Product Guideline
Eagle River Water & Sanitation District
Employer Assisted Housing Benefit
Employee Home Ownership Program - EHOP®

Eligible Borrowers:	Regular full-time employees with one year of employment and pre-approval from the District. One employee loan per household. This benefit is on a first-come, first-served basis, no priority is offered for job classification or other factors.
Eligible Property:	Primary residence only, located within Eagle County and surrounding counties. Eligible homes must be real property and permanently attached to a foundation and conform to all prevailing building code standards. Employee may not own or have an ownership interest in other developed residential property in Eagle, Pitkin, Garfield, Summit, Routt or Lake Counties.
Max. Purchase Price:	The maximum purchase price of a qualified residence by an employee in which the District will participate is not specified and is to be determined on a case by case basis.
Income Threshold:	No income limitations.
Loan Amount:	Employees may be eligible for assistance up to 30% of the purchase price or $245,000.00, *whichever is less*. EHOP loan can be stacked with other sources of funds. **For Employee's purchasing a property using the Eagle County Good Deeds, Mi Casa Avon, Vail InDEED or other similar deed restriction buy down program, the ERWSD loan amount is calculated using up to 30% of the **actual purchase price**, not the "net" purchase price after the amount the Employee is receiving from the deed restriction buy down program is deducted.*
Compatible Mortgages:	Employees and co-borrowers must qualify for primary mortgage financing through a reputable lending institution offering terms acceptable to both the employee and the District. May be used in conjunction with conforming conventional and certain portfolio programs that offer fixed or intermediate variable rate terms designed for entry-level buyers. (i.e., FLEX, My Community, 5/1, 7/1, etc.). *FHA, Subprime and other non-conforming products are **not permitted**.*
Debt Ratio:	Maximum back ratio of 45%.
Loan to Value:	Maximum Combined Loan to Value is 97% of purchase price.
Minimum Investment:	Borrower must have minimum direct investment of 10% of purchase price from a source acceptable to the primary lender. In no case may the Seller or premium pricing of the mortgage interest rate satisfy this minimum requirement.
Preferred Interest Rate:	Interest rate is fixed at 2.5% (Preferred Rate) while employed with the District.
Termination Rate:	If the employee terminates employment with Eagle River Water and Sanitation District either voluntarily or involuntarily **the rate on the EHOP loan will increase to the rate disclosed on the loan documents and is equal to first mortgage note rate at the time the EHOP application is received from the first mortgage lender plus a margin of 2.0% (Termination Rate) which will take the form of higher payment amounts.** The increase in the interest rate will be effective 90 days following one of the events resulting in the preferred rate termination. The resulting higher payments will be due on the next payment due date following at least 30 days after the termination of the preferred rate.

If the property ceases to be the employee's primary residence, the mortgage rate will default to the example given above.

Qualification Rate: EHOP loan will be underwritten by IDF using the higher Termination Rate described above to determine the debt to income ratio.

Repayment: Monthly payments of principal and interest to fully amortize the loan with the 30 year loan term. Prior to maturity, a lump sum repayment is required upon property sale, refinance of the primary mortgage, or the home is no longer occupied as the primary residence. There are no prepayment penalties.

Subordination: Subsequent subordination requests may be allowed for the refinance of the primary loans if the new loan does not exceed the principal balance of the existing primary loan and if the new loan is a rate and term refinance with no cash out. All subordination requests must be approved by the District.

Prepayment Penalty: None, the EHOP loan can be repaid at any time without penalty.

Early Repayment: *Full Principal Amount repayment of the EHOP loan within 5 years of closing will only require repayment of the principal.* ***Eagle River Water and Sanitation District's Finance Department will handle the year-end tax reporting forgiveness process and refund the interest already paid on the loan via a check, ACH or payroll adjustment to the Borrower if the loan's principal is repaid within 5 years.***

Taxable Benefit: **The IRS requires Eagle River Water and Sanitation District to report a taxable fringe benefit when an employer loan has an interest rate below the market rate. For EHOP loans, the taxable amount is based on the difference between the program's 2.5% rate and the IRS Applicable Federal Rate (AFR) at the time of closing. This difference is treated as additional taxable income and added to the Borrower's wages for reporting purposes.**

Tax Treatment of Refunded Interest:
If the Borrower receives an interest refund under the Early Repayment provision, the refunded interest is treated as taxable income in the year it is paid. It will be reported as taxable earnings (for example, on the Borrower's Form W-2 or other applicable IRS reporting). This tax reporting is separate from, and in addition to, the imputed income reporting described in the Taxable Benefit section. Borrowers should consult a tax advisor regarding their individual circumstances.

Use of Funds: Down payment only, funds **cannot** be used towards closing costs or associated loan fees.

Homebuyer Training: Required only for first time homebuyers as evidenced by a Fannie Mae, Freddie Mac, HUD, or CHFA-approved provider.

Term: Maximum term is 30 years.

Loan Fees: IDF origination fee charged at closing. Fees are subject to change per Impact Development Fund (IDF) fee schedule.

Collateral: Subordinate lien priority on subject real property.

Exceptions Policy: Exceptions to the Eagle River Water & Sanitation District EHOP eligibility and underwriting criteria may be considered by the District.

Origination Procedures

Application:	Mortgage loan officer submits Loan File Checklist to Impact Development Fund, complete with all documentation shown on the form. Any remaining documentation requirements will be detailed.
Processing:	Impact Development Fund will order title commitment and evidence of hazard insurance. Final loan documents are delivered electronically to loan officer for presentation to borrower. All outstanding items must be cleared prior to funding.
Closing:	IDF will deliver closing instructions and loan proceeds direct to title. Wires are sent 24 hours prior to the scheduled closing date, so the loan officer must advise of any schedule changes as soon as possible.
Fees Collected:	The origination fee is collected at closing, in addition to the public recording fee for the deed of trust (4 pages) and will appear on the Closing Disclosure (CD). All settlement figures should appear on a separate CD. IDF will review and approve the final first mortgage CD prior to funding. Title insurance is not required for Eagle River Water & Sanitation District EHOP loans.
Requirements:	LOAN OFFICER'S ARE REQUIRED TO PRESENT ALL EAGLE RIVER WATER & SANITATION DISTRICT EHOP DOCUMENTS AT, OR PRIOR TO, CLOSING. Both the borrower and loan officer must execute the Lender Certification form, acknowledging disclosure of all loan terms and contact information.
Settlement:	No changes to the District's EHOP loan documents or loan amount shown on the Closing Disclosure are permitted.
Post Closing:	The original deed will be recorded by title with all other original District EHOP loan documents returned to IDF via overnight courier.
Qual. Sheet:	Send the qualification worksheet to the following contacts: • Housing Program Manager – Michael Beardsley, mbeardsley@erwsd.org • Finance Manager – Jim Cannava, jcannava@erwsd.org • Deputy General Manager – David Norris, dnorris@erwsd.org • Senior Manager – Tom Borawski, tborawski@erwsd.org