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Program Highlights:

- Provides all necessary services to establish and maintain employee benefit program.
- Leverages FP capacity and existing relationships to streamline implementation.
- Minimizes program expense to participants.
- Allows easier access to multiple assistance programs with lower costs to borrowers.
- Generates loyalty and goodwill while lowering personnel turnover expense.
- Strengthens employer connection to the community.
- Fast, highly adaptable and very cost-effective.
- Available throughout Colorado.

Funding Partners

Who is Funding Partners?

Incorporated in 1996 as a 501c3 non-profit and subsequently certified as a Community Development Financial Institution (CDFI) in 1999 by the Department of the Treasury, Funding Partners (FP) is governed by a volunteer Board of Trustees representing human service providers, housing agencies, public officials, private enterprise and financial institutions.

As a CDFI, FP is charged with creating access to capital and credit within underserved markets and among target populations throughout Colorado. Attracting long term investments from units of government, corporations, foundations, associations and banking institutions, FP pursues its mission through lending activity which places below-market capital into projects and entities that expand availability of residential units deemed affordable for very low to moderate-income households.

Administering two revolving loan pools, FP is able to assist first-time homebuyers with down payment assistance through the House to Home Ownership (H2O) Program®, while the Mammel Affordable Housing Loan Fund (MAHLF) provides pre-development, acquisition and gap financing to individuals and organizations that create, rehabilitate or otherwise preserve both rental and for-sale housing for families below the median income level. FP also provides third-party loan servicing for other entities seeking to reach similar markets with greater efficiency at minimal expense. Ultimately, FP provides a highly effective conduit to connect households with traditional financial service providers.

FP has originated over 900 down payment assistance loans, while funding 45 projects for aggregate loan production in excess of $15 million, encompassing over 2,500 residential units.

With minimal limitations imposed by sources of funding, FP loan products are tailored to meet the needs of individual projects and those entities that serve our target markets.

Program Overview

Funding Partners is able to work with public and private-sector employers to establish an employee benefit program that rewards loyalty, while lowering the costs associated with turnover at key positions. By offering qualified employees assistance in the purchase of their primary residence, employers are better able to attract and maintain a highly productive workforce without escalating prevailing wage scales.

In considering such a benefit, employers compare the costs associated with turnover (advertising, hiring, screening, training, lagging productivity) as well as the benefits associated with a workforce that enjoys stabilized housing in proximity to the worksite.

Through careful analysis, these costs can be quantified to demonstrate the direct benefit an employer will recognize through an investment in employee housing. Indirect benefits include increased: morale, productivity, loyalty to the company, employee involvement within the community, while greatly enhancing the public image as good corporate citizen.

FP works with employers to define specific objectives the program should achieve, key staff positions, eligibility requirements, program procedures and monitoring requirements. Ultimately, it is the employer that determines what the program offers and which employees are eligible to use the program.

Leveraging FP expertise in financial products and markets, existing relationships and low cost structure, employers are able to introduce a program quickly, efficiently and with minimal impact to personnel staff. Much like other benefits, FP assumes implementation responsibility while delivering monitoring detail to validate effectiveness.

Funding Partners can help your company devise a program that allows key employees to establish roots in the community, while lowering the costs of attracting and retaining a loyal workforce.

The EHOP® program provides the employer with all the tools necessary to implement the offering efficiently, effectively and with a high degree of integrity!

Why offer EHOP?

As employers search for ways to compete effectively for skilled labor, the Employee Home Ownership Program offers employers a tool that not only differentiates a company from its competitors, but a very efficient method of rewarding loyalty.

For the employer, EHOP offers:

- A unique recruitment tool.
- Lower staff turnover provides reductions to hiring and training expense.
- Enhanced reputation among the ranks and within the community.
- Stabilized housing in proximity to the work site promotes productivity.
- Property-owning employees tend to be vested in their community.

For the employee, EHOP offers:

- A tool for overcoming a primary barrier to home ownership.
- Increased job satisfaction and pride in their employer.
- Greater self-esteem and ability to achieve financial goals.
- Vested interest in their community, schools and local economy.

For the community, EHOP offers:

- Increased tax base.
- Increased neighborhood stability and civic pride.
- Retention of a local workforce.
- Enhanced economic vitality associated with ownership.

Similar to other benefit programs, such as insurance and retirement plans, employers are able to implement EHOP through a third-party vendor without disrupting Human Resources personnel. In fact, Funding Partners not only offers its clients the expertise, systems and relationships to design and manage a successful program, but a cost structure that is extremely beneficial to both the employer and the employee.

Since wage scales are difficult to adjust in response to changing market conditions, EHOP offers a cost-effective method of satisfying compensation demands of coveted employees. Why EHOP? That question can be answered by an examination of the costs and lost productivity associated with training a competitors' employees.

How Does EHOP Work?

Working with a companies' Human Resource personnel, Funding Partners and project partners such as Fannie Mae will help identify critical staff positions and isolate associated turnover costs. This preliminary information will allow management to better define the maximum financial commitment and level of employee participation to be expected over a given period of time.

With considerable input from management, FP will then help design a program that will allow the company to maximize its investment while structuring a program that will appeal to the employees the program is meant to attract. Throughout this process, examples from other employers will provide evidence of how various formats achieve these objectives. Eligibility criteria for employees will be established by the employer.

FP will then assist in identifying other partners that will add value to the program, such as lending institutions willing to offer special financing options. Once the program is defined, FP will assist company staff present the program, develop internal marketing material and establish implementation procedures. Leveraging systems and documentation already in place, FP will develop all documentation to evidence the employer-defined terms of such assistance in accordance to federal, state and local regulation, as well as standards imposed within the mortgage industry.

HR personnel will direct employees to FP and/or mortgage partners for initial screening to determine the amount of financing for which the employee is qualified. FP will then contact HR to verify eligibility for the benefit, then proceed in completing all other requirements to finalize the purchase transaction, including communication with the mortgage lender, insurance providers and Realtors.

Tax Considerations

As a benefit program, there are tax implications to both the employer and employee, which will be defined according to how the program is set up and type of business. Generally, any benefit provided is treated as taxable income to the employee and conversely, a tax deductible expense to the employer.

Under a typical program, as described on Page 4, the assistance loan is forgiven as the employee reaches pre-determined 'vesting periods'. Any principal forgiven is treated as taxable compensation for that same year. Consequently, it is also deductible to employer for that reporting period. Only forgiven principal is treated as a benefit even though the initial expense has already been recognized by the employer.

Funding Partners will provide HR personnel with detail prior to the close of each calendar year that will allow the employer to correctly report such activity to the IRS. FP does not report direct to the IRS under EHOP.

Additional Resources

Funding Partners enjoys relationships with numerous entities specifically devoted to assisting Colorado's workforce achieve the dream of home ownership. Through these relationships, FP can provide employers with the additional leverage necessary to introduce a highly successful housing and retention program

In conjunction with Fannie Mae and other financial institutions, FP can help identify particular needs of employees and any special conditions of the geographic market served, as well as identifying lenders able to offer special pricing and mortgage products that provide added value. All FP partners are committed to creating access to the tools and training necessary for a successful experience, while avoiding typical pitfalls faced by the typical first-time homebuyer.

FP also works with local agencies that provide educational opportunities and specialized training that will prepare employees for the responsibilities of ownership, as well as credit counseling, money management skills and shopping for financial services.

As a lending institution and third-party loan servicing agent, FP can also make available other assistance programs that may be used in conjunction with EHOP to further expand the housing market by further reducing the amount needed to borrow against the primary mortgage.

Records & Reporting

A key ingredient to a successful program is data management. With complete, accurate, and timely data, employers are better able to assess program effectiveness, while achieving a high degree of confidence that employment records are accurate and in compliance with applicable law or regulatory requirement..

As a third party service provider, FP will provide the employer with such tools in a concise and useful format. Additionally, FP will be engaged with the process from the initial stages through final disposition, collecting and retaining all documentation and original debt instruments in a secure environment.

In addition to an annual independent audit of financial condition and procedural compliance, FP provides the following reports. (frequency in parenthesis)

*Confirmation Worksheet (*Upon submission) - FP will forward a summary of employee information to confirm eligibility and program terms. This form is retained by the employer and inserted into the personnel file.

Portfolio Report (Quarterly) - Detail and summary of cumulative program activity that shows employee name, loan detail, payment and/or forgiveness schedule, and any other requested information.

Financial Report (Monthly) - Program activity reporting for the previous period that details account activity, loan recovery and reimbursement invoice.

IRS Reporting (annual) - To comply with federal regulations, the employer will receive necessary detail of taxable events. Where loans are in repayment, FP reports any mortgage interest paid to both the IRS and borrower in January of each year for prior year activity.

Funding Partners

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Creating Access to Capital & Credit To Low-Income Communities Across Colorado

Funding Partners is committed to serving the needs of households earning less than the median income, often described as our primary workforce where the prevailing wage is $18 per hour, or less. As a state, Colorado attracts new residents from around the country and throughout the world because of the mild climate, dramatic scenery and vibrant lifestyle. Unfortunately, this dynamic forces the cost of real estate to escalate faster than prevailing wages, ultimately reducing the buying power of the typical family: smaller housing units with fewer amenities. This also causes migration to outlying areas that are farther from work, school, public facilities and service providers, further aggravating already strained transportation and public infrastructure systems.

This declining sense of community can't be eliminated, but is effectively addressed through FP and complimentary programs. Learn more and get connected!

Visit our website at
www.fundingpartners.org

Program Types

With several options available to an employer committed to providing employees with housing assistance, there are a few qualifying questions that will help guide the process for designing the benefit package.

Standard options include:

- Grant—A lump-sum contribution that does not need to be repaid.
- Deferred or Repayable Loan—A loan secured by a lien in the subject property, where principal is repaid at a specified time or at intervals.
- Matched Savings—Either through the employer or through an intermediary, employee savings are matched by the employer according to an established schedule.
- Home Buyer Education—The employer provides materials and facilities in partnership with a counseling agency to prepare employees for home ownership.
- Forgivable Loan—A loan secured by a lien on the subject property, where principal is forgiven at pre-set intervals.

EHOP is designed as a forgivable loan product that rewards an employee for tenure, while providing the employer a method for recovering any remaining balance if the employee leaves service, or fails to maintain satisfactory employment status. The use of funds under all such options can be strictly defined by the employer, though it is typical for such funds to cover down payment, closing costs or permanent interest buydown on the purchase mortgage.

A typical EHOP program will provide a set dollar amount for each eligible employee to use at closing. The loan is evidenced by a promissory note, a deed of trust, federal disclosures and an outline of all loan terms. These documents are prepared by FP and signed by the employee at closing.

To reward loyalty, the principal balance of the loan is written down according to a schedule, typically 20% per year, which results in complete forgiveness of the loan if the employee remains on board for 5 years. Should the employee leave service prior to the 5-year period, the remaining principal balance is amortized over the remaining term at a pre-established interest rate. Principal and interest is returned to the employer.

<u>EHOP Example</u>

Employer provides a benefit of $10,000 to eligible employees:

A loan for $10,000 is executed between the employee and employer, with FP as the loan holder/servicer, secured by a subordinate mortgage deed of trust. FP funds the loan at closing and invoices the employer within 30 days.

1st Anniversary—If employee is still eligible, 20% of the balance is forgiven ($2,000).

2nd—If still eligible, 20% of original balance forgiven ($2,000).

3rd—Employee has left company; current balance of $6,000 is amortized over remaining two years with subsequent payments returned to employer.