University of Colorado
Boulder | Colorado Springs | Denver | Anschutz Medical Campus

ELEVATIONS CREDIT UNION

University of Colorado Foundation

University of Colorado
Faculty Housing Assistance Program

The University of Colorado, the University of Colorado Foundation and the Elevations Credit Union are pleased to partner together to offer the Faculty Housing Assistance Program (FHAP). This assistance comes in the form of a choice of **two types of loans** provided to eligible faculty selected by the University. This need-based program is designed to:

- Attract and retain faculty by improving the affordability of their primary residences;
- Provide support for new faculty who have very limited access to cost-effective financial capital resources; and
- Offer financial housing assistance to faculty from all campuses of the University of Colorado

Participating in the FHAP can make housing affordable by providing a source of financial assistance for a down payment needed to qualify for a loan and potentially avoiding the cost of private mortgage insurance.

ELIGIBILITY

The FHAP loan program is available to full-time tenured and tenure-track faculty members (assistant professor, associate professor, professor) seeking to purchase qualifying residences in Colorado. Selection of applicants will be made by a committee comprised of University faculty and staff and CU Foundation representatives based on the following criteria: co-borrower's tenure status, debt/income ratio, household income, household net worth, and number of dependents. These criteria will be weighted to favor those with lower household income and net worth and newer tenure-track faculty.

QUALIFYING RESIDENCE

An FHAP loan may be used to purchase or refinance a qualifying residence which may include a single-family residence, condominium or townhouse suitable for one family. Second homes, vacation homes, mobile homes, investment properties, homes for dependents and non-dependents, and life care facilities are not qualifying residences. A participant must occupy the qualifying residence as his or her primary residence.

Qualifying residences may be located anywhere within Colorado. In order for the FHAP to calculate projected financial need, applicants must specify at the time of application in which region of the state they plan to purchase a qualifying residence. Regions are defined on the applicant worksheet. Purchase of a residence outside of the region specified at the time of application will result in the re-evaluation of the application and may result in the rejection of the application.

APPLICATION PROCESS

An applicant worksheet for the FHAP loan program and instructions for completing and submitting the application are available online, at this link.
All applications and the deliberations of the FHAP Committee will remain confidential. Applicants must specify at the time of application a preference for one of the two types of FHAP loans offered. The Committee may use discretion to determine which type of FHAP loan to offer selected applicants based on availability of funding in each program and qualifications of applicants.

If you wish to submit an application to participate in the FHAP loan program, complete the applicant worksheet, sign, then mail, fax or scan and send as a pdf to:

Faculty Housing Assistance Program
ATTN : Office of the Treasurer
University of Colorado
1800 N. Grant St, Suite 600
Campus Box 25 UCA (use campus box only if sending through campus mail)
Denver, CO 80203-1148
Fax: (303) 837-2188
Phone: (303) 837-2183
E-mail: FHAP@cu.edu

Applications may be submitted at anytime and will be reviewed within 2 weeks of receipt. Participants have 9 months to complete the purchase of a home from the date they are notified of their approval to participate in the FHAP loan program.

FHAP LOAN PROCESS

The University will forward to Elevations Credit Union the names of all qualifying applicants selected to participate in the FHAP. Applicants selecting loans guaranteed by the Foundation will have their names forwarded to the Foundation. Applicants should contact Elevations Credit Union by phone or via online mortgage application to begin the loan process. Elevations Credit Union will verify the financial information submitted by the applicant. If any of the information is inaccurate, the applicant may be rejected as a qualified participant. Potential participants will be asked to sign a Commitment Letter and Acknowledgement and Acceptance of Terms indicating their agreement to and understanding of the FHAP loan.

In all cases, Elevations Credit Union provides the first mortgage. Qualified applicants will be required to fill out a loan application and pay a loan application fee in order to obtain an appraisal, commitment for title insurance & a credit report of all borrowers. This information will be required prior to approval of the FHAP loan. Once Elevations Credit Union receives all required information from the applicant, a decision on the approval or denial of the first mortgage loan will be made.

LOAN TERMS

The maximum loan available for each FHAP participant(s) per household is the lesser of either 25% of the purchase price of the property to be financed or $80,000.

EXAMPLES OF MAXIMUM FHAP LOAN AMOUNTS	
Example A	
Purchase price of faculty home	$350,000
Maximum FHAP Loan	$ 80,000
Example B	
Purchase price of faculty home	$250,000
Maximum FHAP Loan	$ 62,500

The participant will be required to personally fund at least 2% of the purchase price, although a greater amount will be required in order to qualify for certain loan programs. A primary loan provided by the Credit Union will secure a first mortgage for the remainder of the purchase price. Participants must be creditworthy, pay all associated transaction costs, and be able to make scheduled payments on the primary mortgage.

The participant will be required to pay all costs associated with the primary mortgage, the FHAP loan, and the home purchase. These costs may include loan discount points, appraisal fee, credit report, title insurance endorsements, primary loan document preparation and closing fees, real estate closing fee, courier expenses, and county documentation and recording fees. Charges related to the FHAP loan should be minimal and may include the fee to close the FHAP loan, title insurance, fees to record and release the second deed of trust, courier expenses, and wire transfer charges incurred to fund the purchase.

TWO TYPES OF FHAP LOANS

There are two types of FHAP down payment assistance loans available to qualified applicants selected by the University to participate in the FHAP.

- A loan provided by the Credit Union and guaranteed by the University of Colorado Foundation, (CU Foundation) secured by a second deed of trust, with a variable interest rate

- A loan provided by the University of Colorado, secured by a second deed of trust, and where in lieu of interest being paid, the University is paid a share of any appreciation in the value of the home purchased with the loan upon the loan's maturity or termination

LOANS GUARANTEED BY THE UNIVERSITY OF COLORADO FOUNDATION

As an innovative means of supporting the University and assisting in the recruitment and retention of talented faculty, the CU Foundation has entered into an exclusive arrangement with Elevations Credit Union that allows favorable FHAP repayment terms on these down payment assistance loans. Interest-only payments are due during the term of these FHAP loans which are funded by Elevations Credit Union but guaranteed by the CU Foundation. The interest charged on the guaranteed FHAP loan will be a variable rate, adjusted annually, and will be calculated as the Prime Rate less 50 basis points (one-half percent).

Upon the maturity of the FHAP loan, the Credit Union is repaid the principal amount of the loan.

These loans will be in the form of a promissory note secured by a second deed of trust. The deed of trust records a lien against the property for the amount of the FHAP loan. The note is due 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, 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; or
- Unless sooner paid, 20 years from the date of the note

The participant may prepay the principal amount outstanding according to the terms established in the FHAP promissory note at any time without penalty. An FHAP participant with a guaranteed loan may be able to refinance to obtain a lower interest rate but will not be allowed to refinance for the purpose of pulling out equity in the property.

Example of How Foundation Guaranteed FHAP Loans are Repaid	
Purchase Price of Property	$380,000
Down Payment Funded by Borrower	$11,000
Primary Loan Amount	$289,000
FHAP Loan Amount	$80,000
Primary Loan Monthly Payment Principal and interest (30-year, 6.00% fixed loan)	$1,551.41
FHAP Loan Monthly Payment – Interest Only (20-year, Prime Rate = 4.0%, 3.50%)	$233.33 (variable)
Loan Closing Date	June 15, 2017
FHAP Loan Due Date (Assumes 30-year primary mortgage and only applicable if none of the loan acceleration circumstances occur)	June 15, 2037
Primary Loan Due Date	June 15, 2047

SHARED APPRECIATION LOANS

No principal or interest payments are due during the term of a shared appreciation FHAP loan which is funded by the University. Upon the maturity of the FHAP shared appreciation loan, the University is repaid the principal amount of the loan, and in lieu of interest being paid on the FHAP loan, the University is also paid a share of appreciation of the value of the home purchased with the FHAP loan. (See Potential Tax Consequences of FHAP Loans)

These loans will be in the form of promissory notes secured by second deeds of trust. The deed of trust records a lien against the property for the amount of the FHAP loan. The note is due 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, 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; or
- Unless sooner paid, the maturity date of the first deed of trust securing the primary note

The participant may prepay the principal amount outstanding plus the University's share of appreciation according to the terms established in the FHAP promissory note at any time without penalty. Partial prepayments are not allowed.

Calculation of Shared Appreciation

The University's Share of Appreciation is a fraction, the numerator of which is the principal amount of the FHAP loan, and the denominator of which is the participant's purchase price of the property, multiplied by the Appreciation (as described below).

Appreciation is the difference between the Fair Market Value (FMV) of the property on the due date of the FHAP note and the original purchase price of the property. If the property is sold, the FMV of the property is the gross sales price of the property less any bona fide real estate broker's commission actually paid at the time of the sale by the participant (but in no event greater than 3% of the gross sales price), and less any Capital Improvements (as explained below) paid for by the participant. If the property is not sold prior to the due date of the FHAP note, the FMV of the property may be agreed to by the University and the participant, less 3% for the estimated real estate broker's commission and less any Capital Improvements paid for by the participant. For the purposes of calculating the University's Share of Appreciation, the adjusted FMV of the property may never be less than the participant's purchase price of the property.

Capital Improvements are improvements made to the property during the term of the FHAP loan that:

- Cost in excess of $3,000;
- Have been approved in advance in writing by the University Treasurer as having a significant long-term beneficial effect on the resale of the property;
- Constitute capital improvements as defined by Internal Revenue Service regulations, the cost of which can be added to a participant's basis in the property for the purposes of calculating capital gains taxes;
- Remain a part of the property upon the due date of the FHAP note; and
- Are not in violation of any applicable zoning and for which building codes and all required building permits have been obtained.

Capital Improvements shall not include the value of any labor performed by the participant. Capital Improvements also exclude maintenance, repairs, and improvements constructed with insurance proceeds.

Additional provisions and definitions related to Shared Appreciation are included in the FHAP promissory note. A draft of the note and of the deed of trust to secure the note will be provided to participants along with the FHAP loan commitment letters. In most cases, an additional charge of $28.00 is added to the payoff amount for fees to be paid to the public trustee for release of deed.

Example of How Shared Appreciation FHAP Loans are Repaid			
	Example A	**Example B**	**Example C**
Purchase Price of Property	$465,000	$350,000	$420,000
FHAP Loan Amount	$ 80,000	$70,000	$ 80,000
University's Share of Appreciation (as a percentage)	17.2%	20%	19%
FHAP Loan Closing Date	June 15, 2017	June 15, 2017	June 15, 2017
FHAP Loan Due Date	June 15, 2047 (1)(3)	June 15, 2032 (2)(3)	June 15, 2023 (3)
Fair Market Value of Property on Loan Due Date	$650,000	$720,000	$432,000
Minus 3% real estate commission	$19,500	$21,600	$12,960
Appreciation of the Property (assumes no Capital Improvements)	$165,500	$348,400	$0
University's Share of Appreciation (in dollars)	$28,466	$69,680	$0
FHAP Principal and the University's Share of Appreciation Due	$108,466	$139,680	$80,000

(1) Example A assumes a 30-year primary mortgage and would only be applicable if none of the loan acceleration circumstances occur.

(2) Example B assumes a 15-year primary mortgage and would only be applicable if none of the loan acceleration circumstances occur.

(3) Example A B & C assume 3% real estate commissions. Example C assumes property is sold 6 years after purchase.

Subsequent Refinancing of a Shared Appreciation Loan

In the event an FHAP participant desires to refinance the existing primary mortgage on the property purchased with a shared appreciation FHAP loan, the University as holder of the promissory note secured by a second deed of trust on the home will need to agree to subordinate its deed of trust on the property in order that the primary mortgage lender will be able to have a new first deed of trust on the property. The University will review and evaluate the documentation and terms of any refinancing loan, and while the University is under no legal obligation to agree to subordinate its deed of trust on the property to the new deed of trust, it will consider doing so.

In order to reduce its risk of nonpayment of the FHAP loan upon its maturity, the University may consider subordinating its deed of trust to the new primary mortgage if the principal amount of the proposed new mortgage is not in excess of the principal balance currently due and owing on the existing first mortgage. In other words, a new mortgage loan may not be in an amount greater than what is currently owed on the existing loan. An FHAP participant will not be able to refinance for the purpose of pulling out some of the equity in the property without the FHAP loan being paid in full.

The University must also be satisfied that the proposed terms of the new mortgage are no more burdensome to the FHAP participant than the existing loan. The University will charge a subordination fee and will require reimbursement of all reasonable attorneys' fees incurred in reviewing any subordination agreement that the University agrees to sign.

POTENTIAL TAX CONSEQUENCES OF FHAP LOANS

There may be income tax consequences associated with FHAP shared appreciation and guaranteed loans. The Internal Revenue Code and Internal Revenue Service (IRS) regulations provide that if a loan is made to an employee at an interest rate less than the Applicable Federal Rate (AFR), the employee will realize income. The amount of the income is equal to the interest determined at the AFR less any interest actually paid. There may be no appreciation in the value of a home purchased using a FHAP shared appreciation loan, or appreciation may be less than the AFR, nonetheless the FHAP loan will be considered an interest-free or below market loan, resulting in taxable income to the borrower. If the interest paid on the FHAP guaranteed loan is less than the interest determined using the AFR, the guaranteed loan will be a below market loan and interest will be imputable as it is for all shared appreciation loans.

The University, as the borrower's employer, will include the amount that the IRS would consider imputed compensation to the borrower in the borrower's monthly pay advices and on the borrower's W-2 Wage and Tax Statement issued each January following the purchase of a FHAP property. In order to partially offset the effects of the additional reported compensation, the University, as lender of the shared appreciation loans, and the Credit Union, as lender of the guaranteed loans, will issue a 1098 Mortgage Interest Statement.

While the 1098 may eliminate some of the additional income tax payable as a result of the additional compensation reported on the W-2, the IRS requires employees and employers to pay FICA tax (Social Security and Medicare) on all compensation up to a maximum amount. The borrower's portion of the FICA tax must be withheld from the FHAP participant's paycheck. Imputed interest may affect deductions limited by adjusted gross income.

Income taxes (Federal and State) may also be deducted from the participant's paycheck. The amount withheld is dependent upon the number of withholding allowances claimed by the participant. Participants are encouraged to consult with their own financial, tax, and legal advisors concerning the tax and legal aspects of an FHAP loan.

Comparison of FHAP Loan Programs		
	Guaranteed Loan	**Shared Appreciation Loan**
Primary Lender (holds 1st deed of trust)	Elevations Credit Union	Elevations Credit Union
FHAP Lender (holds 2nd deed of trust)	Elevations Credit Union	University of Colorado
Maximum FHAP Loan Amount	$80,000 or 25% of purchase price, whichever is less	$80,000 or 25% of purchase price, whichever is less
Primary Loan Interest Rate	Based on market rate	Based on market rate
FHAP Loan Interest Rate	Prime Rate less 50 basis points(one-half percent per annum)	Not applicable

Monthly FHAP Loan Payment	Interest only; principal due upon maturity	No monthly payment due; principal and share of appreciation due upon maturity
Maximum FHAP Loan Term (applicable only if none of the loan acceleration circumstances occur)	20 years	Same due date as primary loan
Approval Required for Capital Improvements	No approval required	University must approve
Partial Prepayment of FHAP Loan Permitted	Yes	No
Potential Imputed Income to Borrower ($70,000 loan; AFR=3.50% and Prime = 3.75%)	Up to $175 for the first year* (subject to monthly compounding and variable interest rate)	Approximately $2,450.00/year* compounded

*possibly offset by mortgage interest deduction

PROPERTY OWNERSHIP REQUIREMENTS

Certain requirements will be made of the participant to minimize the encumbrances against the property and maintain the value of the property securing the second deed of trust. These requirements include, but are not limited to:

- **Property Taxes**
  The participant will be responsible for the payment of all property taxes required on the property. Such payments should be made in a timely fashion as required by the local governing authority.

- **Insurance**
  The FHAP participant shall keep the existing or any future improvements on the property insured against loss by fire or hazards included within the term “extended coverage” in an amount at least equal to the lesser of (1) the insurable value of the property or (2) an amount sufficient to pay the sums secured by the second deed of trust as well as any other prior encumbrances on the property. Annually, the Office of the Treasurer must receive confirmation of property insurance listing the Regents of the University of Colorado as “additional mortgagee” or “second mortgagee”.

- **Repairs and Maintenance**
  The FHAP participant shall keep the property in good repair and shall not commit waste or permit violations or allow the property to deteriorate. The participant shall perform all of participant’s obligations under any declarations, covenants, bylaws, rules or other documents governing the use, ownership or occupancy of the property. The property must be kept in compliance with the local government’s housing code, and the participant will also be responsible for all care and maintenance of the yard and outside areas.

- **Escrow of Property Taxes and Insurance Premiums**
  The Credit Union may require a monthly escrow of estimated property taxes and insurance premiums.

- **Employment Verification**
  The Credit Union will regularly verify the employment status of all FHAP borrowers.

DISCLOSURES

The Foundation and the University accept a certain amount of risk in guaranteeing or issuing an FHAP loan. Participants also have risk. Declining real estate market values and varying mortgage interest rates may affect the economic attractiveness to the participant and his or her ability to refinance the property upon any accelerated termination of an FHAP loan. Situations that initiate the acceleration of the due date of the note may be outside of the direct control of the participant. Declining real estate market values may also affect the participant's ability to repay the FHAP loan principal balance due at maturity.

In order to participate in either FHAP loan program, all primary mortgages must be obtained through the Elevations Credit Union. The CU Foundation has entered into an exclusive arrangement with the Credit Union, and as a result has been able to secure attractive interest rates on guaranteed FHAP loans funded by the Credit Union and on servicing fees for both FHAP loan programs.

The FHAP loan terms may change at any time without notice prior to execution of the FHAP loan. The submission of an application or the receipt of the initial commitment does not guarantee approval of an FHAP loan. The numbers quoted in this program summary are examples only. Actual calculations may vary.

It is the intention of the FHAP to treat the financial information submitted by applicants as privileged and confidential. In the event of an open records request to the University, the following information about applicants may be disclosed: name, faculty rank, hiring date, and faculty salary.

For More Information please contact FHAP@cu.edu