



RETHINKING RELOCATION | *Mortgage Loan Rulings Leave Employees with Fewer Options*

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Just say no.

Yes, it's negative – the time for sugar-coating is over. Even more unfortunate is that no amount of positive thinking can change facts. And, the fact is, that more and more employees (and their families) offered relocation are thinking just that phrase. Now, there is yet another reason to say it.

There is no need to waste ink listing all of the economic problems the average employee faces today. In fact, we've all grown so accustomed to the outpouring of bad news, that it's easy to skim over each new story as just another consequence of the times we live in. But, for this Fannie Mae announcement, we must sit up and take note.

“Because trailing secondary wage earner income is based on projected employment and income that a borrower may earn in the future (but is not currently earning), Fannie Mae is eliminating the trailing secondary wage earner income policy from the Selling Guide.” (Fannie Mae *Selling Guide*, Version B3-3.2-07)

Basically, if the spouse/partner of a relocating employee has not secured employment in the new location by the time they apply for a new mortgage, absolutely none of the spouse's / partner's previous income will be counted toward the loan application, even if they are still technically employed in the old location at the time.

This policy-reversal is a major concern, as many relocating employees and their families are already scaling back on their new home purchase due to loss of equity in their old home. Now, some may even be forced to face the possibility that they may not be approved for a loan at all. The worst case scenario for the company would be for the employee and their family to reconsider the relocation altogether.

Employees must sell their home in a buyer's market, ask their spouse / partner to voluntarily leave their job as the nation faces skyrocketing unemployment rates, and hope that the opportunity is worth the risk, stress, and uncertainty of uprooting lives and moving to an unfamiliar place. This new ruling could push employees past the boundaries of faith.





Granted, Fannie Mae is not the only mortgage investment firm out there, but Freddie Mac and even the other, lower-profile investors may soon follow suit given the state of the industry. Freddie Mac's strict guidelines regarding trailing spouse / co-borrower income for loan applications are already enough to lose sleep over. They include restrictions such as the amount of income cannot exceed 33% of the total qualifying income for the mortgage, the income cannot be from self-employment, the spouse / co-borrower must have been continuously employed in the same occupation for at least two years preceding the relocation, and the loan officer/lender must verify that there are adequate opportunities in the local employment market.

As if this wasn't enough, Fannie Mae has also announced plans to impose a 30% discount on values of all borrowers' stocks, bonds, mutual funds, and retirement fund holdings claimed toward reserves. (As of now, there is no discount.) And, if at the end of day, these new policies make Fannie Mae a more solid, stable company, you can bet the others will mirror them.

Brian Faith, a spokesman for Fannie Mae, has been quoted, "Given the current economic and job market instability, the company has opted to discontinue consideration of trailing secondary wage-earner income in the interest of safer underwriting, since this income would only be anticipated and undocumented."

One cannot truly chastise Fannie Mae for this ruling - it does make sense from a lender's point of view. Giving out mortgages to people who can't afford them is a bad idea for everyone involved; that's been proven. There are no guarantees in this job market, and they cannot afford to believe that just because you had a good-paying job in one location, you will be able to find the same in another location.

Bottom line – what does all this mean for the potential relocating employee and their family?

It means that, assuming the family is depending on two incomes for their loan, they will be forced to downgrade to a smaller loan amount or waste money on renting until a new job is found. Remember, there is no guarantee they will be able to even find a job with comparable income, and may have to accept a lower-paying position and be faced with the same situation. A potential lose-lose circumstance.

In short, it means there is a much greater chance that they will be forced to significantly downgrade the "lifestyle to which they have become accustomed" as a result of the relocation, and that may be too high a price for some families to pay.





On the bright side, early indicators are not showing a major impact, according to sources in the mortgage industry. “Since being instituted, we have only had a handful of customers impacted by Fannie Mae’s policy that trailing spouse income is no longer accepted into the overall income for the loan amount,” said Wendy Morrell, CitiMortgage’s Director of Corporate Relocation Sales. “Although this has only been part of the policy for a short time, early indications are that there will be minimal customer impact overall and for those who are, we will work directly with them to develop an alternative solution.”

Many potential relocating employees may be able to find ways around this ruling, and for some, it may not even be a factor. But, what if? What if key talent finds him / herself in the minority and this ruling becomes a major issue with their relocation?

Even if the employee is being offered a sizable raise, the potential loss from the spouse / partner being unemployed for a significant amount of time, and / or being forced to accept a lower-paying position, could potentially void that gain for a long period of time. Many have already had to make significant cutbacks due to the current economic state, and, despite the opportunity for the employee, asking the entire family to sacrifice even more could push them to the point of just saying no.

According to the Worldwide Employee Relocation Council’s 2009 Benchmarking Study, 35% of organizations are experiencing “moderate” problems with employees’ reluctance to accept transfers. The two main reasons cited for employees’ reluctance to relocate were due to slowed real estate appreciation / depressed housing market at old location, employee / family resistance to move and spouse reluctance to leave his / her job. The effects of policy changes and events of the past several months / year are being felt NOW; they are not a possibility – they are the reality.

Ignoring these circumstances is not the answer, nor is wallowing in them or deciding to stop offering relocation opportunities. In order to secure and mobilize talent, companies need to take a proactive stance and tune their focus and resources on factors within their control as opposed to those out of it. They need to show employees that they are aware of the situation and that the employee’s talent is valuable enough for the company to do something about it.

With this new approach to the mortgage process and the current economic situation, spouses / partners no longer have the luxury of choosing to start their job search after the move. The job search must commence





almost immediately following acceptance of the relocation offer. This can be facilitated by offering job search support at the time of the relocation offer, which arms job-seeking spouses / partners immediately with a career consultant and access to tools and information that have been proven to speed up the job search process. They will truly be and feel empowered.

Even if we have reached “bottom,” the job market is a lagging indicator, and it is not expected for unemployment to start declining any time in the immediate future. Are things going to slowly but surely turn around? Yes. Is the average person’s concerns, doubts, and overall outlook going to change overnight? Absolutely not. Particularly, those who are in the midst of the challenges of relocation or those contemplating one. As with any kind of recovery, it will be a long and slow process. It will still be a struggle to find a job, get a loan, and feel secure.

The current national average for a job seeker to find employment is approximately 23 weeks, and getting longer. Any resource that can significantly impact a spouse / partner’s job search time could not only reduce stress and help them gain confidence in the new opportunities the relocation presents, but, more importantly for the company, could also potentially shift their negative focus to a more positive one, making it easier for them to just say yes.

