Module 2

EAH as a Workforce Housing Solution
Module 2: Learning Outcomes

At the conclusion of this module, you should be able to:

- Define employer-assisted housing;
- Discuss the different types of employer-assisted housing benefits;
- Identify the value of EAH to employers, employees, the community and real estate agents and the team.

This module explains what employer-assisted housing is and why employers, employees, the community and real estate agents and their team benefit from employer-assisted housing.

What is EAH?

Employer-assisted housing is a benefit offered by an employer to help meet the housing needs of his employees. It has also been described as a variety of housing benefits employers can offer to help their workforce afford homes.¹

Employer-assisted housing can help employees to move beyond the most common hurdles to homeownership and purchase or rent a home in the community where they work.

Employer-assisted housing helps employers achieve business goals while at the same time helping employees meet their housing needs. Note the phrase “helping the employer achieve business goals.” This definition emphasizes the benefits to the employer.

Typical Employer Benefits

Many employers, typically the larger ones and the more socially conscious ones, offer a variety of benefits to their employees. These benefits include:

• Healthcare
• Life insurance
• Retirement / 401K plans

In addition to these traditional benefits, many employers are also offering more innovative benefits, such as tuition reimbursement and education programs, daycare services, wellness programs and health club memberships. These benefits can help the employer compete for employees in the marketplace and help with employees’ work-life balance. Employer-assisted housing can be one more benefit that the employer offers.

Employee benefits weathered the economic storm with relatively modest reductions. Most employers held the line on core benefits and 401(k) matching in the face of enormous bottom-line pressure. For their part, most employees maintained their benefits participation and coverages. This suggests that benefits continue to be a long-term strategic tool for addressing employer business objectives, one that can be sustained and effective in bad times as well as good.2

Employers Who May Offer EAH

The employers most likely to offer employer-assisted housing are those with a business need or strong sense of civic responsibility.

Employers who are experiencing labor shortages or high turnover rates are candidates for employer-assisted housing benefits, as EAH benefits may help the employer be more competitive and encourage employees to stay with the employer longer.

Employers who relocate their employees may use EAH to help their employees find and purchase a home in the new locations.

Employers who see themselves as socially responsible industry trendsetters are candidates for employer-assisted housing programs.

A place-based employer, such as a university or hospital, with a large physical investment in the neighborhood where they cannot pick up and relocate, might be interested in EAH to overcome a community’s stability or perception of safety issues by encouraging employees to live in the community, invest in the community and become part of the community.

Employers who are located in communities with high housing costs relative to incomes—for instance, a resort community or high-income municipality—may want to help their employees afford a home within the community and close to the workplace.

Employers who may have employees not fully focused on their work because of foreclosure fears may be looking for ways to help their employees keep their minds on their work.

Finally, employers who are located in deteriorating neighborhoods or in communities receiving Neighborhood Stabilization Program (“NSP”) funding might be interested in offering employer-assisted housing to initiate or continue revitalization efforts.

*I see some of my employees working real hard and I just felt that it would be a great plan, a great thing if we could help our employees get further in life through housing…you will get an employee who will give you everything he or she has, and that’s dedication. It creates a tremendous bond between employer and employee, and it feels good.*

- Leonard Pereira, President, Air Around the Clock, Florida

**EAH Benefits to the Employer**

Employer-assisted housing benefits can provide a positive return to the company’s bottom line. EAH can often be implemented at little or no cost to the employer, and yet the employer reaps the benefits of a more productive workforce, lower employee turnover, and a greater ability to attract new employees.
Many employers have recognized the linkages between certain employee benefits and key business objectives, such as increasing productivity and improving employee retention.

According to the 8th Annual MetLife study of Employee Benefits Trends, published in 2010, employers cite these top objectives related to benefits:

- Controlling health and welfare benefit costs—53%
- Retaining employees—47%
- Increasing employee productivity—42%

Also, as noted in a Comptroller of the Currency report, some employers have found that providing employer-assisted housing benefits helps them achieve a variety of goals, such as improving recruitment and retention of employees.

An EAH benefit can help retain employees and reduce turnover rates, especially if combined with a requirement that the employee needs to stay with the employer for a certain number of years. Employee turnover can be expensive. In fact, a report by the Greater Philadelphia Urban Affairs Coalition states, “On average, it costs a firm 25 percent of the position’s annual salary plus 25 percent of the cost of benefits to replace an employee. One analysis found that it cost half of the employee’s annual wage, or $12,750 per employee, to hire a new entry-level sales or customer-relations employee at a call center.”

The report argues that an employer-assisted housing benefit can help an employer reduce turnover. It reports, “Bank of America’s employer-assisted housing program, which provides working family employees with a forgivable loan of up to $5,000 for the initial costs of homeownership, has reduced turnover rates among participating employees by 10 percent.”

Studies have also shown that as workers are forced to live farther from their workplace, their productivity declines. One explanation can be that

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employees have longer drives and, with greater regional traffic congestion, spend more time stuck in traffic; this makes them more likely to arrive at work late as well as tired and frustrated.

Employer-assisted housing can also increase productivity through improved morale, an enhanced employee work-life balance and decreased absenteeism. Furthermore, homebuyer and home ownership education, which many employers offer as an extended EAH benefit, can help address the stress some employees may be facing with concerns about losing their homes.

Implementing an EAH benefit can help employers build value within their organizations and enhance their reputations.

*The Prescription for Homeownership program has been great for the company and our employees. When an employee purchases a home, they want to work harder and strive for a promotion so that they maintain that home.*

- Steve Wing, Director of Government Programs, CVS

*In 2001, we began to think about home ownership for our employees and how we could assist them…We provide the employee with a $2,500 loan that is forgiven after three years of continuous employment. What better way to build loyalty and pride, than to create an avenue for home ownership?*

- Advance Food Company

Offering an EAH benefit may provide for more employees to work in the communities in which they live. Thereby, they may better know the customers they serve. For example, CVS offers an EAH benefit so that more of their employees can live in communities where their stores are located. Accordingly, their employees know some of their customers as they may also be their neighbors.

Employer-assisted housing benefits can also generate positive publicity for the employer and create goodwill in a community. Employer-assisted housing can help set a company apart in the community and in the minds of customers.
Employers that offer employer-assisted housing are seen as trendsetters and socially responsible organizations. This can help make them attractive places to work.

Employers are increasingly seeing a connection between the health of a community in which they are located and the strength of their business. For these employers, employer-assisted housing benefits can be used as part of a program to stabilize and revitalize neighborhoods close to the workplace. A stabilized, safe neighborhood is particularly important for employers who rely on customer and client access to their business. As noted above, hospitals and universities, with major physical investments in a community are likely to be very interested in the quality of the surrounding neighborhood.

Employers that offer innovative benefits build loyalty from their workforce. This loyalty translates into reduced turnover expenses and increased productivity.

**Aurora Health Care EAH Case Study**

Aurora Health Care, a healthcare provider that operates 13 hospitals in the Milwaukee area, responded to recruiting and retention challenges by creating an EAH program, in partnership with the nonprofit Select Milwaukee, to help their employees purchase homes in the city of Milwaukee. Aurora found that while 70 percent of employees stay with the organization for less than 10 years, EAH participants have an average length of service of 14.7 years with the organization. EAH participants also had significantly lower turnover rates than non-participating employees. In 2007, the turnover rate for all Aurora employees was 11.8% while the turnover rates for employees who participated in the EAH benefit program was 4.8%.

**EAH Benefits to Employees**

Employer-assisted housing benefits the employees as well. EAH can help employees overcome some of the homeownership barriers previously discussed.

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First, the employees often receive homebuyer and homeownership education, including financial literacy and foreclosure prevention education, as well as counseling services as part of an employer-assisted housing benefit. This provides them the knowledge and confidence to purchase a home, prepares them to purchase and maintain a home, and enables them to take the steps necessary to avoid foreclosure.

Additionally, many employer-assisted housing benefits offer financial assistance to the employee that can help close the financing gap on a home purchase.

*Everyone should take advantage of the housing benefit. Once I completed the application, my benefit coordinator helped me apply for other funds and walked me through the whole process. Advance Food Company is very generous to offer this benefit. Without it, I would not have been able to purchase my home.*

- Advance Food Company employee

In many instances, employer-assisted housing benefits are designed to allow the employee to live in the community in which they work. This allows employees to spend less time commuting and more time at home with their families, thus enhancing their quality of life.

Finally, employees who purchase homes have the opportunity for equity appreciation as their home value increases.

And, as noted in an NAR report, homeownership boosts the educational performance of children, induces higher participation in civic and volunteering activity, improves health care outcomes, lowers crime rates, and lessens welfare dependency.

In addition to tangible financial benefits, homeownership brings substantial social benefits for families, communities, and the country as a whole. Because of these societal benefits, policy makers have promoted homeownership through a number of channels. Homeownership has been an essential element of the American Dream for decades and continues so even today.7

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7 Social Benefits of Homeownership and Stable Housing
http://www.realtor.org/wps/wcm/connect/ca3a708048be35b9be2f0c8bc1f2ed/Social+Benefits+of+Stable+Housing.pdf?MOD=AJPERES&CACHED=ca3a708048be35b9be2f0c8bc1f2ed
EAH Benefits to the Community

Communities can also benefit when employers offer employer-assisted housing.

First, employer-assisted housing often allows workers to live and work in the same community. People who live and work in the same location tend to become invested in the community and become more active in civic and volunteer activities. Additionally, employees living and working nearby equals less traffic congestion and less air pollution.

Second, employer-assisted housing benefits allow critical workers and emergency responders, such as police, fire and medical personnel, to purchase homes in the communities where they work. They do not have to travel great distances to respond to an emergency.

Finally, as communities are revitalized, the base of the community can be stabilized, so the population and community tax base will increase. Employees will spend more of their money in the local community, supporting local merchants and further adding to the economic vitality of the community.

Community Revitalization Case Study

The aforementioned Greater Philadelphia Urban Affairs Coalition Policy Link report presents some strong data on the community benefits from the University of Pennsylvania’s efforts to revitalize West Philadelphia using EAH and other programs. These efforts helped revitalize the housing market and the community. Housing prices increased from $78,500 to $175,000 between 1996 and 2002. Community benefits included 25 new retail stores, an 86 percent increase in foot traffic on local streets, a 40 percent reduction in crime, and 200 new jobs for local residents.

“The interdependence between businesses, workers, and communities positions employers as key partners when it comes to advancing policies and programs to alleviate the barriers to working families’ economic success.”

*Policy Link: Greater Philadelphia Urban Affairs Coalition – Connecting Working Families to Economic Opportunities in the Philadelphia Region: The Role of Employers.*
EAH Benefits to the Real Estate Professional and Team

There are also benefits from employer-assisted housing to a real estate professional and his team. The benefits include an expanded client and customer base, a new source of referrals, increased name recognition and a positive image and increased visibility in a community.

Participation on an employer-assisted housing team may also help the nonprofit reach out to the population it serves and be a source of referrals for the nonprofit organization’s other services.

There may be an added benefit for the lender to be part of the team. The Community Reinvestment Act (CRA) is designed to encourage commercial banks and savings associations to meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods, typically defined as at or below 80 percent of area median income. A lender’s participation on a team may help it meet its CRA goals, especially when the employees’ incomes are within the CRA income range.

“Understanding Employer-Assisted Mortgage Programs: A Primer for National Banks” (http://www.occ.gov/static/community-affairs/insights/2007-88a.pdf) discusses this and other benefits for a bank involved in making mortgages for borrowers participating in employer-assisted housing benefit programs. It also looks at how banks can offer loan products to complement employer-assisted home purchase program and discusses how these programs can be offered in the conventional secondary mortgage market.

A real estate agent can use an EAH program as a source of credibility. Through their partnerships with the team, the real estate agent can show a commitment to preserving and revitalizing the community, and as having an interest in the welfare of the community’s workforce.

Employer-assisted housing should be viewed as a long-term business strategy for a real estate agent. Developing an expertise in employer-assisted housing and calling upon employers to implement the benefit requires an
initial time commitment on the part of the agent. Once the real estate agent has established an employer-assisted housing benefit with an employer, the agent has created a long-term source of clients.

At a typical employer, only about 10 percent of employees use an employer-assisted housing benefit at any one time. However, as existing employees turn over and are replaced by new employees, and individual financial and family situations change over time, the employee who does not use the benefit this year, may use it next year.

In many cases, the transaction process starts long before a consumer picks up the phone to call a real estate professional. The challenge is to stay in touch with clients to cement a relationship with a true buyer. To become a trusted advisor, a real estate agent needs to be at the center of any conversation about real estate well before the consumer buys a home. This means building enduring relationships that start before a sale and continue beyond closing — in other words, making sure that the transaction never ends.

Participating in an employer-assisted housing benefit plan can help you build this type of relationship with clients. By periodically conducting homebuyer and homeownership classes for the employer, the real estate agent and team have the opportunity for regular introductions to new clients and customers.

Employer-assisted housing benefits take some time to develop, but there is a long-term payoff.
Module 2 Summary

Module 2 began to focus on employer-assisted housing. This module included:

- A definition of employer-assisted housing (EAH);
- A discussion of the types of employers likely to be interested in employer-assisted housing;
- A summary of the benefits of EAH to:
  - The employer
  - The employee
  - The real estate professional and team
  - The community.