

RESPA Reform

Within the last year, there have been 140 underwriting changes in the mortgage industry. The latest changes were designed to help consumers better understand their loan product and fees associated with closing the loan and potential on-going costs. This should benefit transferees as they shop for a mortgage, making it easier to compare mortgage companies and closing costs.

While this change shouldn't affect most relocation programs, it may be a good time to closely review written policies to ensure there is enough detail describing what the company will and will not reimburse transferees for new home closing costs. This will be particularly important for transferees who secure a mortgage with a local lender or mortgage broker. Specific lender and title company fees will be bundled and will no longer be itemized on the revised Good Faith Estimate (GFE) and HUD-1 Settlement Statement. While these details are not a requirement, all of NEI's national lenders will continue to provide them when they invoice NEI for the transferee's new home closing costs so that NEI can be sure unapproved costs are not paid. Transferees obtaining their mortgage through a local lender or mortgage broker may not be able to receive this level of detailed information.

Effective January 1, 2010, costs for all settlement services on the revised GFE are divided into the following 11 categories, each represented by a single, bundled fee.

- Origination charges^{*}
- Interest rate dependent payments (discount points)
- Lender required third party services – lender selected (credit report, appraisal report, flood certification, etc.)
- Title services and lender's title insurance
- Optional owner's title insurance
- Lender required third party services – borrower selected (inspections, etc.)
- Transfer Taxes
- Government Charges
- Reserves/escrow
- Per diem interest
- Hazard insurance

NEI's Recommendation

NEI has requested our national title provider and all national lender partners to continue providing clearly delineated closing costs as a separate addendum to the new HUD-1 Settlement Statement. This will ensure full disclosure of exact charges for each item when billing NEI directly for closing costs covered by the transferee's policy.

When transferees choose to use a local lender, it would be prudent for them to confirm with the lender that they are willing to provide an itemized statement of the borrower's closing costs so the employee can be reimbursed in accordance with their relocation policy. NEI will be reviewing all client policies and making recommendations for changes as needed to ensure the policy clearly outlines the transferee's reimbursable new home closing costs.

^{*}The lender's Origination Fee, if any, will be broken out as a dollar amount and provided in a footnote at the bottom of page two of the HUD-1 Settlement Statement.

The First-time Home Buyer Tax Credit/Extended Home Buyer Tax Credit

The First-time Home Buyer Tax Credit was overwhelmingly successful at motivating home buyers as seen by the month-to-month increase in the number of existing home sales beginning September 2009. First time buyers rushing to close in order to take advantage of the tax credit contribute to November's 7.4 percent increase of existing home sales over October. With a large number of new home owners, plus an expected 4.4 million more before the extended tax credit initiative expires on April 30, 2010, companies may begin to see a number of transferees entering their relocation programs as homeowners whose eligibility for the home buyer tax credit is affected by an imposed relocation.

Year of Home Purchase	Requirements for Repayment of Tax Credit [†]
2008	The 2008 first-time homeowner credit of up to a maximum of \$7,500 is generally required to be repaid in 15 equal installments over a 15-year period. The repayment period begins in 2010 with the first \$500 installment to be included as additional tax on the homeowner's 2010 tax return.
2009	Under the 2009 homeowner credit, homeowners must repay up to the maximum \$8,000 first-time homeowner credit or up to the maximum \$6,500 previous homeowner credit only if the home ceases to be their principal residence for the 36-month period beginning on the purchase date. Repayment is facilitated as additional tax on the homeowner's tax return for the year the home ceases to be their principal residence.
2008 or 2009	Several exceptions apply to the repayment rule, namely if the home is sold to a non-relative of the homeowner (as in the case of a formal home sale program such as a guaranteed buy-out, amended sale or buyer value option sale,) repayment of the credit may be limited to the amount of the gain on sale and payable in the year the sale occurred. When calculating the gain, reduce the adjusted basis of the home by the amount of the un-repaid credit, as referenced in the IRS form 5405.

Income Limitations

Some homeowners may be concerned that their taxable relocation benefits will artificially inflate their income to the extent they no longer qualify under the program's income limitations. If the new, higher limitations that took effect on November 7, 2009 don't provide resolution, the homeowner has the option of claiming the credit in either the current year or the prior year. For example, for all qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 tax returns to potentially mitigate the effect of the relocation income increase. Still, the addition of taxable relocation benefits may push some buyers above the income limits, and companies should prepare a consistent plan if and when approached with requests for compensation of the lost credit.

Benefit Amount	First-time Home Buyer Tax Credit (January 1, 2009 — November 6, 2009)		Extended Home Buyer Tax Credit (Effective November 7, 2009)	
	Maximum Adjusted Gross Income (MAGI)		Maximum Adjusted Gross Income (MAGI)	
	Single	Married filing Jointly	Single	Married filing Jointly
Full	≤ \$ 75,000	≤ \$ 150,000	> \$ 125,000	> \$ 225,000
Phased-Out	> \$ 75,000 ≤ \$ 95,000	> \$ 150,000 ≤ \$ 170,000	> \$ 125,000 ≤ \$ 145,000	> \$ 225,000 ≤ \$ 245,000
Eliminated	> \$ 95,000	> \$ 170,000	> \$ 145,000	> \$ 245,000

[†] See IRS Form 5405, First-time Homebuyer Credit.

Short Sales Get a Push

Whether your transferee is the seller or buyer of a short sale property, the short sale is a process known to be lengthy, often leading to frustration and in some cases, a missed opportunity for a sale. Meanwhile, legislative changes are being released at a rapid pace to help minimize the amount of time it takes to complete short sales.

We've given you a short list of recent changes (at right), but more importantly want to share how this affects your relocation program in the article below.

[Employee Home Sale Programs and Short Sales](#)

There are no new guidelines for short sales specific to circumstances arising from employee relocation. The same requirement of financial hardship must also be met for granting a short sale when the sale is imposed by a company-sponsored relocation. While the transferee may not have financial hardship with meeting monthly financial obligations, the hardship taken into consideration is the transferee's ability to fulfill his obligation to the mortgage debt. In fact, close scrutiny is given to the amount by which the financial hardship will be lessened by the employer's relocation assistance program.

Lenders require full financial disclosure to determine the employee's ability to pay the mortgage debt. According to Worldwide ERC®, the funds received from an employer in connection with the home's sale in the form of loss on sale or a home sale bonus are very relevant to the lender's decision for granting a short sale. Consider loss on sale where the lender is being asked to reduce its debt by \$50,000. If the employee will subsequently receive \$20,000 from the employer, the lender will likely apply that benefit to the debt. The same is true of bonuses, and other home sale assistance benefits like seller closing costs.

If made aware of the employee's relocation benefits after the fact, the lender could claim fraud on the part of the employee. The lender may also claim that the fraud was abetted by the employer, if the employer had direct contact with the lender, or did not formally advise the employee to disclose the benefits during negotiation of the short sale.

[Disclosure of Relocation Benefits](#)

Worldwide ERC® advises that all relocation benefits related to the sale of an employee's home be disclosed to the lender(s) and the real estate agents involved in the transaction. Otherwise, for those instances in which the short sale was part of a relocation home sale program, the lender may seek to withdraw its approval and enforce the entire debt.

In a home sale program, companies should be careful that the amount of negotiation and finalization of the outside sale between the transferring employee and buyer does not violate the two-transaction requirement for favorable tax treatment. Generally, this should be possible as lenders ordinarily do not require a completed contract to approve a short sale. Furthermore, the lender may be willing to base its acceptance of the short sale on the home purchase offer from the employer.

For more information about any of the above articles, please contact your Operations Team at 800.533.7353 for assistance.

Programs Modified to Shorten Cycle of a Short Sale

July 2009 – Home Affordable Modification Program (HAMP) changes were designed to assist eligible homeowners by providing loan modifications for a more affordable, sustainable monthly payment. While the program was intended for a range of homeowners, some do not qualify, and some do not accept modification offers causing the homeowner to fall out of HAMP eligibility.

November 2009 – Home Affordable Foreclosure Alternatives Program (HAFA) The Treasury Department released new guidelines that provide incentives for accelerating procedures and agreements between lenders, real estate agents, buyers and sellers to expedite a short sale or deed-in-lieu of foreclosure (DIL), and avoid foreclosure on loans otherwise eligible for modification under the HAMP program. Although HAFA does not take effect until April 5, 2010, loan servicers may implement sooner if they meet certain requirements.

December 2009 – Mortgagee Letter (ML) 2009-52, released by the Federal Housing Administration (FHA), provides guidance to lenders and underwriters on short sales and short pay offs.

2010 U.S. Tax Changes

NEI is committed to monitoring tax laws as they relate to the relocation industry and informing you of any upcoming changes. The only changes comparing 2009 to 2010 come in the IRS Optional Standard Mileage Rates for Business and Moving.

The following table compares 2009 to 2010 guidelines for various categories:

Category	2009	2010
Personal Exemptions	\$ 3,650	\$ 3,650
Standard Deductions		
Married Filing Jointly	\$ 11,400	\$ 11,400
Head of Household	\$ 8,350	\$ 8,350
Single	\$ 5,700	\$ 5,700
Married Filing Separately	\$ 5,700	\$ 5,700
Supplemental Wage Withholding Rate	25%	25%
Social Security Wage Base	\$ 106,800	\$ 106,800
Maximum Social Security Tax Withholding	\$ 6,622	\$ 6,622
Social Security Rate	6.20%	6.20%
Medicare Rate	1.45%	1.45%
Child Tax Credit	\$ 1,000	\$ 1,000
Business Mileage	\$.55/mi	\$.50/mi
Moving Mileage	\$.24/mi	\$.165/mi

If you outsource expense administration to NEI, these changes have been incorporated into your gross-up model as agreed. We will continue to keep you informed of any additional tax changes throughout the year. If you have any question about these changes, please contact your Operations Team or Janine Jarecki, NEI Controller, at 800.533.7353.

As always, we encourage you and your employees to consult with tax or legal counsel for their interpretation of taxes and tax laws affecting employee relocation.

Selecting Individuals for International Assignment

Considering the high cost of an international assignment, the most essential step starts before bags are packed or travel arrangements are planned. Selecting the right employee for the assignment is important not only for the success of the assignee but also for the company. Candidate assessments help employees gain more from their global assignment; they offer corporations insight into assignees who will thrive during an international assignment and can ultimately mitigate the financial risk of a costly failed assignment.

Establishing the Foundation

The first step in choosing the best employee to complete the assignment and accomplish the company's goals is to align candidate selection with the organizations strategic global plan. We recommend a formal process to establish a solid foundation for each global assignment. Here are the most important initial steps:

- Identify potential candidates for the assignment
- Segment the initial pool of candidates into one of the four quadrants:
 - Opportunistic moves (Employee volunteers for assignment because it fits personal objectives)
 - International Learning and Developmental Experiences (Emerging Employees)
 - Key Experienced Professionals (Key Resource)
 - Strategic Individuals (Top Strategic Talent)
- Minimize the number of candidates for each assignment by selecting those from the segment that aligns with the company's objective for the international assignment.

Selecting the Right Candidate

Once the pool of candidates is defined, the assessment process can begin. There are many variables affecting the outcome of an assignment and just as many tools that predict success or failure of the assignment. The two most common types of assessment tools are described below.

Intercultural Adaptability – Intercultural adaptability tools are most often self-assessment tools that the employee uses to evaluate his ability and the family's ability to adapt to a new culture. These tools focus on helping the employee make an informed decision before applying for the assignment. In most cases online self-assessment tools are ideal to help an employee who is contemplating an international assignment evaluate if this is an opportunity to pursue.

Intercultural Competence – A global expat requires unique skills in order to perform comfortably and effectively in a different culture and among an unfamiliar population. While there are numerous attitudes, traits, and skills that determine competence, intercultural competence assessments evaluate natural and trainable skills necessary for placing the best talent in global locations. This tool provides a measurement of the following traits:

Natural Skills	Trainable Skills
<p>Social Ability</p> <ul style="list-style-type: none"> ▪ Engaging with other individuals in a social and business environment ▪ Forming relationships with locals, expats and management <p>Openness</p> <ul style="list-style-type: none"> ▪ Respecting the foreign culture ▪ Respecting others ▪ Assessing attitude about the new culture <p>Flexible</p> <ul style="list-style-type: none"> ▪ Adapting to a new environment <p>Emotional Stability</p> <ul style="list-style-type: none"> ▪ Feelings about him or herself ▪ Healthy work/life balance 	<p>Cultural sensitivity</p> <ul style="list-style-type: none"> ▪ Experiencing a situation from another person's perspective <p>Intercultural Awareness</p> <ul style="list-style-type: none"> ▪ Understanding one's own culture as well as other cultures ▪ Recognizing how culture influences behavior in the workplace <p>Intercultural Communication</p> <ul style="list-style-type: none"> ▪ Learning the host country language ▪ Recognizing non-verbal communication and gestures ▪ Adapting communication styles to manage differences

Selecting the Right Assessment Tool

Which assessment tool is the right one for your organization? In most situations, a combination of assessments is the most effective in evaluating an employee's adaptability for a global assignment opportunity. The intercultural adaptability tool allows the employee to evaluate his personal situation and his family's ability to embrace the new culture. The intercultural competency assessment is designed to help corporations select which candidate is most likely to be successful on a global assignment. By coupling the two assessments, the employee is more confident of his ability to adapt personally, and the corporation is confident in the employee's ability to add to the global strategy.

For more information about Candidate Assessments, please contact Mollie Ivancic at mivancic@neirelo.com or Al Blumenberg at ablumenberg@neirelo.com for assistance. Both individuals can be reached at 800.533.7353.