

Policy Name: Guaranteed Housing Loan
Originating/Responsible Department: Financial Services
Approval Authority: Senior Management Committee
Date of Original Policy: Fall 1991
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Mandatory Revision Date: February 2024
Contact: Assistant Vice-President, Financial Services

POLICY:

The Guaranteed Housing Loan Plan is available solely to designated staff and is not eligible for the purchase of homes that will be rented or used by persons other than the employee's immediate family. The maximum loan is \$20,000 with a maximum repayment period of twenty (20) years.

PURPOSE:

The purpose of the Guaranteed Housing Loan Plan is to enable staff of the University to purchase a house in which to live while employed at Carleton University.

SCOPE:

As long as the funds will be used to buy a house in which the staff member will live, any permanent full-time employee is eligible to apply for a loan under this plan.

PROCEDURES:

The employee borrows the required sum of money from the Bank of Nova Scotia (campus branch) as the primary debtor. The University will guarantee repayment of the loan to the Bank subject to the execution of a second mortgage agreement in favour of the University.

I. Interest Rate and Repayment Terms

1. Because the University has agreed to guarantee loans made by the Bank under this plan, an agreement has been reached whereby interest will be charged as follows:

Term of Loan	Amount of Loan	Interest Rate
1 - 10 years	up to \$10,000	Prime + 3/4%
1 - 10 years	\$10,001 - \$20,000	Prime + 3/4%
10 - 15 years	\$1 - \$20,000	Prime + 1%
15 - 20 years	\$1 - \$20,000	Prime + 1 ¼%

2. The rate of interest charged on the outstanding amount will vary upwards or downwards as the prime rate varies. Payments will be made in monthly installments of principal and interest sufficient to amortize the loan over the loan period.
3. Under the terms of the Agreement between the University and the Bank of Nova Scotia, it is required that the applicant open a Personal Account at the Bank of Nova Scotia (campus branch) and authorize the University to deposit to that account salary payments as are due the applicant from time to time.

4. The balance of principal plus accrued interest owing at any time may be repaid without notice or bonus. Such arrangements for repayment must be made between the employee and the Bank.

II. Securing the Loan

1. To secure the loan, the Bank will require that a Promissory Note be signed by the employee and guaranteed by the University.
2. To secure its guarantee of the loan, the University requires that the employee execute a second mortgage on the property concerned, prepared by the University's solicitor, in favour of the University.
3. So that the University may properly record the contingent liabilities arising from this plan, staff members must also authorize the Bank to inform the University of the status of the loan account at any time.

III. Limitations

1. Since it is necessary to control the total contingent liability under this plan, the University reserves the right to limit the number of guaranteed loans made available at any one time.
2. The Bank of Nova Scotia is not bound to make a loan to a staff member even though the employee has the University's approval for a loan.
3. If and when the Bank does approve a loan, money will not be advanced to the employee until the Bank receives notice from the University's solicitor to do so.
4. A loan will not be approved by the University unless the employee has at least 10% equity in the property, in the case of a detached house, and up to 20% on other types of homes, as may be negotiated on an individual basis.

IV. Cancellation of Loan

1. Loans given under this plan contain the condition that the entire balance of outstanding principal, together with interest accrued, becomes due and payable immediately if the staff member:
 - Ceases for any reason to be employed by the University;
 - Ceases to occupy as her/his usual and principal place of residence, the house for which the loan was made; and/or
 - Sells, conveys, assigns or otherwise becomes deprived of her/his interest in the said lands and premises.

V. Legal Costs

1. The employee must pay all legal and administrative expenses incidental to this loan including the cost of preparing the second mortgage documents and of obtaining an up-to-date survey of the property concerned, or title insurance.
2. Because the University is a party to the second mortgage, the second mortgage document must be prepared by the University's solicitor at the staff member's expense.
3. When the loan has been repaid, the employee is responsible for arranging and paying for the discharge of the second mortgage.

VI. Application

1. Eligible employees who wish to borrow money under this plan must complete an "Application for Guaranteed Housing Loan" which can be obtained from the Office of the Assistant Vice-President (Financial Services).

2. If the application is approved by the University, the University will forward the application to the Bank and the Bank will contact the applicant to obtain whatever information is required to establish the applicant's credit standing. If the loan is approved, the Bank will arrange for the signing of the promissory note and the payment of moneys.

CONTACTS:

Assistant Vice-President, Financial Services; Departmental Administrator, Financial Services