SEWANEE
THE UNIVERSITY OF THE SOUTH

Shared Equity Investment Program Policy

Summary

The University Shared Equity Investment Program is intended to help solve one of the largest barriers to homeownership - the ability to make a down payment. Beginning on June 1, 2023, the University will offer a shared equity program to employees seeking to purchase homes on the Domain. Specifically, for qualifying employees, the University will provide up to 20% of funding toward the purchase of a home on a University leasehold. This means the University will maintain the same share of equity during the period the home is owned by the employee.

This program is one additional way the University is addressing the Sewanee housing crisis. So that the impact of the program can be measured, this shared equity program will be available to qualifying employees for a period of three years, or the full use and investment of $3,000,000 from the endowment, whichever comes first. Additional detail can be found in the FAQs below.

Purpose & Values

Made possible by dwelling together, Sewanee's exceptional culture of community is not only the very essence of Sewanee, it is precisely what sets The University of the South apart from its nearest competitors—in attracting and retaining students, faculty, and staff.

This policy is rooted in the guiding principles of affordability, availability, and accessibility especially for diverse populations within the University community. We expect improvements in these areas will substantially improve the ease with which the University recruits and retains faculty, staff, and students.

Scope and Application

This program is available to eligible University employees as defined below.

What staff are eligible?
Subject to income eligibility, all University staff who are full-time, regular employees (as defined in the Benefits Summary). Eligible staff must also be new leaseholders.

What faculty are eligible?
Subject to income eligibility, all University faculty who are tenure-track or tenured, or full-time non-tenure track faculty who hold the title of Teaching Professor, Teaching Associate Professor, and Teaching Assistant Professor as designated by the appropriate academic dean. Eligible faculty must also be new leaseholders.

Definitions

Term	Definition
Employee	University staff who are full-time, regular employees. University faculty who are tenure-track or tenured, or full-time non-tenure track faculty who hold the title of Teaching Professor, Teaching Associate Professor, and Teaching Assistant Professor as designated by the appropriate academic dean.
Shared Equity Investment	The total percentage of a Home purchase funded by the University toward the purchase of a Home by an Employee not to exceed 20% of the total purchase price. For example, if a home is purchased by an Employee for $400,000, and the University funds a 20% down payment totaling $80,000, the University has a share of equity in the home totaling 20%.
Full Time Resident	A primary residence means a dwelling where one actually lives at least nine months of the calendar year and is the address on one's driver's license.
Home	Any residence built or existing on a University leasehold to be used by a qualifying employee as a primary residence.
Household Income	The total gross income of individuals residing within a single household.

Policy

- The University Shared Equity Investment program is intended to facilitate home ownership on the Domain by employees. This funding is not a loan. Rather, this assistance operates as a shared investment, meaning that by funding up to 20% toward the purchase of the home, the University also participates in the appreciation (or depreciation as the case may be) related to future resale.
- University employees with a household income of less than $150,000 may qualify to participate. Employees seeking to become new leaseholders as full time residents are eligible.
- Qualified employees must provide evidence of qualification of a loan from a bank to participate.
- Funds utilized will be those authorized by the Board of Regents through an allocation of the University endowment not to exceed $3,000,000 unless determined otherwise. In addition, the program will be available for a period of 36 months, or the full investment of $3,000,000, whichever comes first.
- Language describing how much was paid by the University at the time of closing, and how much will be paid back to the University at resale and address liability issues will be incorporated into a specific investment agreement.
- The program is available to employees as a part of new construction of a home or purchase of an existing home.
- Only homes on University leaseholds qualify for this program.

- Employees may purchase the share of investment made by the University at any time. The purchase price of the University’s share will be the greater of the appraised market value and a calculated floor. The floor will be calculated as the original investment, plus a 2% escalation, compounded annually. For example, a $50,000 original investment escalating at a compounded rate of 2% annually would have a future value of $60,950 in 10 years, so that $60,950 would be the floor on the 10th anniversary of the investment. If the appraised market value of the University’s share on the 10th anniversary was $65,000, then the employee could purchase the share on the 10th anniversary for $65,000. If alternatively the appraised market value was $55,000, then the employee could purchase the share at the floor of $60,950.

Responsibilities

The Treasurer and Vice-President of Economic Development and Community Relations are responsible for administration of the program to include, but not limited to:

- Communicating program specifics and operation with employees
- Coordinating the review and/or execution, by other officers of the University if required per the University contract policy, of any necessary supporting documents required by banks.
- Providing reporting and updates to applicable Board of Regents and Board of Trustees committees and subcommittees as to the status of the program

Procedures

1. Qualifying employees should contact the Treasurer’s office to declare interest in participating in the Shared Equity Investment Program.
2. Once qualified, it is the responsibility of the employee to communicate and provide specifics regarding information required by their lender, paperwork for review, and information about closing.
3. The University will make arrangements to transfer funds at the appropriate time in order to ensure a successful transaction.

FAQs

1. How does this program work? This funding is not a loan. Rather, this down payment assistance operates as a shared investment, meaning that by providing up to 20% toward the purchase of a home, the University also participates in the appreciation related to future resales. For example, a home is purchased for $400,000 and the University pays $80,000 toward a down payment. If the home is sold for $500,000, the University share due upon sale will be $100,000.
2. Which employees qualify for this program? University employees (as defined by the Benefits Summary) with a household income of less than $150,000 qualify to participate. Employees must also be new leaseholders intending to use the house as their full-time residence (as defined by the Leases and Community Relations Office) in Sewanee. Finally, documents indicating qualification of a loan from a bank are required.
3. How is it possible to offer this program? In September, 2022, the Board of Regents authorized an investment allocation of up to $10 million for construction loans. The Board has elected to expand the use of that allocation to include this new program.
4. Does this program affect the operating budget or hiring in any way? No. Because this is an investment of the endowment, this program does not impact the operating budget or hiring.
5. What's required of qualifying employees? A separate agreement will be signed by the employee and the University describing how much was paid by the University at the time of closing, and how much will be paid to the University at eventual resale. Among other things, this document will address liability issues concerning the home and the process of purchasing the University's share.
6. By providing down payment assistance, it seems like the University 'owns' as much as 20% of the home. Does that mean the University has any input with regard to what I do to my home? No. The University will have made a passive investment to assist with home ownership, and has no input or rules regarding what can be done to the home; however, leasehold policies related to improvements to houses require approval by the Leasehold Office.
7. What if I use this program but stay in my house for decades without reselling it? The University acknowledges this as a possibility, and is comfortable with use of the endowment in this manner as an investment.
8. Is there a maximum purchase price for a home I would like to buy? No, although it could be the case that your lender may limit the loan amount.
9. Can I purchase the University's ownership in the home at any point while I own it? Yes. The purchase price of the University's share will be the greater of the appraised market value and a calculated floor. The floor will be calculated as the original investment, plus a 2% escalation, compounded annually. For example, a $50,000 original investment escalating at a compounded rate of 2% annually would have a future value of $60,950 in 10 years, so that $60,950 would be the floor on the 10th anniversary of the investment. If the appraised market value of the University's share on the 10th anniversary was $65,000, then the employee could purchase the share on the 10th anniversary for $65,000. If, alternatively, the appraised market value was $55,000, then the employee could purchase the share at the floor of $60,950.

10. What happens if the owner goes into default? In the event the homeowner defaults on the loan with their lender, the University may elect to purchase the home to prevent it from going into foreclosure and preserve the original equity investment. This will be determined on a case by case basis.
11. Can employees contribute more equity at home purchase to augment the 20% down payment made by the University? Yes. Employees may contribute more equity toward purchase so they own a greater percentage of the home.