

Campus Administrative Policy

Policy Title: Expanded Faculty Housing Assistance Program

Policy Number: 4006

Functional Area: **Human Resources**

Effective: January 1, 2011
Date Last Amended/Reviewed: January 1, 2011
Date Scheduled for Review: July 1, 2018
Supersedes: Expanded Faculty Housing Assistance Program, August 1, 2002

Approved by: Jeffrey Parker
Vice Chancellor for Finance and Administration

Prepared by: Office of the Vice Chancellor for Finance and Administration
Reviewing Office: Executive Vice Chancellor for Administration and Finance | CFO
Senior Vice Chancellor for Administration and Finance | CFO
Responsible Officer: Executive Vice Chancellor for Administration and Finance | CFO

Applies to: University of Colorado Anschutz Medical Campus
University of Colorado Denver
University of Colorado South Denver Location

A. INTRODUCTION

In February 2002, the Board of Regents expanded the existing Faculty Housing Assistance Program (FHAP) to allow the campuses to commit available and allowable funds at the CU Foundation for the Expanded Faculty Housing Assistance Program and to establish criteria for allowing loan applications under the Expanded Program. The FHAP was further modified in 2007.

The Expanded Program is similar to the regular FHAP in that funds residing at the CU Foundation or in the University's Consolidated Endowment Funds may be committed to help faculty obtain affordable housing. Like the FHAP, the Expanded FHAP provides funds for a down payment on the faculty member's primary residence. The current loan limit is the lesser of 25% of the purchase price or \$80,000. Assistance is in the form of home down payment loans that are shared appreciation loans (originally called equity share loans). The decision about whether the available funds are suitable for an Expanded FHAP loan is at the discretion of the holder of the endowment, i.e., the University or the CU Foundation.

The terms of Expanded FHAP loan are exactly the same as for the regular FHAP. For more information about the Faculty Housing Assistance Program and the application process, please refer to the following web site: <https://www.cu.edu/treasurer/faculty-housing-assistance-program>

In order to be considered for an Expanded FHAP loan, faculty members must first have applied for the FHAP and been turned down. The faculty member's academic unit must then decide whether to support the faculty member's application for an Expanded FHAP and must verify that it has sufficient eligible funds, held by the University or the CU Foundation that may be legally invested in this real estate. The University Treasurer's Office or the CU Foundation, depending on where the funds are held, will determine whether such an investment is allowable.

B. POLICY STATEMENT

1. Purpose

The purpose of this policy is to establish guidelines and procedures for the University of Colorado Denver | Anschutz Medical Campus to administer the Expanded FHAP. This policy applies only to the Expanded FHAP and is not applicable to the FHAP. The FHAP was authorized by the CU Foundation and the Board of Regents to provide qualifying faculty members with financial assistance for purchasing a home. The Expanded University of Colorado Faculty Housing Assistance Program is an extension of the Faculty Housing Assistance Program that allows campuses to make additional capital available for assisting faculty with the purchase of a home.

2. Responsibility

It is the responsibility of individual faculty members participating in the Expanded FHAP, unit/departamental administrators, the respective deans and executive campus administrators to comply with the requirements of this policy as well as the University of Colorado System's policy titled "Summary of the Structure and Operations of the Faculty Housing Assistance Program, Serving Faculty on Each Campus of the University of Colorado" (2007). (See Attachment A.)

3. Eligibility Criteria

- a. The faculty member must be a full-time tenured or tenure track CU Denver | CU Anschutz faculty who has applied to and been rejected from the existing FHAP; and
- b. In addition, the academic unit in which the faculty member has his or her appointment must demonstrate that it has available and allowable funds at the University or the CU Foundation to use for investment in the Expanded FHAP.

4. Number of Expanded Program Loans Available

CU Denver | CU Anschutz will have no more than 20 loans outstanding at any point in time under the Expanded FHAP.

C. PROCEDURES

1. Academic Unit's Responsibility

Each academic unit identifies the faculty member for whom the academic unit would like to make a loan application available under the Expanded FHAP. The faculty member must have previously applied for the regular FHAP and been denied. If the academic unit has allowable resources within the Consolidated Endowment Funds of the University or in the CU Foundation to use for investment in faculty housing real estate and wishes to use them for the Extended FHAP, it may nominate the faculty member. The nomination consists of: (1) a letter explaining the nomination and information verifying the availability of University or CU Foundation funds suitable for this purpose; (2) a copy of the faculty member's application to the FHAP, along with the letter of rejection from the Office of the Treasurer; (3) any updated personal or financial information since the original application; and (4) a cover/routing sheet with signature approvals from the academic unit chair/head, the dean, the vice chancellor for administration and finance, and the chancellor (or chancellor's delegate). Applications may be made at any time during the year, but must be submitted within 6 months of being turned down for the FHAP.

2. Faculty Member's Responsibility

The faculty member seeking the loan must provide a copy of the FHAP application, the letter of rejection from the Office of the Treasurer, and any update of personal or financial information since its original submission.

3. CU's and CU Foundation's Responsibility

In the case that the academic unit of the applicant has identified funds held by either the University or the CU Foundation, the applicable entity must verify: (1) that it is permissible to use the suggested source and that it will be able to reserve the necessary funds should the faculty member's loan be approved.

Should either the University or the CU Foundation determine that the funds are not available or not legally appropriate for this type of investment, the process is concluded and no loan is granted.

4. Dean's Responsibility

The dean or unit director, as applicable, reviews the Expanded Faculty Housing Assistance Approval Form and determines if it should be moved forward in the approval process

5. Vice Chancellor for Finance and Administration's Responsibility

The vice chancellor for administration and finance tracks the number of loans that are made under the Expanded Program and approves the Expanded Faculty Housing Assistance Approval Form only if that number does not exceed 20 at any point in time.

6. Chancellor's Responsibility

The chancellor (or chancellor's delegate) has final approval of the Expanded FHAP application. If the request is approved, the Chancellor's Office routes the approved application to the Office of the University Treasurer (in cases of CU loans) or the CU Foundation (in cases of CUF backed loans) for processing.

7. Financial Institution's Responsibility

The Financial Institution (currently Elevations Credit Union) is responsible for establishing the upper limit of the price of a home that can be supported under the FHAP loan program for each potential faculty participant. The Financial Institution also has responsibility, once a loan has been granted, to coordinate with the Treasurer's Office, the Foundation, and Payroll and benefits Services in order to report annually on the imputed interest to the IRS and the faculty participants, as needed.

Notes

1. Dates of official enactment and amendments:

August 1, 2002: Adopted

January 1, 2001: Revised and Adopted by Vice Chancellor for Finance and Administration

2. History:

April 9, 2019: Modified to reflect a Campus-wide effort to recast and revitalize various Campus policy sites into a standardized and more coherent set of chaptered policy statements organized around the several operational divisions of the university. University branding and links verified.

3. Initial Policy Effective Date: August 1, 2002

4. Cross References/Appendix: N/A

SUMMARY OF THE STRUCTURE AND OPERATIONS OF THE FACULTY HOUSING ASSISTANCE PROGRAM, SERVING FACULTY ON EACH CAMPUS OF THE UNIVERSITY OF COLORADO (2/27/2007)

Application for the Faculty Housing Assistance Program (“FHAP”) is available to tenured and tenure-track, full-time faculty of the three campuses of the University of Colorado. FHAP is jointly offered and administered by the University of Colorado (“University”) and the University of Colorado Foundation (“Foundation”).

FHAP is designed to meet the following needs:

- To attract and retain faculty, by assisting them in participating in the real estate marketplace;
- To provide support for new faculty who have very limited access to cost-effective financial capital resources; and
- To offer financial assistance to faculty from all three campuses of the University of Colorado

FHAP Objectives, Scope and Source of Funding

- FHAP is a financial, need-based housing assistance loan program available to tenured and tenure-track, full-time faculty.
- As initially conceived, the program planned an expected total investment by the Foundation of up to \$1 million in the first year and up to \$2 million in each successive year, subject to demand for, and the success of, the FHAP. Subsequently, the Foundation approved a total of \$2 million to support this program.
- Initially, it was estimated that the FHAP would benefit at least 20 faculty in the first year and perhaps 40 faculty annually in successive years. As of February 23, 2007, the FHAP has funded 83 loans, totaling approximately \$4 million to faculty from all three University of Colorado campuses.
- In return for taking the financial risks associated with the capital investment, the Foundation will determine, in its sole discretion, how to use any financial returns from its investment in the FHAP.
- On a yearly basis, the success of the program has been evaluated, and recommendations are made for suggested improvements and modifications. Modifications are subject to the approval of the president of the university and the president of the Foundation and the approval of the Board of Regents. If issues arise that need deliberation between the annual meetings, a meeting of the FHAP Steering Committee is convened.

Two Types of Assistance Offered Under the Program

- Home down payment loans are offered to selected program participants under the general terms summarized below. These are equity-share loans. Additional terms may be included in the documents that are part of the transaction process.
- Home down payment loans are offered to selected program participants under terms

provide by the Foundation as loan guarantor.

Management of the Program—Both Types of Assistance

- The application process and notification to the campus chancellors and the financial institution providing the first mortgage (“Financial Institution”) is managed by the University.
 - The University originally formed a multi-purpose Steering and Prioritization Committee to develop the parameters of the FHAP, to review applications and to prioritize them for referral to the Foundation by combining the four members of the FHAP Steering Committee and the three members of the Prioritization Committee into a single group. This committee was renamed the “FHAP Steering Committee.” The 5-member Committee is comprised of the following persons: the Associate Vice Chancellor for Faculty Affairs, University of Colorado Boulder; the Treasurer of the University; the chair of Faculty Council; the Associate Vice President for Human Relations and Risk Management, and the Executive Vice President and Treasurer of the University of Colorado Foundation. When there is turnover in any one of these positions, the new incumbent becomes a member of the Committee and the previous incumbent is no longer a member of the Committee.
- The University maintains a website providing information about the FHAP, and the application and selection process. The website offers the application and instructions.
- Applications and the deliberations of the FHAP Steering Committee and staff of the Treasurer’s Office will be confidential in order to protect the personal financial information provided by employees of the University.
- After the applicant list is referred to the loan provider, the Financial Institution will assist faculty members with various aspects of residential selection, qualification and closing on the purchase or refinancing. For shared appreciation loans, the Treasurer’s Office of the university and, for guaranteed loans, the Foundation, will in coordination with the Financial Institution provide ongoing support, taxable income reports and annual reports on FHAP. After issuing a request for proposals to nine financial institutions, the Foundation selected the U of C Federal Credit Union, now Elevations Credit Union, to provide FHAP loan funding and administrative services as the official Financial Institution.

Application and Prioritization Process of the University

- Faculty member applicants who are referred to the Financial Institution by the university, as a result of the application review process, become potential participants in the FHAP. Irrespective of the sources of funds for the loan, the Financial Institution will review the applications of potential participants and decide whether to recommend a commitment of a loan of funds under the FHAP to a potential participant, based upon the Financial Institution’s assessment of the financial risk associated with the transaction. When a loan transaction is completed by a potential participant, the faculty member becomes a participant in the FHAP.
- From the inception of the program in 2001, until end of 2004, there were three application cycles per year. The committee met after the cycle deadline to review applications and determine who would move forward in the process, based on the number of applications

and funding availability for that cycle. Applicants had to wait until cycle-end for notification of their approval as potential participants. At the November 2004 meeting of the FHAP Steering Committee, a recommendation was made and approved that streamlined the application process for faculty members. From that time going forward, applications could be received and reviewed by the Office of the Treasurer at the university on an on-going basis. As long as the applicant score is above the baseline score approved by the FHAP Steering Committee, the participant can advance to the next step in the process.

Eligibility and Prioritization Criteria Applied by the University

- Eligibility for FHAP is limited to full-time tenured and tenure-track faculty (assistant professor, associate professor, professor), on one of the University's three campuses, seeking to purchase a primary residence. Application may be made to the program any time after the appointment is approved by the appointing authority.
- The prioritization criteria are: Time at CU, Rank, Home Buying History, Debt/Income Ratio, Household Income, and Household net Worth, with upper limits set on certain types of debt. These criteria are weighted to give preference to first time home buyers, lower household income, lower net worth, and newer tenure-track faculty. If the applicant meets the score criteria, a letter is sent to the campus chancellor of the applicant, requesting confirmation of the applicant's employment status and start date.
- After the potential participant has been confirmed by his or her respective campus as a tenured or tenure-track faculty member of the University of Colorado, the participant is notified by the Office of the Treasurer. Notification is also sent by the Treasurer's Office to the Financial Institution, informing it that the participant has qualified for the Faculty Housing Assistance program, and to allow the Financial Institution to determine loan eligibility. The University of Colorado Foundation is also notified when potential participants choose the guaranteed loan program.

Terms of Equity-Share Loans to Participants

- The financed property must be located in Colorado and be the primary residence of the participant. Second homes, vacation homes, homes for dependents or non-dependents, and income-producing properties are not eligible for this program.
- Loans to participants will be in the form of non-amortizing promissory notes secured by second deeds of trust. A deed of trust records a lien against the property for the amount of the loan plus the proportional share of appreciation in the value of the property.
- The note is due, along with the proportional share of the appreciation in the equity value of the purchased home during the life of the loan, upon the earlier of the following:
 - Upon the sale, transfer or conveyance of title to the property;
 - When the property ceases to be used as the principal place of residence for the participant;
 - When the participant ceases to be employed full-time by the University of Colorado, unless such cessation of employment is due to a disability;
 - Ninety (90) days following the death of the participant;
 - Upon a default by the participant, under the promissory note or the deed of trust securing the note.

- Unless sooner paid, all principal and the proportional share of the appreciation in the equity value of the purchased home during the life of this loan shall be due and payable in full on the maturity date of the first deed of trust securing the promissory note.
- The maximum loan available per potential participant is the lesser of either 25% of the purchase price of the property or \$80,000. The amount of financial support from FHAP will be determined based on the average cost of a home in the geographic areas specified by the potential participant. Once the potential participant specifies geographic areas, the loan commitment will be tied to the purchase of a residence in that area. The amount of the loan, as a proportion of the price paid for the property by the faculty member, will be the primary factor in the proportional share calculation.
- Investment from the participant from personal resources, at time of purchase, is required to be at least 2% of the purchase price, and may be up to 5%, depending upon the primary mortgage financing option selected by the participant.
- The participant must be credit-worthy and be able to secure a mortgage from the Financial Institution, currently Elevations Credit Union (formerly called the U of C Federal Credit Union) for the remainder of the purchase price, able to pay all associated transaction costs and able to make scheduled payments on the mortgage.

Terms of the Foundation Guaranteed Down Payment Loans

- The financed property must be located in Colorado and be the primary residence of the participant. Second homes, vacation homes, homes for dependents or non-dependents, and income-producing properties are not eligible for this program.
- Loans to participants will be in the form of a non-amortizing promissory note secured by a second deed of trust and guaranteed by the Foundation. A deed of trust records a lien against the property for the amount of the loan. Interest-only payments are due on the second mortgage and the interest rate is variable.
- The Note is due, along with any accrued interest upon the earlier of the following:
 - Upon the sale, transfer or conveyance of title to the property;
 - When the property ceases to be used as the principal place of residence for the participant;
 - When the participant ceases to be employed full-time by the University of Colorado, unless such cessation of employment is due to a disability;
 - Ninety (90) days following the death of the participant;
 - Upon a default by the participant, under the promissory note or the deed of trust securing the note.
- Unless sooner paid, all principal and any accrued interest shall be due and payable in full 20 years from the origination of the note.
- The maximum loan available per potential participant is the lesser of either 25% of the purchase price of the property or \$80,000. The amount of financial support from FHAP will be determined based on the average cost of a home in the geographical area specified by the potential participant. Once the potential participant specifies geographic areas, the loan commitment will be tied to the purchase of a residence in that area, unless the participant notifies the Treasurer's Office in writing that he/she has changed the desired home location.

- Investment from the participant from personal resources at time of purchase is required to be at least 2% of the purchase price, and may be up to 5%, depending upon the primary mortgage financing option selected by the participant.
- The participant must be credit-worthy and be able to secure a mortgage from the Financial Institution, currently Elevations Credit Union for the remainder of the purchase price, able to pay all associated transaction costs and able to make scheduled payments on both mortgages.

Utilization and Investment of Foundation-owned Funds Designated for a Department in the FHAP

Alternatively, funds residing in the University of Colorado Foundation, for the benefit of a campus/department, with compatible restrictions, may be used as the capital for loans when approved by the respective campus chancellor, the department chair, and the Foundation. Each campus choosing to utilize this option will be responsible for establishing procedures to govern access to and commitment of these funds for this purpose. While a loan is outstanding and funds are encumbered to finance a loan, the department/campus/university may not request distribution of the funds.

Loans made under this provision will be made in response to a request from the initiating campus, rather than through the standard process described above. Applicants will be subject to the standard application and evaluation process to ensure that the borrower is credit-worthy. The terms of the loan will be the same as for applicants under the standard program. The management of this aspect of the program will follow the process established for the standard program.

Utilization and Investment of University-owned and Consolidated Endowment Funds and University Treasury Pool Funds in the FHAP as Authorized by the Board of Regents.

Alternatively, university funds may be used, when authorized by the Board of Regents and implemented by the university treasurer. In these cases, when the loans are repaid, the return on investment, if any, will be returned along with the principal repayment to the same account that provided the capital for the initial investment. In the case of any Consolidated Endowment funds invested in this program, while the loan is outstanding and the funds are encumbered to finance a loan, the Office of the Treasurer may not request distribution of the funds from the investment manager.

Loans made under this provision will be made through the standard prioritization process described in this document. Applicants will be subject to the standard application and evaluation process, to ensure that the borrower is credit-worthy. The terms of the loan will be those applied under the standard program. The management of this expansion to the program will follow the standard established process.

Legal Authority

C.R.S 23-20-134 authorizes the Regents of the University of Colorado to: “...*make loans secured by an equity interest in real estate in Colorado from funds not appropriated by the general assembly to full-time faculty members if such secured loans are made pursuant to a faculty housing assistance plan promulgated and approved by the board of regents.*”

It is important to note that this legal authority applies to the Regents of the University of Colorado. The Foundation, as a private entity, is not subject to this law, and does not require legislative authority to make funds available for this loan program.

Effective Date: Upon Regent Approval, anticipated on March 22, 2007. This summary applies to applicants beginning with applicant confirmations on or after March 22, 2007.