

Complete Policy Title:  
**Guaranteed Housing Loans to Faculty and Staff**  
Approved by:  
**Board of Governors**

Policy Number (if applicable):

Date of Most Recent Approval:  
**March 19, 1987**

Date of Original Approval(s):

Supersedes/Amends Policy dated:

Responsible Executive :  
**Director, Financial Services**

Enquiries:  
[University Secretariat](#)

**DISCLAIMER:** *If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails.*

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## **POLICY**

### **SCOPE**

All full-time faculty on term or tenure appointment and staff members on continuing appointment of McMaster University who may qualify for assistance under the conditions for guaranteed loans as set forth in this policy.

#### **1. QUALIFICATIONS AND CONDITIONS**

1. The home must be located within the City of Hamilton, Ontario or its vicinity within daily commuting distance to and from the main Campus.
2. The loans are confined to a purchase of a principal residence in the area or refinancing an existing loan but not extending it unless it is for the purpose of renovations.
3. The signing officers of the University must be satisfied that the loan does not constitute an undue risk to the University.
4. The borrower (Faculty and Staff) must be appointed on a continuing full-time basis (contractually limited appointments of less than three years' duration are excluded) to a position established in the University's funded positions.

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5. The proceeds of such a housing loan shall be used as part of the purchase price or refinancing of a principal residence for an employee of the University. The home must be a one family dwelling house; to be actually and *bona fide* occupied by the applicant as his or her principal residence during the tenure of the loan in conformity with all relevant municipal by-laws in effect from time-to-time; and not employed in any commercial manner.
  6. Such residence shall be only for occupancy by the borrower and immediate family, except that the residence may be rented during an absence resulting from an approved leave of absence.
  7. The borrower, or the borrower and spouse, shall have an equity in such property of approximately 10% of the greater of the purchase price or market value thereof, the latter to be determined in accordance with condition 1.11 of this policy.
  8. The loan to be guaranteed shall not be in excess of \$70,000, the loan to run for a term not longer than the lesser of 20 years or the period extending to the borrower's normal University retirement date, and the total principal and interest payments for all mortgages plus taxes shall not exceed 30% of the combined total of the employee's gross earnings and 50% of the spousal income.
  9. The said loan shall bear interest at a rate not in excess of one-half of one percent above the prime lending rate of the Canadian Imperial Bank of Commerce for a repayment up to 15 years and at a rate not in excess of three-quarter of one percent above the lending rate of the Canadian Imperial Bank of Commerce for a repayment in excess of 15 years.
  10. The monthly payments of principal and interest will be determined by the Bank and the borrower over a period not to exceed that established in condition 1.8 of this policy.
  11. The borrower, at the borrower's expense, may be required to provide the University with a written opinion, from a duly qualified appraiser, or real estate broker, as to the market value of the residence property.
  12. The borrower at the borrower's expense, and in form satisfactory to the solicitors of McMaster University, shall give to the University a mortgage on the property being purchased or financed, such mortgage to be subject only to any mortgage arranged or assumed at the time of the purchase of the property and as stated on the application form for the loan; the said mortgage shall be drawn for the principal amount of the loan received by the borrower from the Canadian Imperial Bank of Commerce, with interest on the mortgage at the above noted Bank rate; the University's obligation to complete any loan shall be conditional upon the University receiving from its solicitor and at the borrower's expense, an opinion that the title to the property which is the subject matter of the mortgage loan, is a

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clear title in fee simple free and clear of any and all encumbrances except as those stated on the application form, and that the University further receives from its solicitors such further and other opinions as are relevant to the satisfactory completion of the mortgage loan: the mortgage given pursuant to this policy shall be payable in full to the University on termination of the term contained in the mortgage or upon the earlier occurrence of any of the following:

- a. upon retirement or termination of the borrower's employment with the University;
- b. upon completion of any sale or transfer of said property;
- c. upon the leasing of said premises for a term certain in excess of sixteen (16) months, or upon the expiration of sixteen (16) consecutive months of an indefinite leasing period, unless the mortgagor is seconded to another institution or country under a formal exchange program or is on other approved leave;
- d. save as 1.12c aforesaid, upon the termination of the use of said residence for occupancy by the said borrower and his immediate family as their principal residence; or
- e. upon the death of the borrower when the surviving owner is not a borrower, payment is to be made from the insurance assigned to the University.

In the case of number 1.12a and 1.12c and 1.12d, a period of ninety (90) days will be allowed for the convenience of the borrower in the completion of the sale of the property from the date when any of these events occur, but in any event the final payment of any principal plus interest owing with regard to any mortgage shall become due at the end of the ninety (90) day period referred to within this paragraph whether or not the sale of the property has been effected. The borrower, upon repayment of said loan, is to be responsible for the legal expenses incurred in the preparation of the discharge of the mortgage.

13. Guarantees must be approved by and bear the signatures of the appropriate signing officers of the University.
14. Unless the loan is otherwise insured, the borrower shall transfer and assign to the University, as collateral security to the mortgage, all his/her right, title and interest in the Sun Life Assurance Company, Group Life Policy No. 653G, and shall arrange for the transfer, assignment and release, to the University of the interest therein, of any named beneficiary. The policy to be reassigned to the borrower upon termination of or satisfaction of the liability to the University under its guarantee.
15. That the premises contained on the lands which are the subject of the mortgage in favour of McMaster University, shall be insured to a value of at least the total of all mortgages placed on such lands, and the interest of McMaster University shall be shown thereon.

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16. The plan shall be continued from time to time at the sole discretion of McMaster University and on the condition that it continues to be supported by the University's Bank.
  17. The financial procedure provides for the forms required and the method of application, approval and authorization, and the processing of such guaranteed loans in accordance with the condition as set forth in this policy.

## **2. GUARANTEE TO BANK**

1. The attached form of guarantee is hereby adopted as the form of guarantee to be given on behalf of the Board of Governors to the Canadian Imperial Bank of Commerce.

## **3. ACCEPTANCE OF APPLICATIONS**

1. As a separate condition for the granting of the loan, the University requires that the applicant meet the bank's guidelines of credit analysis and gross debt servicing ratios. These guidelines are established to ensure that the applicant is not undertaking a too onerous burden of debt.

## **4. LIMITATION**

1. The total of all guarantees to be granted on behalf of the Board of Governors, outstanding at any one time, shall not exceed five million dollars (\$5,000,000).

## **FINANCIAL PROCEDURE**

### **Intent**

To establish a method whereby qualified Faculty and Staff members of the University may apply for financial assistance to purchase or refinance a principal residence by way of a University guaranteed housing loan as arranged with the Canadian Imperial Bank of Commerce, Westdale Branch, Hamilton (the 'Bank').

Such a loan is subject to the period, terms, conditions and limitations as set forth in the Policy Guide of the University.

### **Scope**

All applications from qualified full-time continuing Faculty and Staff members of the University requiring financing for the purchase or refinancing of a principal residence and requesting a McMaster University Guaranteed Housing Loan with the Bank.

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## General Information

Application forms are available from the Director of Financial Services Office of the University. The Faculty or Staff member must submit a properly completed application form in duplicate to the University for acceptance and approval of the member as a candidate for a University Guaranteed Housing Loan from the Bank.

The loan to be guaranteed shall not be in excess of \$70,000, the loan to run for a term not longer than the lesser of 20 years, or the period extending to the borrower's normal University retirement date and the total principal and interest payments for all mortgages plus taxes shall not exceed 30% of the combined total of the employee's gross earnings from the University and 50% of the spousal income.

The residence to be financed must be located in the City of Hamilton or vicinity and be within daily commuting distance to and from the main Campus of McMaster University.

The borrower at the borrower's expense, and in form satisfactory to the solicitors of McMaster University, shall give to the University a mortgage to be subject only to any mortgage arranged or assumed at the time of the purchase or refinancing of the property and as stated on the application form for the loan; the said mortgage shall be drawn for the principal amount of the loan received by the borrower from the Canadian Imperial Bank of Commerce, with interest on the mortgage at the Bank rate noted below; the University's obligation to complete any loan shall be conditional upon the University receiving from its solicitor and at the borrower's expense, an opinion that the title to the property which is the subject matter of the mortgage loan, is a clear title in fee simple free and clear of any and all encumbrances except as those stated on the application form, and that the University further receives from its solicitors such further and other opinions as are relevant to the satisfactory completion of the mortgage loan: the mortgage given pursuant to this policy shall be payable in full to the University upon termination of the term contained in the mortgage or upon the earlier occurrence of any of the following:

- a. upon retirement or termination of the borrower's employment with the University;
- b. upon completion of any sale or transfer of said property;
- c. upon the leasing of said premises for a term certain in excess of sixteen (16) months, unless the mortgagor is seconded to another institution or country under a formal exchange program or on other approved leave;
- d. upon the termination of the use of said residence for occupancy by the said borrower and his immediate family as their principal residence;
- e. upon the death of the borrower when the surviving owner is not a borrower, payment is to be made from the insurance assigned to the University.

The said loan shall bear interest at a rate not in excess of one half of one percent above the prime lending rate of the Canadian Imperial Bank of Commerce for a repayment up to 15 years and at a rate not in excess of three quarter of one percent above the prime lending rate of the Canadian Imperial Bank of Commerce for a repayment in excess of

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15 years. The monthly payments of principal and interest will be as determined by the Bank and the borrower over a period not to exceed that established in condition 1.8 of this policy.

Subject to the qualifications and conditions, the general information and the procedures stated herein are subject to change by the University without prior notice.

## PROCEDURE

### 1. Application to the University by Candidate

- (1) An application form must be completed and submitted to the Office of the Director of Financial Services. All loan applications are to be reviewed for funding and verification of credit status by the Director of Financial Services prior to the approval by the Officers mentioned below. All loan applications require the approval of either Vice-President (Administration), the Assistant Vice-President (Financial Services), or the Director of Financial Services, and are subject to the aggregate University's guarantee limitation not to exceed five million dollars (\$5,000,000) outstanding at any one time.
- (2) All applications, upon approval and acceptance, will be returned to the Director of Financial Services for transcribing onto the member's personnel file and for notification of acceptance letter to the member. The member may then approach the Bank to initiate the loan. Approved application notice will indicate that letter of approval will remain in effect for a period of four (4) months from the date of the letter at which time an extension may be given upon application should the purchase information remain the same, or a new application may be submitted should a change of information or content be in evidence. The Director of Financial Services will be responsible for notifying the Bank.
- (3) Upon approval and acceptance, the borrower shall transfer and assign to the University, as collateral security to the mortgage, all his/her right, title, and interest in the Sun Life Assurance Company, Group Life Policy No. 653G and shall arrange for the transfer, assignment and release, to the University of the interest therein, of any named beneficiary.
- (4) The borrower shall provide the University with satisfactory proof that the building is insured as set forth in the Policy Guide, (see 1.16) of the University.
- (5) The member or the member's solicitor should contact the University's solicitors to arrange the execution of the said mortgage and other required documentation in good time prior to the closing date.

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- (6) Human Resources will be responsible to notify the Director of Financial Services of the University should a member, who has an approved Guaranteed Housing Loan, leave the employ of the University, obtain a leave of absence for a period while the loan is in effect, or change the address of his or her residence.
  - (7) The Bank will report to the Director of Financial Services quarterly, the loan amounts to which the University Guarantee applies and the names of the members who have discharged their liability by repayment of the loaned amount.

The Director of Financial Services will be responsible to forward a copy of the list of members who have fully paid up loans to the Director of Human Resources to have the personnel file purged of the fully repaid loans.

*See following page for sample agreement form (not currently available as an on-line application).*

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**APPLICATION FOR GUARANTEED HOUSING LOAN**

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**PLEASE COMPLETE EACH ITEM**

Full Name: \_\_\_\_\_

Name of Spouse: \_\_\_\_\_

Present Address: \_\_\_\_\_

\_\_\_\_\_

Rank and Position at the University:

\_\_\_\_\_

Department and Office Telephone Number:

\_\_\_\_\_

Employee's Gross Income:

\_\_\_\_\_

Spousal Gross Income:

\_\_\_\_\_

Employer:

\_\_\_\_\_

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Bank Reference:

\_\_\_\_\_

Present Obligations:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Lawyer's Name and Address:

\_\_\_\_\_

\_\_\_\_\_

Amount of Loan which the University is asked to Guarantee: \_\_\_\_\_

To Mature in [Year] (Maximum 20 years) Initial Interest Rate: \_\_\_\_\_%

Date When Funds Required: \_\_\_\_\_

**PARTICULARS OF PROPERTY TO BE MORTGAGED:**

Address: \_\_\_\_\_

Lot No: \_\_\_\_\_ Plan No: \_\_\_\_\_

Municipality: \_\_\_\_\_ County: \_\_\_\_\_

Type of House: \_\_\_\_\_ Purchase Price: \_\_\_\_\_

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**First Mortgage:**

Name of Mortgagee: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Outstanding Principal Amount: \_\_\_\_\_

Interest Rate: \_\_\_\_\_%      Maturing in: \_\_\_\_\_

Payments: \_\_\_\_\_      Percentage of Equity in House: \_\_\_\_\_  
(Minimum 10%)

Are there any other mortgages, encumbrances or liens on the Property? \_\_\_\_\_

Assessed Value:    Land: \$ \_\_\_\_\_    Building: \$ \_\_\_\_\_    Taxes: \$ \_\_\_\_\_

Current Leases or Tenancies, if any: \_\_\_\_\_

**Present Insurance on the House:**

Company: \_\_\_\_\_

Agent: \_\_\_\_\_

Amount of Insurance on Buildings: \$ \_\_\_\_\_    Expiry Date: \_\_\_\_\_

I certify that the information given above is correct and that the house will be occupied by me as my home. It is understood that the legal and administrative expenses incidental to this loan will be paid by me and that an up-to-date survey will be provided.

I authorize the Canadian Imperial Bank of Commerce at any time and from time to time to inform the University of the state of the loan account and such information from the Bank shall be conclusive evidence thereof.

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I undertake to open and maintain a personal account at the University branch of the Canadian Imperial Bank of Commerce and authorize the University to deposit to that account such salary payments as are due to me from time to time, installment payments on this loan are to be charged to this account.

In respect of a loan granted by the Canadian Imperial Bank of Commerce under this agreement, I agree that the whole balance of any principal outstanding together with interest accrued due becomes immediately due and payable if:

- a. I cease for any reason to be employed by McMaster University; or
- b. I cease to occupy as my usual and principal place of residence the house for which the loan was made; or
- c. I sell, convey, assign or otherwise become deprived of my interest in the said land and premises.

I agree to transfer and assign to the University, as collateral security to the mortgage, my rights, title and interest in the Sun Life Assurance Company, Group Life Policy No. 653G and shall arrange for the transfer, assignment and release, to the University of the interest therein.

I agree to assume the costs of preparing and registering a discharge of the mortgage on repayment of the loan.

Dated: \_\_\_\_\_ Signed: \_\_\_\_\_

Signed: \_\_\_\_\_

(If the property is to be registered jointly, please have spouse sign.)

**TO THE CANADIAN IMPERIAL BANK OF COMMERCE:**

Subject to the execution by the applicant of a mortgage in favour of the University, the University agrees to guarantee a loan to this applicant upon the terms of the agreement between the University and Bank dated

**Principal Amount: \$** \_\_\_\_\_

**Maturity Date:** \_\_\_\_\_

**McMaster University**

**Per:** \_\_\_\_\_

**Per:** \_\_\_\_\_

