

# Paragon Pulse



## A Holistic Approach to Address the High Cost of Housing

January 2008

### Maintaining the Lifestyle: Overcoming High Cost of Housing Barriers

According to Worldwide ERC's 2007 Transfer Volume and Cost Survey, slowed real estate appreciation (71%) and high housing cost areas (66%) were noted as key contributors to an employee's reluctance to move. Depressed real estate markets, adjusting interest rates, as well as more stringent lending practices for home purchases make the prospect of relocation very difficult for employees. Despite the real estate decline on a national level, several cities' cost of living indices are well beyond the U.S. average. In light of the current economic environment, Companies are encouraged to review current policies, look at redefining policy intent, and seek alternative benefits to overcome recruiting obstacles for attracting critical talent resources.

### Best Practice: Fixed-Dollar Mortgage Subsidy

This type of subsidy establishes unbiased eligibility to all employees transferring between the destination and origination areas. Since the subsidy is not tied directly to an interest rate, it allows maximum flexibility to employees, allowing them to utilize whichever approved mortgage product best meets their needs. Additionally, the flat dollar amount provides consistent treatment across the board, not penalizing those that may be more fiscally responsible (eligible for a better rate or have a larger down payment).

Eligibility is based upon a two-city comparison (old home location to new work location) with a minimum cost-of-living differential threshold of 15% or greater. The two-city comparison provides a line item detail on the differential in the housing category. Rather than offering a traditional COLA payment, the Company applies the housing differential to the new home as a mortgage subsidy. 100% of the annual differential is paid up front directly to the lender. Each subsequent year (3-5 years), a phase-out percentage (66%, 33%, etc.) of the original differential is applied.



### Survey Participation

January's Pulse data represents a cross-section of results from 15 corporate relocation professionals with transfer activity in a variety of U.S. locales.

The formal survey was conducted in May 2007.

**Final survey results are included in this document.**



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## Survey Results

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### What is the expectation for how long a transferee will remain in the new location once relocated?

0-2 years	0%
3-5 years	73%
6-10 years	11%
10+ years	11%

### The goal of providing mortgage assistance benefits in the new location is to support the transferee in...?

Upgrading housing	0%
Equivalent housing	93%
Not applicable	7%

### Over what period of time do you intend mortgage assistance benefits to support the transferee?

One-time assistance	53%
Spread over a defined period	47%
Over the entire time in location	7%

### Do you have a formal policy in place to address negative equity situations?

Yes	27%
No	73%

Questions or comments?

Email us at [consultingservices@paragonrri.com](mailto:consultingservices@paragonrri.com)  
or visit the News section of our website at [www.paragonrri.com](http://www.paragonrri.com)

