

HOME PURCHASE ASSISTANCE PROGRAM APPLICATION FORM

Name of Applicant _____ (Last) (First) (Middle)

Current Address of _____ (Street) (City) (Zip Code)

College or Department _____ Position _____

Home Telephone Number _____ Office Telephone Number _____

Date First Appointed by University _____ Email Address _____

I hereby request \$5,000.00 in accordance with terms of the University of Delaware Home Purchase Assistance Program (HPAP), and in consideration thereof I certify:

- 1. The home I plan to purchase is a single-family unit that will serve as my primary residence.
2. I currently intend to remain in the employment of the University of Delaware for a period of at least twelve (12) months from the scheduled settlement date.
3. I understand that this assistance is taxable income subject to federal, state and FICA/Medicare tax withholding. The cash available at settlement will be net of the withholding taxes.
4. I qualify for this program as I understand it, am a permanent full-time (75% or more) employee of the University of Delaware and have not previously participated in the Home Purchase Assistance Program or the University Mortgage Program.
5. I will provide the University Finance Office a copy of my signed and executed settlement form.

Address of home to be purchased: _____

Date of Settlement: _____

Check for settlement should be made payable to: W-9 WITH TAX ID NUMBER REQUIRED _____

Name of Attorney or Title of Company _____

Street _____

City State Zip

Name and Phone Number of Contact _____

*Please attach a copy of sales contract.

Signature (Witness) Date Signature (Applicant)

PLEASE DO NOT WRITE BELOW THIS LINE

Comments:

Meets All Requirements Recommended Approved

Financial Services Coordinator

Assistant Vice President-Analysis & Operations

UNIVERSITY OF DELAWARE
HOME PURCHASE ASSISTANCE PROGRAM

The Board of Trustees has established a new program to replace the University's current mortgage program for faculty and exempt staff hired after June 30, 1998. In so doing, it continues to assist in the recruitment and retention of faculty and administrators. This new program, called the Home Purchase Assistance (HPA) program, provides a one-time \$5,000 payment to be paid at settlement on the purchase of a primary residence. Key elements of the HPA program are set forth below:

- Effective July 1, 1998, all full-time faculty and exempt staff hired after June 30, 1998 may receive home purchase assistance in the form of a one-time \$5,000 payment to be paid at settlement on the purchase of a primary residence within reasonable commuting distance of work location.
- Full-time faculty and exempt staff hired before July 1, 1998, who have not used the University mortgage program will have the option of using the existing University mortgage program or the new HPA program, effective immediately.
- The HPA supplemental cash payment will be taxable income to the employee in the year paid and federal and state taxes will be withheld as appropriate. Current law requires federal (25 percent) and state (5 percent) income taxes be withheld irrespective of an employee's actual tax bracket. FICA/FICM tax of 5.65 percent must also be withheld unless the FICA threshold has been reached. The net cash available to employees will be \$3,117.50. (If the home is purchased in the City of Wilmington, you will be subject to the city tax of \$62.50 resulting in a check of \$3,055.00).
- If an employee itemizes deductions on his or her income tax return, mortgage points paid generally are deductible, and the employee can adjust withholding tax from regular salary to reflect estimated tax liability. Employees are encouraged to consult a tax advisor to determine the tax treatment appropriate to their individual circumstances.
- No more than \$5,000 shall be made available per home purchase, regardless of the number of eligible employees owning and residing in the home.
- Full-time faculty and exempt staff electing the HPA program may also take advantage of the Neighborhood Mortgage Assistance Program if he/she meets that program's qualification criteria.
- Detailed administrative procedures are available with HPA application forms in the University Finance Office.

Questions and Answers

1. **Q.** Why is the University replacing the current mortgage program with the HPA program for full-time faculty and exempt staff hired after June 30, 1998?
A. The primary objective of the University mortgage program is to assist in the recruitment and retention of faculty and administrators. The existing program entails a major investment of University operating funds in employee mortgages. The new HPA program serves the same purpose, namely to attract and retain faculty and administrators without the significant long-term commitment of University resources. At the same time, eligible employees using the HPA program have total flexibility to obtain a commercial mortgage tailored to fit their individual needs.

2. **Q.** How will the HPA program affect current faculty and exempt staff?
A. Current eligible faculty and exempt staff hired prior to July 1, 1998 will have the option of using the existing University mortgage program or the new HPA program.

3. **Q.** What will be the cost to the employee of the HPA program compared to the current mortgage program?
A. As of January 1, 1998, the University's interest rate on a conventional 30-year mortgage loan (under \$214,600) was 6.5 percent. Currently, there are a number of commercial mortgage lenders offering 30-year loans for 6.75 percent interest plus 3 points. Under the HPA program, an employee receives a gross payment of \$5,000. After withholding taxes as required by law, the net cash available to the employee is approximately \$3,000, which is equivalent to three points on a \$100,000 mortgage. Therefore, the cost to an employee borrowing \$100,000 today under the HPA program would be 0.25 percent or only \$17.00 per month higher than the cost under the University Mortgage Program. In addition, mortgage points paid are generally deductible and many employees can adjust withholding tax from regular salary to reflect estimated tax liability. Moreover, unlike the commercial market, the University's current mortgage program does not provide for a lower interest rate if the employee elects a term of fewer than 30 years. Some employees may be able to realize a lower interest rate than the University's rate if they take out a 15-year mortgage with a private lender. Such loans are available today at under 6.5 percent plus 2.5 - 3 points.