Mortgage Subsidies – A Policy Perspective

Mortgage subsidies date back to a time when mortgage rates were high, and affordability for a transferee was impacted by having to move and give up an existing mortgage at departure which may have been significantly lower. The mortgage subsidy enabled the transferee to afford the move better by the employer compensating them by adjusting their first two to three years of mortgage payments downward by a percent each year.

Some components of a relocation policy can remain embedded long after the need for the benefit has passed, and this is generally true with mortgage subsidies. For those clients today who want to assist a transferee in offsetting the cost of a move, most do so through the use of a Cost of Living Adjustment, or COLA, which makes more sense. Here's why:

- Today's mortgage interest rates are no longer a hurdle to homeownership or to affordability.
- In terms of eligibility, mortgage subsidies were once used to help borrowers who "expected higher earnings in a few years": investors no longer allow qualifying at a bought-down rate.
- Availability for VIP moves is limited, as many Jumbo investors will not consider a subsidy.
- Mortgage subsidies are more complex to administer than a COLA. Subsidies are typically offered on an exception basis, and must be administered through the lender to Cartus to the corporate client, both initially and over subsequent years. This communication and accounting process can result in stress to the transferee, as this involves their home.
- As most mortgage subsidies are calculated using a percentage rate adjustment, the client may lose some control over the cost of the move: if the transferee decides to purchase a larger home than expected, the subsidy will be larger and the cost to the client higher.
- The repayment process of a subsidy if the transferee leaves/terminates from the company early can be complicated.

For clients who want to continue to offer an incentive to a transferee to move, or to help offset a transferee's living costs, either as a part of their policy benefits or as an exception, a COLA can be ideally suited for this purpose, and more easily administered, simplifying the process for the transferee, the client, and for Cartus. In those instances where a client insists on offering a mortgage subsidy, as either an exception or as a part of their policy, Guaranteed Rate Affinity can and will provide this support.

With dedicated relocation staff averaging over 20 years' experience, Guaranteed Rate Affinity provides relocation mortgage services nationwide, serving as a trusted mortgage partner to Cartus and their clients across the country. For further information, please contact Mike Puckett at mike.puckett@grarate.com. or Fran Forrest at fran.forrest@grarate.com.