in a partnership that benefits everyone in the community. Early fundraising efforts used a peer-to-peer approach. Executives from Applied Materials and other area business leaders reached out to their counterparts to promote the program and solicit involvement. This approach facilitated significant and timely involvement in the program by a number of area employers.

CITIZENS FINANCIAL GROUP, INC.

PROVIDENCE, R.I.



ORGANIZATION BACKGROUND

Citizens Financial Group, Inc. (CFG) is a \$159-billion bank holding company headquartered in Providence, R.I. CFG has more than 1,600 branches in 13 states operating as Citizens Bank and Charter One. CFG employs 24,500 people nationwide.

The company launched its "Home Buyer Assistance Program" in 2002.

AFFORDABILITY GAP IN PROVIDENCE, R.I.

Median home price	\$291,300
Income needed to afford a median-priced home	\$84,083
AVERAGE ANNUAL SALARY FOR:	
Employment, recruitment and placement specialist	\$46,800
Financial analyst	\$62,030
Insurance underwriter	\$46,210
Loan counselor	\$37,200

Sources: National Association of Realtors (Second Quarter 2006); Bureau of Labor Statistics (May 2006).

THE BOTTOM LINE

"Homeownership is an important step toward building assets, deepening roots in the community and stimulating the economy. We were very pleased when, in February of 2007, we could announce that CFG had helped its 3,000th employee purchase a home. We have now surpassed that number."

—LAWRENCE K. FISH
Chairman
Citizens Financial Group

SITUATION OVERVIEW

CFG is committed to meeting the needs of its employees. To address the high cost of homes in many markets where it does business, CFG researched employer-assisted housing (EAH) programs with the goal of offering a new benefit that would be a substantial and meaningful complement to its other supportive employee programs.

EAH PROGRAM AT-A-GLANCE

CFG's "Home Buyer Assistance Program" provides employees with forgivable loans that can be used toward down payment and closing costs when purchasing a home. Loan amounts of \$5,000 and \$8,000 are provided depending on the area in which the home is purchased. Since the program's inception in June 2002, more than 3,100 employees nationwide have benefited from the assistance. As of August 2007, CFG was providing 15 loans per week, on average, to employees purchasing homes.

COMPETITIVE ADVANTAGE

CFG considers its program a win-win situation. CFG has solidified its reputation as a good employer, a responsible corporate citizen and a welcome community partner, and the program has proven invaluable in promoting employee loyalty and increasing recruitment and retention. The word-of-mouth attention the program has generated has translated into interest in CFG by prospective employees and customers alike.

PROGRAM DETAILS

An eligible employee can receive a \$5,000 or \$8,000, five-year forgivable loan toward the purchase of a primary residence. The loan is completely forgiven provided the employee remains with the company for five years. While the loan can be used in conjunction with a first mortgage from any lender, most employees receive their first mortgage from their employer, CFG. The EAH program does not extend to the purchase of "second" or vacation homes, but employees can access the down payment assistance multiple times.

An employee who chooses to purchase a primary home in an emerging community, as defined by the federal Community Reinvestment Act (CRA), is eligible for an \$8,000, five-year forgivable loan. The CRA was enacted to encourage banking institutions to help meet the credit needs of all communities in which they operate, including low- and moderate-income neighborhoods.

First-time homebuyers are required to receive credit counseling. Homebuyer education and counseling are available to all employees, and CFG maintains a list of counseling agencies that provide these services.

Employees sign up for the EAH program through the Human Resources department. CFG aggressively markets its program to its employees through a variety of channels, including new employee orientation sessions in which benefits are explained and informational packets are provided; an internal Web site, CFGConnections, which provides employees access to Human Resources information; and "Citizens Today," CFG's employee newsletter.

Employee Eligibility

- Employees must have worked for CFG for at least one year.
- Employees must work 20 hours or more per week and be in good standing.
- An employee's base salary must be less than \$100,000.

Program Expenses

Since 2002, CFG has committed \$17 million in forgivable loans through the program. Additional costs include Human Resources staff time and marketing materials.

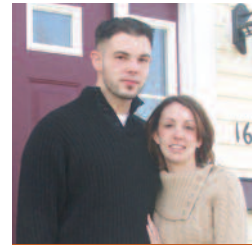
Key Partners

While CFG administers and markets its EAH program independently, the company has developed relationships with local nonprofit organizations that provide

homeownership counseling and homebuyer education. CFG targets part of its philanthropic support to these organizations because they ultimately benefit the local workforce.

OUTCOMES

- From June 2002 to August 2007, CFG administered \$17 million in forgivable loans to help more than 3,100 employees purchase homes.
- Of the total number of employees helped, 188 employees who chose to purchase homes in emerging communities each received \$8,000 in down payment and closing cost assistance.
- In 2004, CFG acquired Charter One, a bank holding company with operations in the Midwest, New York and Vermont. That same year, CFG expanded the program to these areas and, since then, has committed nearly \$4 million in forgivable loans to open the program to new employees in Illinois, Indiana, Michigan, New York, Ohio and Vermont. As of August 2007, more than 765 employees from these states had participated in the EAH program.



"This program makes a real difference in many people's lives. Like many of my colleagues, without my company's EAH program, I would not have been able to buy my home. I can honestly say that CFG is providing a benefit that is not only appreciated, but one that fosters loyalty."

—TRACY KIRBY

Assistant Manager
Citizens Bank's Stop & Shop branch
in North Smithfield, R.I.
Kirby is the 3,000th homebuyer in
CFG's "Home Buyer Assistance
Program."

IMPLEMENTATION INSIGHT

When developing the program, senior management wanted to ensure that the level of homebuyer assistance provided would be viewed as meaningful and would motivate employees to use the program. After researching EAH programs across the country, the Human Resources staff set the down payment assistance at \$5,000, an amount their research showed would represent a significant benefit and would encourage program participation. In addition, CFG decided the five-year time period for the forgivable loan was appropriate and that a lengthier period of time would have hindered program participation.

CVS/CAREMARK WASHINGTON, D.C.



ORGANIZATION BACKGROUND

- CVS employs 176,000 people nationwide, including 3,000 in the Washington, D.C., metropolitan area. The recently merged CVS/Caremark is expecting annual revenues of \$85 billion.
- The company began its employer-assisted housing program, "Prescription for Homeownership," in the high home-cost metro area of Washington, D.C., in August 2005 and expanded the program to Los Angeles, Calif., in June 2007.

AFFORDABILITY GAP IN WASHINGTON, D.C.

Median home price	\$443,900
Income needed to afford a median-priced home	\$128,131
AVERAGE ANNUAL SALARY FOR:	
Manager of retail sales	\$43,360
Pharmacist	\$89,690
Wholesale and retail buyer	\$56,200

Sources: National Association of Realtors (Second Quarter 2006); Bureau of Labor Statistics (May 2006).

SITUATION OVERVIEW

Each year, CVS' human resources challenges include employing 100 pharmacists in the Washington, D.C., metro area and staffing each of the downtown "super-stores" with a total workforce of between 50 and 75 employees. Since 2000, CVS has worked with faith-based institutions to recruit new employees, especially pharmacists. When Mt. Lebanon Baptist Church approached the company about an employer-assisted housing (EAH) program, CVS saw its potential.

EAH PROGRAM AT-A-GLANCE

CVS provides participating employees with a \$500 grant toward a home purchase and its partner, American First Credit Union (AFCU), matches that amount at the time of closing. Employees also receive credit counseling, as needed, and homebuyer assistance through a third-party nonprofit partner. More than 160 employees in the D.C. metro area have participated in the program since August 2005. More than 40 of these employees have purchased homes.

COMPETITIVE ADVANTAGE

Nationwide, CVS hires approximately 12,000 pharmacists annually, and the ability to recruit and retain these highly skilled professionals is critical to CVS' business. Assisting these employees with purchasing homes in the costly D.C. metro area is a valuable employee benefit and, in turn, increases productivity, motivates employees to advance professionally and enhances employee retention rates at the 150 CVS locations in the D.C. metro area. In addition, the EAH program benefit, which is unique to CVS in the pharmacy market, functions as an important recruitment tool.

THE BOTTOM LINE

"The 'Prescription for Homeownership' program has been great for the company and for our employees. When an employee purchases a home, they want to work harder and strive for a promotion so that they can maintain that home."

-STEPHEN M. WING
Director of Government Programs
CVS

PROGRAM DETAILS

CVS gives participating employees a \$500 grant and its exclusive lending partner, AFCU, provides a matching \$500 credit at closing. CVS partner Mt. Lebanon Baptist Church, a nonprofit, faith-based organization, administers the program and provides homebuyer education and counseling.

When establishing the program in a new market, CVS enlists the expertise of Freddie Mac specialists to identify a faith-based institution or other nonprofit organization that will administer the program and provide credit counseling. The nonprofit organization holds monthly program orientation sessions at a CVS Learning Center for employees interested in becoming homebuyers. The sessions cover important information about homeownership and home buying. Store managers advertise the sessions by posting information at individual stores and communicating directly with employees through e-mails.

After the orientation session, employees can submit a preliminary loan application. AFCU then runs a credit report and issues a preapproval letter to mortgage-ready employees to begin their home search. AFCU continues to work with employees through the closing date, when homebuyers receive the \$1,000 in grant money. Employees who are not mortgage-ready work with the program administrator on credit repair and/or dispute resolution.

Some D.C.-area employees also may benefit from other local assistance for first-time homebuyers, including interest-free or low-interest loans for down payment and closing costs from D.C.'s Department of Housing and Community Development; a single-family revenue bond program through lenders, designed by the D.C. Housing Finance Agency; and a first-time homebuyer federal tax credit of up to \$5,000. Employees work with the program administrator, real estate agent and/or lender in leveraging these programs.

Employee Eligibility

- Employees must work in the Washington, D.C., metropolitan area.
- Full- or part-time employees must be in good standing for two years. Pharmacists and management-level employees are eligible upon hire.

Program Expenses

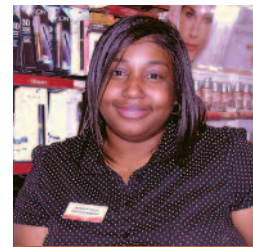
In addition to the \$500 down payment assistance to employees, CVS makes an annual contribution to Mt. Lebanon Baptist Church. Freddie Mac pays Mt. Lebanon Baptist Church \$20,000 to administer the program.

Key Partners

- **American First Credit Union (AFCU):** provides a \$500 credit to employees at closing.
- **Mt. Lebanon Baptist Church:** helped with program design, provides space for credit counseling and administers the program.
- **Freddie Mac:** purchases the loans from AFCU, promotes the program and is working to identify new partners as CVS moves into new markets.

OUTCOMES

- Since 2005, more than 160 CVS employees have received homebuyer education and counseling through Mt. Lebanon Baptist Church. During that time, more than 40 employees purchased homes.
- In June 2007, CVS expanded the program to employees at its Los Angeles Distribution Center, with plans to include all Los Angeles-area employees. The focus will remain on helping employees purchase homes close to work.
- CVS plans on creating EAH programs in four to six additional cities in 2008.



"It makes me feel proud to work for a company that offers such a wonderful benefit to its employees, and it feels great to report I was able to close on my first condo last June."

—NAKITA PALMER
Assistant Manager
CVS

IMPLEMENTATION INSIGHT

CVS believes its decision to partner with a faith-based organization provided a level of employee privacy that built trust in the process.

Additionally, CVS stresses the importance of carefully selecting a lending partner. The lender should be willing to openly answer all questions, provide incentives for employees, offer a high level of service and demonstrate a strong commitment to the relationship, as AFCU did when it decided to provide a \$500 homebuyer credit.

HARLEY-DAVIDSON MOTOR COMPANY

MILWAUKEE, WIS.



ORGANIZATION BACKGROUND

Founded in a garage in Milwaukee, Wis., in 1903, motorcycle manufacturer Harley-Davidson Motor Company today is listed in Standard & Poor's 500-stock index and has consolidated revenues of \$5.8 billion. The company has 10,000 employees worldwide, including approximately 3,900 at its Milwaukee-area facilities.

The company launched its "Walk to Work" employer-assisted housing program in Milwaukee in 2000.

AFFORDABILITY GAP IN MILWAUKEE, WIS.

Median home price	\$227,700
Income needed to afford a median-priced home	\$65,725
AVERAGE ANNUAL SALARY FOR:	
Auto body repair worker	\$39,200
Mechanic	\$38,050
Payroll clerk	\$36,050
Secretary	\$29,640

Sources: National Association of Realtors (Second Quarter 2006); Bureau of Labor Statistics (May 2006).

SITUATION OVERVIEW

In the late 1990s, the city of Milwaukee identified the area surrounding Harley-Davidson Motor Company's headquarters as a "targeted investment neighborhood." The company recognized that it would benefit from a stronger, safer community for employees and residents of the area. Having long been involved in promoting neighborhood stability, Harley-Davidson saw an employer-assisted housing (EAH) initiative as another opportunity to promote reinvestment in the neighboring community.

EAH PROGRAM AT-A-GLANCE

The Harley-Davidson "Walk to Work" EAH program provides employees at the company's Milwaukee-area facilities with homebuyer education and down payment assistance. From 2000 to 2005, 70 Harley-Davidson employees received credit counseling and homebuyer education services, and 27 employees purchased homes using the program's services.

COMPETITIVE ADVANTAGE

The EAH program is in place to promote a thriving neighborhood for employees and the surrounding community. The employees who have taken advantage of the "Walk to Work" program to purchase homes in the community have become community leaders who are actively involved in and committed to the neighborhood. This has translated into greater employee satisfaction in the workplace and an even better relationship with the surrounding community. The company also has received public recognition for the program, including media attention and national speaking opportunities.

THE BOTTOM LINE

"We want to promote a great environment for the area around our corporate headquarters. Employees who participate in our 'Walk to Work' program are vested in the neighborhood and are leaders within it, which helps to strengthen our company's relationship with our neighbors."

-TONY SHIELDS

Manager, Community Relations
Harley-Davidson Motor Company

PROGRAM DETAILS

The “Walk to Work” program is available to all employees who work at Harley-Davidson’s Milwaukee-area facilities and provides a variety of services. These services, including pre-purchase guidance for employees and loan packaging services to expedite loan applications, are provided free of charge. In addition, employees who buy a home in the targeted investment neighborhood can receive \$2,500 in down payment assistance. The assistance is forgiven over three years provided the employee stays with the company during that time, and continues to live in and own the house as his or her primary residence. The company contracts with Select Milwaukee, a nonprofit homeownership organization, to administer the program and work with employees. As part of one employee’s homebuyer assistance package, Harley-Davidson and Select Milwaukee also helped relocate and rehabilitate a house for the employee to purchase.

The Harley-Davidson “Walk to Work” program is promoted through the company’s intranet site, on-site workshops, information sessions, program representatives who staff tables in the cafeteria and other similar forms of outreach. Currently, program information is included in the information packet distributed to newly hired employees.

Employee Eligibility

- All employees who work at Harley-Davidson’s Milwaukee-area facilities are eligible to participate in this program.

Program Expenses

Harley-Davidson maintains an annual contract with Select Milwaukee at a cost of \$6,000 per year. The contract covers the cost of administering the program; marketing the program to Harley-Davidson’s employees; and providing credit counseling, homebuyer education and loan packaging services. In addition, Harley-Davidson provides eligible employees with \$2,500 in down payment assistance toward a home purchase in the target area. From 2000 to 2005, the company provided a total of \$67,500 in down payment assistance to 27 employees.

Key Partners

- **Select Milwaukee:** administers the “Walk to Work” program with funding from Harley-Davidson. Select Milwaukee is a nonprofit homeownership organization that provides employees with homebuyer

assistance services including confidential financial counseling and access to other financial resources for which employees may be eligible.

OUTCOMES

- From 2000 to 2005, 70 Harley-Davidson employees received counseling and homebuyer education through the company’s partnership with Select Milwaukee.
- In that same time frame, 27 employees purchased homes in the target area with \$2,500 in down payment assistance provided by Harley-Davidson.
- The “Walk to Work” program has resulted in more employees living in the neighborhoods surrounding the headquarters. The presence of these employees has strengthened the community and also helped all of the employees at the company’s headquarters feel safer when walking on the streets around the facility.

IMPLEMENTATION INSIGHT

Harley-Davidson has recognized two important factors in the success of the program: the need for ongoing marketing and the value of partnering with an administrator who is an expert in home affordability issues. To ensure employees continue to take advantage of the program, the company focuses its marketing efforts not only on the financial assistance and homebuyer education programs, but also on the homes available in the neighborhood. In addition, by partnering with Select Milwaukee to administer the “Walk to Work” program, the company is able to provide its employees with access to the nonprofit’s experts while also giving employees a “one-stop shop” for their EAH benefits.



“This program helped me buy a home that is just a short walk away from work. I’ve always enjoyed my job, but being this close makes my life a lot easier. I can even go home on my lunch break.”

–DENISE JOHNSON-SHERARD
Coordinator of Sales Promotion
Harley-Davidson Motor Company

HATCH & PARENT, A LAW CORPORATION

SANTA BARBARA, CALIF.



THE BOTTOM LINE

“Our housing assistance program allows us to provide a meaningful benefit for our employees while also protecting our investment in our people. At Hatch & Parent, losing just one associate attorney can cost the firm up to \$130,000. Our housing assistance program costs us only \$2,100 per year, which means that every time an associate attorney uses the program to stay in the region, we get about a 60-to-1 return on investment.”

—STEVEN AMERIKANER
Partner
Hatch & Parent

ORGANIZATION BACKGROUND

- Founded in 1968, Hatch & Parent is a small, full-service law firm based in Santa Barbara, with offices throughout California. The firm employs 82 people throughout the state, 64 of whom are located at the Santa Barbara headquarters.
- Hatch & Parent established its employer-assisted housing program in 1991.

AFFORDABILITY GAP IN SANTA BARBARA, CALIF.

Median home price	\$1,262,500
Income needed to afford a median-priced home	\$364,419
AVERAGE ANNUAL SALARY FOR:	
Lawyer	\$159,640
Legal secretary	\$35,960
Paralegal, legal assistant	\$59,530
Urban and regional planner	\$65,520

Sources: Santa Barbara Association of Realtors (June 2007); Bureau of Labor Statistics (May 2006).

SITUATION OVERVIEW

In the late 1980s and early 1990s, Hatch & Parent faced a significant recruitment problem because the housing market in the Santa Barbara area had become prohibitively expensive. Prospective Hatch & Parent employees often chose jobs in other locations where homes were more affordable. The company's management team recognized the affordability problem was likely to become more severe, which would make it increasingly difficult to recruit and retain workers. To address this issue, Hatch & Parent decided to explore how, as a small company, it could offer a housing assistance program.

EAH PROGRAM AT-A-GLANCE

Hatch & Parent offers its employees an employer-assisted housing (EAH) program that provides a variety of discounts for home purchase, refinancing or rent. From 1996 through July 2007, a total of 43 Hatch & Parent employees benefited from the EAH program, including 26 employees who were able to purchase homes or rent properties closer to the law firm.

COMPETITIVE ADVANTAGE

Hatch & Parent's EAH program sets the company apart as an “employer of choice,” particularly in recruiting efforts. The company has seen a reduction in its turnover rate, which has helped it offset a lengthy, costly and often challenging recruitment process. Employee feedback indicates increased job satisfaction and improved quality of life due to shortened commutes.

PROGRAM DETAILS

Hatch & Parent offers its employees a homeownership assistance program through its membership in the Coastal Housing Partnership (CHP), a nonprofit with expertise in homeownership education and financial assistance. The company pays an annual membership fee to CHP, which in turn gives Hatch & Parent employees access to various discounted services when they rent or purchase a home in Santa Barbara and designated surrounding areas. CHP works with an extensive list of lenders, real estate agents and other industry professionals who discount their services for eligible employees.

As a result, through the partnership with CHP, Hatch & Parent employees are eligible for:

- Discounts on lender fees, such as processing, credit report and appraisal fees;
- Discounts on home inspections;
- Mortgage interest rate reductions;
- Real estate broker commission credits paid to the buyer's escrow account;
- Reduced down payments through loan products offered by certain lenders;
- Discounts on upfront fees for a mortgage refinance; and
- Reductions in market rent on new leases.

The amount of financial assistance employees receive varies depending on the type of assistance used and the price of the home. In some cases, the discount is a percentage of the purchase price of the home. On average, employees receive assistance equal to \$5,500 for a home purchase; \$500 for refinancing; and \$600 per year for rent.

Hatch & Parent uses CHP-provided marketing materials to educate its employees about the program. These materials include paycheck stuffers, newsletters and a detailed Web site that gives employees access to information about specific discounts that can be used toward a home purchase, home refinancing or rent.

Employee Eligibility

- All full-time employees are eligible to participate in the program.

Program Expenses

As a firm with between 51 and 100 employees, Hatch & Parent pays an annual membership fee of \$2,100 to CHP. Employer membership fees, which are determined by the company's total number of employees,

cover the cost of administering and staffing the program, maintaining the Web site, marketing the program to area employers and conducting homeownership education courses.

Key Partners

- **Coastal Housing Partnership (CHP):** administers the EAH program for 70 employers. CHP provides homeownership education and refers employees to discount providers including lenders, real estate agents, home inspectors and property management companies.

OUTCOMES

- From 1996 through July 2007, 43 Hatch & Parent employees took advantage of the EAH program. Of these employees, 24 purchased homes, two participated in rental assistance and 17 refinanced their mortgages at more affordable interest rates.
- Hatch & Parent employees, under the leadership of Partner Steven Amerikaner, have become vocal advocates for affordable homes in southern California. Their advocacy and education efforts have resulted in a palpable attitude shift among local elected officials, as well as the inclusion of a strong affordable homes program in the Housing Element of Santa Barbara County's Comprehensive Plan.



"In this area, living 30 miles away where homes are more affordable translates into an hour-and-a-half commute. We were really lucky to be able to buy a home nearby, and we couldn't have done it without Hatch & Parent's EAH program."

—EVA TURENCHALK
Land Use Planner
Hatch & Parent

IMPLEMENTATION INSIGHT

As a smaller company wanting to provide an EAH program for its employees, Hatch & Parent found it could provide its employees with significantly greater benefits by partnering with a nonprofit organization that would be the third-party administrator of the program. The third-party administrator can offer a higher level of renter and homebuyer discounts because it pools membership fees from several area employers. This approach made the program much more cost-effective for Hatch & Parent.

NORTHROP GRUMMAN CORPORATION

BETHPAGE, N.Y. & PASCAGOULA, MISS.

NORTHROP GRUMMAN

ORGANIZATION BACKGROUND

Northrop Grumman Corporation is a \$30-billion global defense and technology company with 120,000 employees. The company provides innovative systems, products and solutions in information and services, electronics, aerospace and shipbuilding to government and commercial customers worldwide.

Customized employer-assisted housing programs are offered at two locations: Northrop Grumman Integrated Systems Eastern Region in Bethpage, N.Y., which employs approximately 2,000 people on Long Island; and, Northrop Grumman Ship Systems, in Pascagoula, Miss., which employs approximately 11,000 people along the Mississippi Gulf Coast.

AFFORDABILITY GAP IN NASSAU/SUFFOLK, N.Y.

Median home price	\$478,800
Income needed to afford a median-priced home	\$138,205
AVERAGE ANNUAL SALARY FOR:	
Aircraft mechanic and service technician	\$44,640
Electrician	\$57,660
Executive secretary	\$45,860

Sources: National Association of Realtors (Second Quarter 2006); Bureau of Labor Statistics (May 2006).

THE BOTTOM LINE

"Clearly the model we have put in place in Mississippi will impact our Louisiana strategy as well. And frankly, these employees deserve every bit of support we can offer. We are honored to be a recognized partner in the recovery efforts."

-PHILIP A. TEEL

Corporate Vice President
Northrop Grumman
and President
Northrop Grumman Ship Systems

SITUATION OVERVIEW

On Long Island, Northrop Grumman Integrated Systems (NGIS) first implemented an employer-assisted housing (EAH) program in 2004 to improve recruitment and retention in a very high-cost home market. On the Mississippi Gulf Coast, many Northrop Grumman Ship Systems (NGSS) employees lost their homes in 2005 during Hurricane Katrina. Today the local housing supply remains extremely limited. The new NGSS EAH program, launched in 2007, was created to help remedy extreme recruiting shortfalls caused by the severely limited housing supply.

EAH PROGRAMS AT-A-GLANCE

On Long Island, NGIS offers employees forgivable loans toward the purchase or rehabilitation of a primary residence. Employees are encouraged to tap into other funding streams, including government programs, to maximize the financial assistance they can receive. In Mississippi, NGSS employees are eligible to receive forgivable loans to help build or purchase a new home, or to rebuild a home destroyed by Hurricane Katrina. Employees not yet able to buy homes are eligible for rental assistance.

COMPETITIVE ADVANTAGE

Whether its employees face the challenges associated with an area's high home costs or its economic instability, Northrop Grumman recognizes that EAH programs can attract new talent and strengthen the company, while also stimulating community investment.

PROGRAM DETAILS

NGIS: In collaboration with the Long Island Housing Partnership, NGIS provides employees \$5,000 grants toward down payment costs. The down payment assistance must be used toward the purchase of a primary residence, and employees must participate in a homebuyer education course.

NGIS also encourages employees to take advantage of the Homeownership and Economic Stabilization for Long Island Program (HELP). This new program matches employer housing benefits three-to-one and provides employees additional grants of up to \$20,000 for rehabilitation efforts. Through HELP, NGIS employees can receive an additional 10-year, \$15,000 forgivable loan toward the purchase of a home. The amount of assistance is determined based on a sliding income scale – employees at the lower end of the income spectrum are offered greater assistance.

NGSS: The new EAH program offers down payment assistance loans of up to \$7,500 for new homebuyers or employees who are rebuilding their homes. The down payment assistance must be used toward a primary residence. Additionally, NGSS' partner, the Gulf Coast Renaissance Corporation, will provide up to \$22,500 – a three-to-one match – to each employee to complement NGSS' contribution. Like the Long Island program, the amount of assistance is determined based on a sliding income scale. Loans are forgiven over five years provided the employee stays with the company, retains ownership of the home and maintains it as a primary residence. NGSS also offers up to \$2,000 in rental assistance to help absorb expensive moving costs and security deposits.

Employee Eligibility

NGIS

- Employees earning up to 130 percent of the area median income are eligible for the program.
- Employees are required to invest \$3,000 of their own money in the home purchase.

NGSS

- Employees must work full time and have worked at NGSS for six months or longer to receive down payment assistance.
- To receive rental assistance, employees must have worked at the company for at least 90 days. In addition, they must be either a new hire living in temporary housing or an employee who cannot yet purchase a home.

Program Expenses

In Mississippi, NGSS executives have determined that it costs approximately \$50,000 to \$60,000 to replace an employee who has left the company. The EAH benefit costs approximately \$7,500 to \$9,500 per employee. NGSS anticipates the EAH program will increase employee retention, leading to significant cost savings.

Key Partners

NGIS

- **Long Island Housing Partnership:** administers the program, offers homebuyer education, and distributes grants and related monies.
- **Homeownership and Economic Stabilization for Long Island Program (HELP):** matches employer housing benefit packages three-to-one and provides additional rehabilitation grants. HELP is a New York state initiative.

NGSS

- **Gulf Coast Renaissance Corporation:** oversees program design, implementation and administration, and secures matching funds.
- **Dependable Affordable Sustainable Housing:** provides homebuyer education and confidential credit counseling services.

OUTCOMES

- As of October 2007, more than 20 NGIS employees had received homebuyer education.
- Nine NGIS employees have taken advantage of the down payment assistance. HELP assistance is expected to increase this number dramatically.

IMPLEMENTATION INSIGHT

On Long Island, NGIS has encouraged employees to take advantage of other assistance opportunities, including the newly established HELP initiative. Tapping into outside funding streams has significantly increased the amount of assistance available to employees.



"I think it is common knowledge that young professionals struggle with the high cost of living on Long Island, resulting in a lot of people relocating off the island. It gives me a good feeling that a company such as Northrop Grumman has not only recognized this challenge but is actively doing something about it."

—ALPHONSO C. VANLOW
Generalist, Human Resources
Northrop Grumman Integrated Systems

THE SCHWAN FOOD COMPANY

MARSHALL, MINN.



ORGANIZATION BACKGROUND

- The Schwan Food Company is a multibillion-dollar private company. Schwan subsidiaries employ 22,000 individuals throughout the United States, Canada and Europe. Of the 22,000 total subsidiary employees, approximately 2,500 are headquartered in Marshall, Minn.
- The employer-assisted housing program began in 2000 with an investment from Schwan's Development Corporation, Inc., a subsidiary of Schwan, in the Parkway development, a substantial housing development in Marshall.

AFFORDABILITY GAP IN MARSHALL, MINN.

Median home price	\$134,000
Income needed to afford a median-priced home	\$38,679
AVERAGE ANNUAL SALARY FOR:	
Executive secretary and administrative assistant	\$31,200
Payroll and timekeeping clerk	\$27,206
Shipping, receiving and traffic clerk	\$25,979
Truck driver	\$31,949

Source: Minnesota Department of Employment and Economic Development (Second Quarter 2007).

THE BOTTOM LINE

"We know that our future business success depends on our ability to attract talented employees. We believe that having amenities, including affordable housing, increases our ability to do this. That's why we wanted to participate in the Parkway development."

-WILLIAM O. McCORMACK
President
Schwan's Development Corporation, Inc.

SITUATION OVERVIEW

Along with the benefits of economic growth, Marshall, Minn., has experienced a steady rise in home prices. While Marshall has approximately 12,000 residents, the population swells to approximately 22,000 during the workday. As one of the largest employers in Marshall, Schwan recognized that the availability of affordable homes would affect the company's ability to maintain a stable workforce and recruit new employees. In 2000, Schwan responded to this challenge by investing in an employer-assisted housing (EAH) program.

EAH PROGRAM-AT-A-GLANCE

Schwan's EAH program, administered through a public-private-nonprofit partnership, centers around the creation of new affordable homes and providing employees with homebuyer financial assistance, in the form of down payment and closing cost assistance, and homebuyer education.

COMPETITIVE ADVANTAGE

The EAH program has helped 13 Schwan employees purchase homes, contributing to the company's ability to maintain a stable workforce. Schwan believes the increase in the availability of affordable homes also helps its recruitment efforts. In its effort to attract new talent, Schwan has learned that one major factor encouraging potential employees to relocate to Marshall is the assurance of quality homes at affordable prices. In addition, Schwan's contribution to easing the affordable homes shortage has reinforced its reputation as a good corporate neighbor.

PROGRAM DETAILS

In conjunction with other partners, Schwan pursued an EAH program focused on creating Parkway, a development of affordable homes for Schwan employees and other community members; providing financial assistance to qualified homebuyers (households earning up to 80 percent of the statewide median income); and providing homebuyer education. First-time homebuyers taking advantage of the purchase price assistance are required to participate in homebuyer education.

Schwan's investment in the Parkway development covers two phases:

Parkway Phase I (2000-2003)

During Parkway Phase I, Schwan's Development Corporation made an initial investment of \$498,000 toward:

- A zero-percent-interest, revolving construction loan to build single-family homes.
- A loan for the development of rental townhomes.
- Matching funds for closing cost assistance.

Parkway Phase II (2003-2009)

Schwan's Development Corporation committed \$1.8 million to Parkway Phase II, a six-year, multiphase development which will include single-family homes. Schwan's contribution includes a \$300,000 grant for land acquisition assistance to the Marshall Economic Development Authority (EDA); a \$750,000 infrastructure loan to the City of Marshall, to be repaid in 2008; and \$750,000 in gap financing loans to developers to reduce development costs. This commitment will help provide:

- Down payment assistance structured as a deferred, zero-percent-interest loan (sometimes referred to as a soft second loan) to be repaid by the homeowner upon sale of the home. The amount of assistance depends on the buyer's need and ranges up to \$35,000.
- Closing cost assistance in the form of a matching loan in which the buyer pays one-third of the costs (approximately \$1,200). The remaining two-thirds of the costs are paid by Schwan and the Marshall EDA. These funds are repaid by the buyer upon sale of the home.

Employee Eligibility

- All Schwan employees are eligible to participate in the homebuyer education element of the program.
- Employees whose household incomes fall at or below 80 percent of the statewide median income also are eligible for purchase price assistance.

Program Expenses

- \$498,000 in Phase I.
- \$1.8 million in Phase II.

Key Partners

- **City of Marshall:** convened stakeholders for community planning process.
- **Marshall Economic Development Authority:** owns the Parkway development and provides matching grants for employees receiving closing cost assistance.
- **Southwest Minnesota Housing Partnership:** convened stakeholders and assembled financing for the Parkway development. The organization also manages Schwan's assistance funds, provides homebuyer education, and owns and manages rental townhomes.
- **Greater Minnesota Housing Fund:** convened stakeholders and provided construction financing for the Parkway development.

OUTCOMES

- A total of 120 homes – 72 single-family homes and 48 rental townhomes – were built during Parkway Phase I.
- Parkway Phase II is designed to add up to 82 single-family homes to the development.
- Forty Schwan employees have participated in the homebuyer education curriculum, 13 of whom have bought homes in the Parkway development.

IMPLEMENTATION INSIGHT

Schwan executives wanted to be sure the company's significant investment in an affordable homes initiative could be maximized to provide an even greater benefit to its employees and others seeking affordable homes. To accomplish this, the company chose to partner with other organizations also seeking to increase the availability of affordable homes. This resulted in the creation of a much larger overall funding source and the development of a far greater number of affordable homes.



"My goal was to buy a home in Marshall. I might still be searching if I didn't receive help from Schwan."

–SUNSHINE SINARATH

Project and Production Scheduler
Schwan's Shared Services, LLC

SYSTEM SENSOR ST. CHARLES, ILL.



ORGANIZATION BACKGROUND

- System Sensor, a subsidiary of Honeywell International Inc., is one of the largest manufacturers of fire detection and notification products in the world. The company's global headquarters in St. Charles, Ill., employs approximately 500 people.
- System Sensor launched its employer-assisted housing program in early 2000 under the leadership of its then parent company, Pittway Corporation. Pittway was acquired by Honeywell that same year.

AFFORDABILITY GAP IN ST. CHARLES, ILL.

Median home price	\$260,000
Income needed to afford a median-priced home	\$75,049
AVERAGE ANNUAL SALARY FOR:	
Computer support specialist	\$48,120
Maintenance and repair worker	\$39,880
Manager of production and operating workers	\$54,430
Sales representative (technical and scientific products)	\$69,970

Sources: Illinois Association of Realtors (Second Quarter 2006: Median home price for Kane County, Ill.); Bureau of Labor Statistics (May 2006).

THE BOTTOM LINE

"I don't think it's any coincidence that System Sensor is one of Honeywell's most productive subsidiaries. Through the EAH program, we've figured out a cost-effective way to recruit and retain essential employees. The program is beneficial for everyone because it increases employee morale and ensures a more successful future for the company."

-KING HARRIS

Former CEO of Pittway Corporation
Currently a consultant to Honeywell
International Inc.

SITUATION OVERVIEW

In the late 1990s, System Sensor had difficulty recruiting and retaining well-trained manufacturing workers at its global headquarters in St. Charles, an affluent suburb of Chicago. The company also experienced higher than normal rates of absenteeism from workers who had long commutes to work. Contributing to these problems was the fact that some affluent communities near System Sensor's headquarters were resistant to any affordable housing solutions that would enable more of the company's factory workers to move into those neighborhoods. Hoping to address these issues, System Sensor embraced the opportunity to pilot an employer-assisted housing (EAH) program.

EAH PROGRAM AT-A-GLANCE

Since 2000, System Sensor has offered an EAH program that provides financial counseling and homebuyer education services, as well as down payment assistance in the form of interest-free loans. By June 2007, 122 employees had participated in homebuyer education and 67 had purchased homes with down payment assistance.

COMPETITIVE ADVANTAGE

System Sensor's management team calculated that the program not only recouped its initial investment, but ultimately saved approximately \$100,000 per year in the form of workforce stability. The program made a significant impact: turnover was reduced; workers' compensation claims decreased; and employees who were on probation for poor attendance and tardiness worked to improve their standings so they would be eligible to participate in the program.

PROGRAM DETAILS

System Sensor's EAH program offers homebuyer education and provides opportunities for employees to purchase homes closer to work. To encourage employees to move closer to the facility, the company established a target area in which it would provide assistance for employee home purchases. This target area extends to a 15-mile radius around the headquarters to account for the high-cost housing market in surrounding neighborhoods.

System Sensor utilizes the services of the Joseph Corporation, a local nonprofit, to provide educational and financial counseling services to employees interested in the EAH program. Qualified employees who "graduate" from the education program and meet the other eligibility requirements receive a \$5,000 interest-free loan from System Sensor toward the purchase of a home in the target area. The loan is completely forgiven after five years provided the employee remains employed at System Sensor and resides in the house as a primary home.

Employee Eligibility

- Employees must be regular, full-time employees earning up to 80 percent of the area median income and have one year of service.
- Employees must be in good standing.
- Employees must qualify for mortgages without the assistance of System Sensor.
- Employees must contribute either \$1,000 or 1 percent of the purchase price of the home, whichever is greater, toward the down payment.

Program Expenses

For the first two years of the program, the total cost was \$225,000, which included:

- Payment for program design and evaluation;
- Payment for homebuyer education and administration of the loan program; and
- \$5,000 for each employee who graduated from the homebuyer education program and purchased a home.

Current annual costs for the program include a \$20,000 contract with the Joseph Corporation and \$5,000 for each employee purchasing a home in the target area.

Key Partners

- **Metropolitan Planning Council:** designed the pilot program and conducted the first evaluation of the program's effectiveness.

- **Joseph Corporation:** administers the program, including providing homebuyer education and confidential credit counseling to employees.
- **Illinois Housing Development Authority:** provides matching funds to eligible homebuyers and tax credits to employers.



OUTCOMES

- Within the first year of the program's operation, 60 employees enrolled in homebuyer education and 16 purchased homes.
- By June 2007, a total of 122 employees had enrolled in homebuyer education and 67 had purchased homes.
- King Harris, who championed the implementation of the EAH program at System Sensor, shared the success of the pilot program in testimony before Illinois lawmakers and regulators. This testimony resulted in:
 - The development of a matching fund program by the Illinois Housing Development Authority that doubles the down payment assistance employees receive from qualified Illinois employers;
 - The creation of a statewide tax credit for employers equal to 50 percent of the employer's qualified investments in affordable homes; and
 - The creation of the state's first Comprehensive Housing Plan and passage of numerous pieces of legislation promoting the development of affordable homes near work centers.

"My long commute made it tough to schedule any family time during the week. The EAH program gave me the help I needed to afford a home close to the plant, so now I get to spend more time with my family and feel less stressed when I'm at work."

—JENNIFER CHESLEY
Staff Accountant
System Sensor

IMPLEMENTATION INSIGHT

Before implementing the program, System Sensor's management was aware that both internal and external parties, such as employee unions, would need to buy into the idea for it to be successful. To secure this buy-in, company management conducted an employee housing needs survey and presented the results to those key stakeholders. As a result, the stakeholders supported the development of a pilot program that could be evaluated after two years to test its effectiveness.

UNIVERSITY OF CHICAGO AND UNIVERSITY OF CHICAGO MEDICAL CENTER CHICAGO, ILL.



THE UNIVERSITY OF
CHICAGO

ORGANIZATION BACKGROUND

- The University of Chicago employs 8,150 people and the University of Chicago Medical Center employs 6,200 people.
- The organizations' employer-assisted housing program was launched in May 2003.

AFFORDABILITY GAP IN CHICAGO, ILL.

Median home price	\$278,500
Income needed to afford a median-priced home	\$80,389
AVERAGE ANNUAL SALARY FOR:	
Administrative assistant	\$40,710
Medical and clinical lab technician	\$37,760
Nurse (LPN)	\$40,230
Respiratory therapist	\$47,050

Sources: National Association of Realtors (Second Quarter 2006); Bureau of Labor Statistics (May 2006).

SITUATION OVERVIEW

As an engaged neighbor, the University of Chicago is committed to improving the quality of life for employees, students and neighborhood residents alike. The University of Chicago and University of Chicago Medical Center launched an employer-assisted housing (EAH) program in May 2003 to promote home-ownership and investment in targeted redeveloping neighborhoods surrounding the University and, in tandem, to address home affordability concerns in the more established communities near campus.

EAH PROGRAM AT-A-GLANCE

The University and Medical Center offer an EAH program that provides home-buyer assistance in the form of interest-free forgivable loans, as well as credit and homebuyer counseling services. As of September 2007, 158 employees had received loans to purchase homes near the University, and more than 450 employees had taken advantage of homebuyer education and counseling programs.

COMPETITIVE ADVANTAGE

The program is a highly valued human resources benefit that provides employees with assistance that makes buying a home possible, and the University and Medical Center with a very effective recruitment tool. Through the investment of employees who have purchased homes in the community, the University's EAH program has contributed to the vibrancy of neighborhoods on Chicago's mid-South Side.

THE BOTTOM LINE

"Our EAH program has helped us build a real sense of community in and around the campus, giving faculty, staff and students a much stronger sense of ownership and pride in our community."

—HENRY WEBBER

Vice President of Community
and Government Affairs
University of Chicago

PROGRAM DETAILS

The University and Medical Center established two primary goals for their EAH program: help employees by providing assistance that makes homes close to the campus more affordable, and bolster community revitalization efforts by encouraging employees to purchase homes in transitioning neighborhoods surrounding the campus. To facilitate these goals, the organizations identified two target zones: the first includes six transitioning areas surrounding the University; the second includes the more established neighborhoods of Hyde Park and North and South Kenwood.

The program encourages employees to buy homes in the transitioning neighborhoods by permitting higher income (up to \$106,000 for a family of three) and purchase price limits, as well as allowing repeat buyers to receive the assistance. First-time homebuyers with lower incomes (capped at \$87,000 for a three-person household) are eligible to purchase in either zone.

Eligible employees receive an interest-free \$7,500 loan toward down payment and closing costs when they purchase a home within the program's target areas. The assistance is forgiven over five years provided the employee resides in the house as a primary home; continues to be employed by the University or Medical Center; and participates in homeownership counseling. In addition, an employee must contribute 3 percent of the purchase price of the home toward the down payment.

Employee Eligibility

- Employees must be employed by the University of Chicago or the University of Chicago Medical Center for one year, or relocating to accept a position.
- Employees' household incomes must not exceed established program limits for household size.

Program Expenses

From May 2003 through September 2007, the University of Chicago and the University of Chicago Medical Center invested a total of \$1,185,000 in interest-free loans to employees through the EAH program. The University and Medical Center also fund credit counseling and homebuyer education programs, which carry administrative costs of \$100,000 per year. These costs cover the expense of one staff person from Neighborhood Housing Services of Chicago who has an office on campus, and meets with individual employees, markets the program and teaches homebuyer education classes.

Key Partners

- **Neighborhood Housing Services of Chicago:** provides educational workshops and one-on-one homeownership counseling, and helps package financial assistance for home purchases.
- **Metropolitan Planning Council:** designed the program, assisted with initial program implementation and remains involved as a technical adviser.
- **City of Chicago Department of Housing, Illinois Housing Development Authority:** provide additional financial assistance to eligible homebuyers.
- **Private lenders:** offer products with special, lower interest rates.

OUTCOMES

- A total of 158 employees received interest-free loans (\$7,500 each). Of the 158 homebuyers, 11 homebuyers received matching funds from the state of Illinois.
- More than 450 employees benefited from credit counseling and homebuyer education programs.
- The success of the EAH program led the University in 2006 to invest \$1 million in a nonprofit loan fund to preserve rental housing. These funds are available as low-interest loans for rental property owners to rehabilitate buildings in the EAH program's target areas.



"We were interested in living close to campus, but we didn't think we could afford the homes. The University helped us purchase the perfect home for our family within walking distance of work, parks and schools."

—MICHELLE TAYLOR

Licensed Clinical Social Worker
University of Chicago Medical Center

IMPLEMENTATION INSIGHT

As part of the program launch, the University and Medical Center employed a variety of marketing techniques, including e-mail notifications, brochures and media announcements, that garnered substantial program participation. After the initial outreach effort, however, participation decreased and the University realized promotional activities were critical to maintaining employee interest in the program. Marketing efforts were reinvigorated and currently include bus tours of the target areas and informational meetings.

Other Innovative Employer-Assisted Housing Programs

The examples below demonstrate additional innovative ways in which employer-assisted housing (EAH) programs can be adapted to fit the unique needs of a variety of employers and employees.



CITY ENCOURAGES EMPLOYEE HOMEOWNERSHIP AND COMMUNITY REDEVELOPMENT

Throughout the 1970s and '80s, thousands of Columbia, S.C., homeowners moved out of the city and into the surrounding suburbs. Without the stabilizing influence of homeowners, Columbia's crime rate rose and housing quality deteriorated. In 1990, the city's Community Development Department implemented the "Police Homeowners Program," an EAH benefit that encourages police officers to purchase their first homes in transitioning Columbia neighborhoods. The officers receive mortgage discounts and home repair loans at reduced interest rates. Once participating police officers became financially and emotionally invested in their new neighborhoods, they encouraged their neighbors to further revitalize their communities. After several successful years, the program was expanded to include all full-time city employees. As of October 2007, 67 police officers and other city employees had benefited from the program.



LABOR UNION TAKES THE LEAD

In Nevada, some of the state's largest employers are stepping up to address the shortage of affordable homes. MGM MIRAGE and Harrah's Entertainment, Inc., are among a consortium of large businesses that have agreed to finance a housing trust fund in partnership with UNITE HERE Local 226, a labor union that represents more than 60,000 hospitality workers across the region. The housing trust fund will provide down payment assistance, credit counseling, homeownership education and other forms of financial assistance to help employees from participating businesses purchase homes in nearby communities. In addition, state-level legislation was passed in 2007 that will provide matching funds to employees who receive down payment assistance from their employers.



UNIVERSITY PARTNERS WITH GOVERNMENT

Since 1997, Maryland's Johns Hopkins University has operated an EAH program in partnership with the city of Baltimore's "Live Near Your Work" initiative, and, through 2004, with the State of Maryland, which provided \$1,000 to grantees. Johns Hopkins provides eligible employees with a \$1,000 grant to purchase a home within a designated area, which is then matched by a \$1,000 grant from Baltimore City. If an employee chooses to buy a home in the target area – one of the neighborhoods surrounding or relatively near to the university's main campus – he or she receives a \$500 bonus grant from Johns Hopkins. To date, more than 350 Johns Hopkins employees have taken advantage of the program, including at least 40 Johns Hopkins Health System employees. Johns Hopkins also has initiated preliminary conversations with other local institutions, such as the University of Baltimore and the Maryland Institute College of Art (MICA), about the possibility of creating a joint homebuyer assistance program and a shared-appreciation mortgage product for EAH program participants. This effort would encourage alumni, employees, retirees and students to buy homes in the communities surrounding these institutions.



MUNICIPALITY USES CREATIVE APPROACH

Since 1994, the city of Seattle has offered its employees an EAH benefit that provides reduced loan, inspection, appraisal and escrow fees. As of fall 2007, the EAH program had helped more than 720 city employees purchase homes. In 2003, the city broadened the program to pilot an initiative that encourages and enables Seattle public school teachers to live in the city. To identify a third-party partner to serve as the administrator of the program, the city took an unusual approach and distributed a request for proposals (RFP) to local banks and credit unions, ultimately selecting the Seattle Teachers Credit Union. Looking forward, the city plans to pursue a more collaborative strategy with other employers to increase the pool of resources available for workforce housing. According to Office of Housing Director Adrienne Quinn, "We believe an expanded public-private partnership will help support employees at varying income levels, while also creating a vehicle for garnering more private-sector participation." To help encourage this private-sector participation, the city is currently pursuing a tax incentive for employers involved in workforce housing.

How to Create and Administer an Employer-Assisted Housing Program

Given the complexities of running a business today, it is understandable that, too often, employers are not fully aware of the challenges their employees face in finding safe, good-quality homes they can afford within a reasonable commute to their jobs. In addition, employers may underestimate the expensive consequences of the problem, including lost time on the job, tardiness, low morale, loss of productivity and a low employee retention rate. These are all factors that affect a company's bottom line.

Forward-thinking companies and institutions across the country are adopting employer-assisted housing (EAH) programs to address the shortage of affordable homes available to their employees. As the case studies in this guidebook illustrate, EAH is a cost-effective, relatively easy way for employers to help their employees buy or rent good-quality homes near the workplace.

This section of the guidebook will help employers determine if an EAH program is appropriate for their company or institution. In addition to offering some general perspectives on how to develop a program, this section includes ideas for conducting a full needs assessment and important considerations about program design and administration. Employers who are seriously contemplating the addition of an EAH program to their benefits packages may want to contact one of the EAH program experts or partners mentioned on page 39 of this guidebook.

Determining Your Company's Needs

An important first step toward designing a program that is both meaningful and successful is to conduct a needs assessment, starting with a review of readily available data on local housing

market conditions. Relevant data could include a quantitative assessment of both the home sales market and the rental market. Homes for Working Families uses its affordability gap measurement – which contrasts the area median home price against the area median income – to assess local markets. Conducting this type of review at the outset provides useful benchmarks for program design and assessment. Questions to consider are:

- What is the area median income and how does that compare with the cost of a median-priced home?
- Does the supply of moderately priced homes meet the area's demand?
- Are there homes in that price range near the workplace or easily accessible by mass transit?
- How many employees are able to afford the monthly payment on a median-priced home?
- Can employees afford to rent a two-bedroom apartment in the area?

The next step is to perform an internal business analysis. Employers may consider conducting an employee survey or adding questions about housing issues if a survey is routinely conducted. An employee survey can gauge potential interest in an EAH program and ascertain which elements would be essential to its success. In addition, a preliminary cost-benefit analysis can determine the appropriate budget limits for the program. Finally, evaluating the company's unique human resource needs also will help guide the development of program elements through consideration of questions such as:

- Is the company experiencing or anticipating employee recruitment challenges?
- Is employee retention or productivity a concern?

- Will anticipated workforce retirement create a demand for younger employees who may not be able to afford a high-cost housing market?
- How long is the average round-trip commute to work for employees earning the area median income?

Designing a Program

Once the internal business analysis and local market assessment are completed, employers will be in a better position to identify specific goals for their EAH programs. Examples are:

- Increasing employee homeownership and workforce stability.
- Reducing turnover among employees in specific job categories.
- Reducing employee commute times to improve morale, and decrease tardiness and absenteeism.
- Relocating and/or recruiting new employees.
- Contributing to the revitalization of neighborhoods near an employer's facility.

These goals, in conjunction with a full needs assessment, give an employer a clearer picture of the elements to consider for its EAH program. The elements generally fall under the following categories:

Homebuyer Assistance

There are numerous homebuyer assistance options for employers and their partners to consider when designing an EAH program. For example, as shown in the preceding case studies, homebuyer assistance can include down payment and closing cost assistance, mortgage discounts, and matching programs, in which employers provide funds to supplement employees' savings toward a home purchase. If loan assistance is provided, the employer can structure the loans as repayable, deferred or forgivable depending on program goals and resources.

Rental Assistance

Rental assistance can be structured to assist with housing search costs, security deposits and rent subsidies.

Homeownership Education and Counseling

Education and counseling help employees understand the financial responsibilities of homeownership and are usually offered as complements to homebuyer assistance programs. These services can be offered through knowledgeable third-party partners.

New Construction Projects

EAH programs focused on housing preservation and development may include elements such as contributions to housing trust funds, donations or discounted sales of land to developers, construction loan guarantees and purchase guarantees.

Renovation Assistance for Existing Homes

Employers also can offer assistance in the form of loans or grants for repairs and renovation.

Once program elements are selected, employers can determine other program details such as the amount and type of financial assistance, the rate at which an employee loan is forgiven, and whether the program will be offered only in a specific geographic area.

Some employers find that it is beneficial to introduce an EAH benefit as a pilot program that can be amended after it has been tested. This approach gives employers the flexibility to refine or expand the program as needed.

Implementation Insight

CVS/Caremark believes its decision to partner with a faith-based organization provided a level of employee privacy that built trust in the process. Additionally, CVS stresses the importance of carefully selecting a lending partner. The lender should be willing to openly answer all questions, provide incentives for employees, offer a high level of service and demonstrate a strong commitment to the relationship.

Establishing Employee Eligibility

A key program decision is choosing which employees are eligible to take advantage of the benefit and at what point their eligibility commences. The case studies presented in this guidebook offer a wide array of ideas that are frequently determined by the employers' human resources needs. In the example of CVS/Caremark, the company addressed its need to recruit pharmacists and management-level personnel by offering the EAH program to those employees upon hire. Outside experts can help employers make some of these important eligibility decisions. Criteria for employee eligibility might include:

- Employee or household income limits.
- First-time homebuyers only.
- Length of time the employee has been with the company.
- Personal financial resources to be committed by the employee.
- Willingness to purchase a home near transit or the workplace.

Reasons to restrict the program include limited finances, limited administrative capacity, an effort to target longer-term loyal employees, or a focus on certain employees by job type or retention

needs. Participation also can be on a first-come, first-serve basis when the budget is restricted or if the company wants to provide all employees with access to the program.

Implementation

Many companies choose to partner with third-party experts to outsource some or all of their EAH program elements. There are many advantages to this approach. By partnering with these experts to assist with program design, counseling and education, and other services, employers minimize the internal workload. In addition, outsourcing program administration provides employees with a high level of privacy so they can be more comfortable discussing personal financial issues during the counseling processes that determine their homeownership readiness. Among the third-party partners that might provide some or all of a company's EAH program elements are:

- Banks
- Community housing organizations
- Faith-based institutions
- For-profit and nonprofit housing developers
- Housing trust funds
- Local governments
- Mortgage lenders

At this stage of the process, employers can develop plans to market the program to employees. Educating employees about the opportunities available to them increases participation and expands the reach of the program. While early internal marketing efforts are vital to the initial success of EAH programs, ongoing marketing is necessary to ensure lasting participation. Many companies also market their programs externally to demonstrate their commitment to the employees, the local community and to promote their program as an employee recruitment tool.

Federal Income Tax Considerations

The federal income tax treatment of an EAH program depends on the type of assistance the employer provides.

Direct Payments

As a general guide, any payments made by an employer directly to an employee (e.g. funds for a down payment, closing costs or rental assistance), or to a third party on behalf of an employee, must be treated as compensation. The payments must be included in the employee's taxable income for the year received, but would be a deductible business expense for the employer.

Loans

If the EAH program involves loans, loan guarantees or mortgage loan assistance, the tax treatment depends on the nature and amount of assistance. For example, in the case of a below-market or interest-free loan in excess of \$10,000, an employer is required to treat the value of the foregone interest as income, but also is entitled to an offsetting compensation deduction. Participating employees are required to treat the value of the foregone interest as taxable compensation, but may also be entitled to an offsetting

home interest deduction (assuming the loan is secured). These rules do not apply to below-market or interest-free loans of \$10,000 or less.

If an employer makes a loan to an employee and then forgives a portion of the loan or the entire loan, the amount forgiven will likely be treated as taxable compensation to the employee, regardless of the interest rate or amount of the loan. The employer might be able to deduct the forgiven amount as compensation.

ERISA Considerations

The Employee Retirement Income Security Act of 1974 (ERISA) generally prescribes minimum requirements that certain employee benefit plans must satisfy. If an EAH program is subject to ERISA, it must satisfy ERISA's reporting and disclosure requirements, fiduciary standards and prohibited transaction rules. ERISA's fiduciary standards generally require that the employer (or other named fiduciary) exercise oversight responsibility for the program, including prudently selecting and monitoring the persons that provide services to employees under the arrangement.

In general, an EAH program is subject to ERISA only if it is funded through a trust or other similar arrangement. If the program provides housing assistance through payments that are made from the employer's general assets, it is not considered an employee benefit plan subject to ERISA. For example, an EAH program that provides down payment assistance likely is not subject to ERISA if payments are made by the employer sponsoring the arrangement. However, the same EAH program would be subject to ERISA if payments were made from a trust that pre-funds the program. Regardless of how an EAH program is funded, it is exempt from ERISA if it is sponsored by a governmental entity or a church.

Marketing Your Efforts

Harley-Davidson Motor Company recognized early on the importance of marketing their "Walk to Work" program. To ensure that employees take advantage of the program, promotional efforts have included a company intranet site, on-site workshops, information sessions and program representatives who staff tables in the cafeteria.

In summary, a variety of factors influence the tax and regulatory treatment of a particular EAH program. Moreover, as EAH programs become more popular, applicable tax rules (federal, state and local) may evolve to reflect innovations in this area and to provide new incentives to encourage employers to adopt EAH programs. Employers should consult their own tax advisers regarding whether ERISA applies and about the specific tax consequences to them and their employees of particular EAH programs.

Evaluating Your Program

Aflac conducts annual surveys of participant characteristics, as well as employees' use of and satisfaction with the company's EAH program elements.

State and Federal Legislation

Employers offering EAH programs may be entitled to a tax credit or access to matching funds on behalf of their employees in certain states and municipalities.

EAH legislation was introduced in Louisiana, Maryland, Massachusetts, Nevada and Pennsylvania in 2007. A number of states, including Illinois, Missouri, Montana and New Jersey, already have enacted their own legislation to support EAH programs through tax credits and other incentives. For example, the state of Illinois provides a statewide tax credit for employers that is equal to 50 percent of the employer's qualified investments in affordable homes. Several states, including Illinois, Maryland,

Michigan, Mississippi, New Jersey, New York and Pennsylvania, also have made additional down payment and/or closing cost assistance initiatives available through their state housing finance agencies to individuals working for eligible employers.

In 2007, the Housing America's Workforce Act was reintroduced in the U.S. Congress to help promote EAH programs nationally. This legislation would make employers eligible for a tax credit equal to 50 percent of the qualified housing benefit they provide to their eligible low- and moderate-income employees during the tax year, and remove the tax liabilities for employees. The bill also would establish a competitive, three-year demonstration grant program that would enable nonprofit, mission-driven organizations to provide support to employers undertaking EAH initiatives. These incentives could result in significant cost savings for participating employers.

Program Evaluation

As employers gain experience in implementing EAH programs, they increasingly recognize the need to establish indicators against which to measure program performance, and processes to determine employee outcomes and employer return on investment. Many companies are putting in place measures to indicate recruitment, retention and training cost savings associated with their EAH programs. Over time, incorporating program monitoring and evaluation into both existing and new programs will further demonstrate the effectiveness of EAH programs and help fine-tune program design to meet the evolving needs of employers and employees.

Employer-Assisted Housing Third-Party Partners

As demonstrated in the case studies in this guidebook, many companies have implemented successful employer-assisted housing (EAH) programs with the help of a third-party partner. The organizations listed below are local and national experts in various aspects of EAH, but this list is not exhaustive. The purpose of including these organizations here is to provide a starting point for employers interested in securing a third-party partner or learning more about EAH. A more comprehensive list is available on the Homes for Working Families Web site at www.homesforworkingfamilies.org.

Coastal Housing Partnership

A local organization that offers homeownership education and refers employees to discounted service providers, such as lenders, real estate agents, etc.

P.O. Box 50807
Santa Barbara, CA 93105
T: 805.969.1025
www.coastalhousing.org

Freddie Mac

A national organization that offers EAH program design, implementation and administration assistance through its Workforce Home Benefit solution.

8200 Jones Branch Drive
McLean, VA 22102
T: 703.903.2000
www.freddiemac.com

Greater Minnesota Housing Fund

A local organization that offers planning and development consultation as well as financial assistance to employers constructing affordable homes for their workers.

332 Minnesota Street, Suite 1310-East
St. Paul, MN 55101
T: 651.221.1997
www.gmhf.com

Gulf Coast Renaissance Corporation

A local organization that offers EAH program design, implementation and administration assistance.

Gulf Coast Business Council
11975-D Seaway Road
Gulfport, MS 39503
T: 228.897.2020
www.msgcbc.org

Housing Trust of Santa Clara County

A local organization that offers loans and grants to homebuyers and developers of multifamily, affordable rental homes.

95 South Market Street, Suite 550
San Jose, CA 95113
T: 408.436.3450
www.housingtrustscc.org

Long Island Housing Partnership

A local organization that offers homeownership counseling, grants and special mortgage products for first-time homebuyers.

108 Oser Avenue, Suite 800
Hauppauge, NY 11788
T: 631.435.4710
www.lihp.org

Metropolitan Planning Council

A local policy organization that provides EAH technical assistance nationwide.

25 East Washington Street, Suite 1600
Chicago, IL 60602
T: 312.922.5616 ext. 6007
www.metroplanning.org
www.reachillinois.org

NeighborWorks

A national organization that offers EAH program design, implementation and administration assistance.

1325 G Street, NW, Suite 800
Washington, DC 20005
T: 202.220.2300
www.nw.org

Rural Enterprises, Inc.

A local organization that offers homeownership counseling and matching funds for employees participating in EAH programs.

2912 Enterprise Boulevard
Durant, OK 74701
T: 580.924.5094
www.ruralenterprises.com

Select Milwaukee

A local organization that provides homebuyer assistance services including education, counseling and financial resources.

2209 North Dr. Martin Luther King Jr. Drive
Milwaukee, WI 53212
T: 414.562.5070
www.selectmilwaukee.org

Glossary of Terms

Area median income (AMI): The middle point of the household-income range in a given metropolitan area.

Affordability gap: The persistent divide between high home costs and lagging incomes. Homes for Working Families has identified the affordability gap as one of the primary reasons median-income families, particularly in large metro areas, find themselves unable to afford a home.

Closing cost assistance: An EAH benefit in which an employer provides cash assistance or guarantees that can be used toward closing costs.

Construction gap loan: An interim financing vehicle provided by an employer or third-party partner to a developer of affordable homes that bridges the gap between construction and permanent financing. In return, the developer agrees to discount sale prices or rents for EAH program participants.

Construction loan guarantee: An agreement in which an employer or third-party partner guarantees a portion or all of a construction loan for a developer of affordable homes. Thus, the developer pays a lower interest rate. In return, the developer agrees to provide favorable sale prices or rents for EAH program participants.

Cost-burdened household: A household that spends more than 30 percent of its gross income on home costs, therefore devoting a disproportionate share of its budget to housing over other necessities.

Credit counseling: Services to educate people on establishing or repairing credit, using credit responsibly and improving credit scores to access housing. These services usually are provided by a professional credit counselor.

Debt service coverage guarantee: A program element in which the employer guarantees payment of a part or all of the mortgage, thereby lowering the lending risk and securing more favorable underwriting terms.

Down payment assistance: An EAH benefit in which an employer provides cash assistance or guarantees that can be used toward a down payment on a home.

EAH: Employer-assisted housing.

Employer-assisted housing programs: A range of benefits employers can offer their employees to help them purchase or rent homes. These benefits typically include one or more of the following elements: home-buyer assistance; rental assistance; education and counseling; new construction; and renovation.

Employer match: The sum an employer gives to an employee to supplement his or her out-of-pocket contribution toward a housing purchase program.

Forgivable loan: A loan with no repayment obligations provided the program requirements are met.

Housing America's Workforce Act: Federal legislation introduced in the U.S. Congress in both 2005 and 2007 that offers a tax credit to employers who provide financial support to their employees to help them rent or purchase homes. The legislation defines the assistance as a nontaxable benefit for the employee.

Land bank: A parcel or parcels of land or real estate held in trust, as for future development.

Loan packaging: A service offered to prospective homebuyers by business consultants or nonprofit business development centers to assist with the home-buying process. The services can include collecting

and organizing necessary documents; ensuring the financial information on the loan application is accurate; providing insights into specific banks' lending practices; coaching prospective owners on how to talk to bankers; and suggesting, when necessary, alternative financing.

Long-term gap/permanent loan: A loan made by an employer or third-party partner to a developer of affordable homes that typically is made when development is already well underway.

Mortgage discount: A broad term encompassing a variety of methods that effectively lower the cost of a mortgage for homebuyers. Examples of these methods include mortgage "buy-downs," in which the employer would pay some of the points at closing, and group mortgage origination, in which an employer or third-party partner would secure volume discounts by referring a number of borrowers to a specific lender.

Mortgage guarantee: A program element in which the employer guarantees payment of a part of the down payment or mortgage, thereby lowering the lending risk and securing more favorable underwriting terms.

Predevelopment loan: A loan made by an employer or third-party partner to a developer of affordable homes that typically is made at the outset of the development process.

Private mortgage insurance (PMI): Insurance provided by a private company that helps protect the mortgage lender against mortgage default. Generally, this insurance is required by the lender when the down payment is less than 20 percent of the property value. The lender requires the borrower to pay the insurance premiums.

Public-private partnership: A housing program that combines an investment from both a private-sector employer and a public entity, such as a government organization or a housing authority.

Public-private-nonprofit partnership: A housing program that combines investments from a private-sector employer; a public entity, such as a government organization or a housing authority; and a nonprofit organization.

Purchase guarantee: An agreement made by an employer or third-party partner to purchase a set number of units from a developer of affordable homes, thus reducing the developer's financial risk in construction. In return, the developer agrees to provide units at a discount to EAH program participants. If the agreed upon number of units are sold to EAH program participants, then the employer or third-party partner's obligation is fulfilled and no cost is incurred in providing the benefit.

Purchase price assistance: An EAH benefit in which an employer provides cash assistance that can be used toward all costs associated with the purchase of a home, including the down payment and closing costs.

Shared-appreciation mortgage product: A mortgage loan in which the employer provides financial assistance in exchange for a portion of the increase in value of the mortgaged property upon sale.

Society for Human Resource Management: The world's largest association devoted to human resource management, representing more than 190,000 individual members (www.shrm.org).

Third-party partner: An outside entity that may develop, implement or manage part or all of an employer's housing benefit program.

Work-life balance: A state of equilibrium in which an individual has sufficient time and resources to meet commitments both at work and at home.





Homes for Working Families

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