NO-INTEREST HOUSING ASSISTANCE LOANS

POLICY INFORMATION

Responsible Member of the Directorate: Executive Vice President &Director of Research
Responsible Offices: Director of Research & Controller
Issued: October 4, 2004

POLICY STATEMENT

As part of the recruitment package, the Woods Hole Oceanographic Institution may provide a no-interest housing assistance loan for new members of the Scientific Staff who are purchasing a home within a 50-mile circle of Woods Hole. The total amount available for an individual loan will be determined annually based on internal access to funds and external market forces. The loan will be repaid through payroll deductions.

REASON FOR POLICY

The housing market on Cape Cod has seen a steady increase in prices that far exceeds the increases that WHOI can provide in salary and recruitment incentives. In order to remain competitive and attract the best possible candidates, the Institution will provide additional assistance for the purchase of a home to new Scientific Staff members.

WHO SHOULD BE FAMILIAR WITH THIS POLICY

- Executive Assistant to the Director of Research
- The Controller's Office
- Department Chairs and Administrators; Marine Policy Director and Administrator
- Human Resources Office
- Vice President for Finance & Administration

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CONTACTS

If you have questions about specific issues or need assistance with the interpretation of this policy, contact:

Executive Assistant to the Dir. of Research...........x 2254
Assistant Controller...x 2366

DEFINITIONS

These definitions apply to these terms as they are used in this policy.

Loan Commitment	Documentation from the bank or other mortgage lender that describes the details of the purchase and sale of the home and the lender's commitment to provide the mortgage.
Promissory Note	A written agreement to repay the specified amount of the housing assistance loan in installments over a stated period of time.
Scientific Staff	A person with an appointment to the Woods Hole Oceanographic Institution in the position of Assistant Scientist, Associate Scientist, Associate Scientist with Tenure, or Senior Scientist.
Unearned Income	Taxable income that is not earned by providing work or services.
Wages	Payment to an employee for services received. Wages are taxable under IRS regulations.

OVERVIEW

Who is eligible for a no-interest housing assistance loan?

WHOI retains the right to determine, in its sole discretion, who is eligible to receive a no-interest housing assistance loan under this policy. Generally, those eligible to receive a no-interest housing assistance loan are members of the Scientific Staff who meet all the following criteria:

- Hold a full-time, regular appointment
- Are making a new home purchase within 36 months after the date of appointment to the Scientific Staff.

- Do not own any residential property or investment property at any location at the time the loan is requested. (Not including temporary ownership due to inability to sell a previous property prior to purchase of the new residence or short-term ownership of a prior residence pending its sale.)
- Are not a rehire.
- Do not currently own a residential property within a 50-mile circle of Woods Hole.
- The new home to be purchased is within a 50-mile circle of Woods Hole and it will be the primary residence of the employee.

These loans will not be available for any postdoctoral appointments.

In the event that two eligible persons share ownership of one residence, only one housing assistance loan is available.

What is the maximum amount of the loan?

The maximum amount available for an individual housing assistance loan will be determined annually based on internal access to funds and external market forces. The current maximum amount is $15,000.

What is the repayment period?

All no-interest housing assistance loans must be repaid within 3 years (78 pay periods) of the receipt of the loan.

What are the tax implications of this loan?

If the amount of this no-interest housing assistance loan, in combination with any other below-market interest rate Institution loans, exceeds $10,000, the IRS requires that the imputed interest be reported by the employee as unearned income.

What happens if the employee leaves the Institution before the loan is fully repaid?

In the event that termination of employment, for any reason (other than the employee's death), occurs before full repayment is made, the loan becomes due and payable immediately. The Institution is authorized to deduct the unpaid balance due from any compensation otherwise payable, including any amounts payable to the employee for accrued but unused vacation time, in the employee's final paycheck, up to the maximum amount deductible by law.

An extension after termination of employment, if approved by the Vice President for Finance & Administration, will bear interest at a rate commensurate with that used by commercial banks for similar loans at that time.

If any loan has not been fully repaid within 60 days after the due date, the unpaid amount shall bear interest, payable monthly, at a rate of 10% per year from the due date.

Should any unpaid balance be more than 60 days past due, it may be submitted to a collection agency.

What happens if the employee is permanently disabled?

Should an employee become permanently disabled, as determined by the Institution, before the loan is fully repaid, the monthly payments due will be reduced to ½ of the established monthly payroll deductions and the length of time for repayment will be extended accordingly. The Institution will provide a new promissory note to the borrower to reflect such changes.

What happens if the employee dies prior to fully repaying the loan?

Any of these loans outstanding to the employee at the time of his or her death will be forgiven by the Institution. Based on tax rules issued by the IRS, if the employer forgives a loan, the remaining loan balance becomes wages, subject to employment taxes and wage reporting.

PROCEDURES

Application Process

Those who are eligible for a no-interest housing assistance loan should complete the loan application and send it to the Executive Assistant to the Director of Research. The application will include to whom the check should be made payable (e.g., a mortgage lender) in the event that the application is approved.

Steps for Approval of the loan

1. The Executive Assistant will review the application, in conjunction with the Human Resources department, to determine whether the applicant is eligible to receive a loan.
2. The Director of Research will then determine whether to approve the loan application.
3. If the loan is approved, completed paperwork will be sent to the Assistant Controller.

Receiving the Loan

If the loan has been approved, the Assistant Controller will issue the check for the loan after receipt of:

a. The signed promissory note
b. A copy of the loan commitment from the mortgage lender.

The check for the loan will be made payable to the mortgage lender that will hold the mortgage for the new residence or to such other appropriate recipient designated by the borrower. This

	payment should be received by the borrower within **14 days** of the approval of the housing assistance loan.
Loan Repayment	Under the terms of the promissory note, payroll deductions for the repayment installments commence with the first payday following the day of the signing of the promissory note. All principal shall be repaid in full in three (3) years – 78 pay periods. Failure to make any payment when due shall cause the note to become due and payable in full at the option of the holder. Demand, notice, and protest will be waived by the signing of the Promissory Note.
Exceptions	Deviations from the guidelines may be permitted only in very exceptional circumstances. Such exceptions will require the approval of the President and Director.
Program Note	This no-interest housing assistance loan program is subject to modification or discontinuation at any time. The period of repayment for any existing loans at the time of modification or discontinuation will not be subject to change.

FORMS

Forms	**Use**
Loan Application	Completed by the Scientific Staff member to apply for a no-interest housing assistance loan.
Promissory Note	Completed by the Assistant Controller and signed by the borrower before the loan check is received.

Signed: *Robert B. Gagosian, President & Director*
Date: 10/4/04

Woods Hole Oceanographic Institution

NO INTEREST HOUSING ASSISTANCE LOAN APPLICATION

I, ____, hereby apply for a no interest personal loan from the Woods Hole Oceanographic Institution in the amount of $__________________. I understand the loan obtained will be payroll deducted in an amount calculated to repay the principal in three years. I agree to sign an agreement providing for such payroll deduction.

I also meet **all** the following criteria to be eligible for a no interest personal loan:

- Hold a full-time, regular appointment to the WHOI Scientific Staff
- Am making a new purchase of a home within 36 months after the date of my appointment to the Scientific Staff
- Do not currently own any residential property or investment property at any location (not including temporary ownership due to inability to sell a previous home prior to purchase of the new residence or short-term ownership of a prior residence pending its sale)
- Am not a rehire
- Any previously owned residence is at least 50 miles from Woods Hole
- The home to be purchased is within a 50-mile circle of Woods Hole, and it will be my primary residence

Should this loan application be approved, the check should be made payable to:

Mortgage Lender: ____

Contact Name: ____

Phone Number: ____

I hereby certify all of the above information is true and correct.

Signature: ____

Date: ______________________________

Forward completed application to the Executive Assistant to the Director of Research, Bell House, MS# 39.