

# NEXT-LEVEL THINKING ON EMPLOYEE HOME LOAN ASSISTANCE PROGRAMS

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“Unprecedented” leads all contestants for the title of most overused word in the English language over the past year or so. For employers who rely heavily on in demand talent, the rise of remote and hybrid working environments combined with historically rapid appreciation in the cost of residential real estate makes the competitive landscape for the best and brightest, well, unprecedented.

The challenge facing many aspiring homeowners is that while they earn a sufficient salary to qualify for a purchase money mortgage loan, they have yet to accumulate sufficient cash reserves to make the necessary down payment.

More and more we are seeing savvy employers developing home loan purchase assistance programs to help attract and retain high performing employees. These programs range from the typical “preferred lender” arrangements where the employer has arranged special, discounted loan pricing for its employees with a particular lender to more aggressive employee loan programs where the employer puts its employee in the position to make a cash offer on a home. An employee empowered to make a cash offer in this market is an employee that has been given an amazing benefit.

As these programs are developed employers will be well served to consider the implication of lending regulations in addition to the more readily apparent employment law considerations. Depending on how the program is structured, an employer may unwittingly become a “creditor” under federal consumer credit protection laws or find themselves engaging in business conduct that requires a state lending license.

Here are just a few key questions to

kickstart an analysis that has the goal of avoiding these unintended consequences:

1. Will this be a loan?
  2. Will the loan be secured?
  3. How will the loan be repaid?
  4. Will the loan bear interest?
  5. What happens if the employee separates?
  6. Where does the employee live?
  7. What is the source of funds for the loan?
  8. How many employees will be eligible to participate in the program?
  9. How do we properly document the transaction?
  10. How will our program work in concert with other sources of home purchase financing?
- To avoid unnecessary or unwanted compliance burdens, or worse, litigation and regulatory enforcement actions, an employer considering the development of an employee home loan purchase program should carefully consider these questions and how different answers can have profoundly different consequences.

Next-level thinking in the creation of employee home purchase assistance programs can distinguish employers competing in the marketplace for talented employees. While there are certainly complexities that must be resolved and pitfalls to be avoided, these are easily managed with the assistance of capable consumer finance and employment counsel.



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