| Colorado State University<br>Commitment to Campus – Employee Hardship Loan Fund (EHLF)<br>Program Plan | C2C COMMITMENT TO CAMPUS |
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April 3, 2015

## I. Introduction and Purpose

Commitment to Campus was created in 2010 as a way to provide support to CSU employees and their families and to improve both productivity and work-life balance. C2C encompasses a wide range of programs, discounts, and special benefits available to CSU faculty and staff in order to:

- Promote employee health, wellness, and personal advancement
- Engage employees in the life of the University
- Connect employees and students outside the classroom
- Enrich participation in campus programs, classes, and events
- Reward employees for their service and involvement in the CSU community

Consistent with the C2C mission, and as part of its commitment to the well-being of members of the CSU community, C2C has developed the Employee Hardship Loan Fund (EHLF) program to lend a helping hand in times of crisis to those employees most in need. Support for EHLF comes from the Office of the President, the College of Veterinary Medicine and Biological Sciences, the EHLF Committee, and the administrative departments that will provide resources to the EHLF program to allow it to succeed (including Human Resources, Business & Financial Services, and Training and Organizational Development). The Classified Personnel Council (CPC) has also generously agreed to support the EHLF by nominating one or more CPC members to the EHLF Committee.

## II. The EHLF Concept

Unexpected emergencies caused by factors beyond an employee's control often can impose a tremendous financial burden. Many CSU employees are unable to handle the financial impact of a medical emergency, weather-related disaster, or other unexpected need or loss. They may have little or no savings to draw upon, and few if any other resources (such as extended family) to provide assistance in the form of short-term loans, even in modest amounts. This results in using "payday" loans, which carry exorbitant interest rates and can actually make the employee's situation worse, in addition to maxing out their credit cards with little chance of ever being able to pay off the balances. Those with poor credit may be unable to obtain a bank loan or credit card at all.

An emergency assistance program offering loans with little or no interest is consistent with the CSU mission and its role as a fiscally responsible employer that seeks to improve the lives of its employees and maintain their productivity. Its objective is to make funds available to these employees without adding to their financial woes at the time they most need help. Other short-term, low-credit loans (such as so-called "payday loans") can create more hardships due to their high interest rates and potential to injure the borrower's credit score. EHLF loans will not pose these risks so long as the loan is repaid as agreed and does not have to be sent to outside collections.

EHLF loans will be made available to CSU employees experiencing a financial crisis only when there is a reasonable expectation of repayment within a year, at most. Loans will be limited in amount and frequency, and will be repaid by payroll deduction. In order to assure that the program is fiscally responsible and prudent, with a high likelihood of full recovery of all amounts loaned, employees in hourly positions will not be eligible to apply for an emergency loan. Funding for EHLF loans comes from private funds administered by the Office of the President.

## III. Tax Implications of Employer-funded, Interest-free Loans

Interest-free loans from an employer to an employee are covered under the Internal Revenue Code, 26 U.S.C. section 7872, as described in IRS Publication 15-A (2013) which states, in pertinent part:

> In general, if an employer lends an employee more than $10,000 at an interest rate less than the current applicable federal rate (AFR), the difference between the interest paid and the interest that would be paid under the AFR is considered additional compensation to the employee. This rule applies to a loan of $10,000 or less if one of its principal purposes is the avoidance of federal tax.

See also, Internal Revenue Code, 26 USC § 7872(c)(3) - Treatment of loans with below-market interest rates--$10,000 *de minimis* exception for compensation-related and corporate-shareholder loans.

Because the EHLF program will not make loans to any employee in an amount greater than $10,000 (maximum loan amount will be $1,000), CSU's assumption is that employees will not have taxable income to report as a result of receiving a loan under this program. However, when a loan is not repaid as agreed, tax liability of the employee may ultimately result.

CSU makes the following disclaimer with respect to all loans made pursuant to the EHLF program:

> **Disclaimer Regarding Tax Liabilities. CSU and its employees and agents make no representation as to the tax consequences of any payment, loan or grant made under this or any other program. If there is any tax advice contained herein, it is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed under the internal revenue code.**

## IV. Definitions

As used herein, the following definitions shall apply:

*Eligible Employee:* Academic Faculty and Administrative Professionals on regular, special, senior teaching or temporary appointments of half-time or greater; Post-Doctoral Fellows, Veterinary Interns and Clinical Psychology Interns on appointments of half-time or greater; and State Classified salaried employees are eligible for emergency loans under this program except as provided herein. An employee is not an Eligible Employee during any period in which the employee is not in a regularly paid employment status (for example, when on leave without pay, or other such absence), and loans are not available to 9-month appointees during the summer session (unless the employee is on a contract for such session).

*Emergency:* An unforeseen event or set of circumstances that causes an Eligible Employee financial hardship, when the employee has inadequate funds from other sources that are readily available within the time needed to provide relief.

## V. EHLF Terms and Conditions

### A. Eligibility

1. Eligible Employees may apply for and receive a loan in an Emergency when the application is approved by the EHLF Review Committee (EHLFC) upon a determination that the loan is reasonable and necessary to meet a bona fide emergency need. Examples of an emergency need include:

   (a). Death in the family causing financial difficulties, such as unexpected travel to attend the funeral;
   (b). Being the victim of a serious crime, especially when it deprives the employee of cash, credit or access to his or her accounts;
   (c). Urgent medical, dental or other healthcare treatment expenses not covered by insurance;

(d). An unforeseen, calamitous event or urgent circumstance that creates a hardship that is not caused by the employee.

2. Examples of non-emergency needs for which loans cannot be provided:

   (a). Personal purchases or gifts for others, for example, for holidays or special occasions;

   (b). Money needed to pay for a vacation or to tide the employee over during annual leave;

   (c). Money needed to supplement a deficit caused by predictable bills such as income tax, auto registration or maintenance, rent or mortgage payments, and moving expenses.

3. An Eligible Employee may be deemed ineligible to receive a loan if his or her employment is expected to terminate before the applicable repayment period is completed.

## B. EHLF Committee

1. The EHLF Committee (EHLFC) is appointed by the Vice President for University Operations (VPUO). The Committee consists of five or more voting members plus such advisory and *ex officio* (non-voting) members as the Committee may appoint from time to time. The Committee will elect a Vice-Chair to serve in the Chair's absence. The Chair and the Vice Chair will serve two-year terms, and may be reappointed. In the event of a resignation by the Chair or Vice Chair, the vacant position will be filled by nomination and election by the Committee from the current membership. All members serve at the pleasure of the VPUO, who may make appointments to the Committee at any time.

2. The EHLFC will have the following authority and responsibilities:

   (a). To review loan applications and make determinations as set forth herein. All determinations made by the EHLFC are subject to review by the VPUO, whose decision on any matter related to such loans shall be final. Only the EHLFC may request that a determination be reviewed by the VPUO.

   (b). To approve a loan application in an amount not more than $1,000 when supported by documentation of the employee's need for the amount requested, or deny an application for reasons set forth in writing.

3. When making any determination or disposition of a loan application, the EHLFC will make a written record of the determination. Such records are personnel records of the university and will be maintained in accordance with applicable

privacy laws and policies. Inspection or copying of records will be allowed only when the recipient agrees not to disclose the records to any other person without the express, prior written permission of the VPUO or designee (unless otherwise required by law).

## C. Applications for Loans; Procedures

1. The EHLFC shall establish procedures, to be approved by the VPUO, for employees to apply for emergency loans from the EHLF, including a simple application form that is available online or can be obtained in person at Human Resources, and that can be submitted electronically or in writing.

2. The loan application will require the employee to provide sufficient information to establish the employee's eligibility (as defined above), nature of the emergency need, and amount requested and to provide reasonable documentation of the nature and amount of the emergency expense or loss (such as an estimate of repairs, medical bill, or amount of a pending insurance claim).

3. An Eligible Employee may not be granted more than one emergency loan from the EHLF in any two-year period, measured from the date of the application most recently granted.

4. Loan Determinations:

   (a). In considering a loan application, the EHLFC will consider the following factors (and any other relevant information received from a reliable source):
      i. The amount requested;
      ii. The nature and circumstances of the emergency hardship described by the applicant, including the foreseeability, urgency, and gravity of the need;
      iii. Any other information provided by the applicant;
      iv. The records indicating whether the applicant has previously applied for and received an EHLF loan within the last two years.

   (b). The Committee shall not consider:
      i. Information about the applicant that is not pertinent to the employee's eligibility, need, or employment status ;
      ii. The employee's performance record or other personnel information, except that the Committee may receive from HR and consider (a) information indicating that the employee is currently on probation, or is the subject of a disciplinary proceeding that may result in termination; or

(b) information indicating that the employee's position has a predetermined end date or is likely to be terminated prior to the end of the period in which the loan, if granted, would have to be paid in full.

5. Loan Terms and Conditions.

   (a). All loans shall be made on the following conditions:

      (i). The loan shall be payable in equal monthly installments amortized over a period of up to six months (in the case of a loan of $500 or less) or up to one year (for loans above $500), beginning the next payroll cycle occurring one calendar month after the loan disbursement date (for example, a loan disbursement in January begins deductions in March). Interest will not be charged on loans, although certain charges may apply as provided in subsection (iii) below.

      (ii). Payments will be deducted from the employee's payroll disbursements. If the employee terminates employment, or for any other reason does not earn or receive pay for any payroll period while the loan is outstanding, the employee will be expected to remit payment by check or cash to BFS and any outstanding balance upon termination will be deducted from the employee's final paycheck.

      (iii). Any loan obligation in default will incur a payment deferral charge calculated by multiplying the full unpaid loan balance as of the date that the unpaid payment was due by 1.5%. The payment deferral charge will be applied to the adjusted balance each month until the loan payments are current or the loan is paid in full. A loan will be considered in default ten (10) days after payment was due. CSU will have the right to accelerate a loan, declaring the full amount due and payable, if it is in default. CSU will have the right to forward the outstanding debt to a collection agency once the loan is in default status for further collection efforts.

   (b). A prospective borrower may obtain information about requesting an employee emergency loan from the Human Resources Service Center in person, by calling (970) 491-MyHR (6947), or by emailing MyHR@colostate.edu; or from the Office of the Ombuds and Employee Assistance Program at (970) 491-1527.

   (c). The prospective borrower must sign to indicate his or her agreement with all of the terms and conditions of the emergency loan.

   (d). To enable repayment of the emergency loan, the borrower must authorize the University, in writing, on an approved payroll deduction form, an automatic payroll deduction for the amount of each loan payment from the employee's salary. This authorization is part of the loan application process and it must be submitted along with the loan application.

## VI. EHLF Parking Subsidy Fund

### A. Parking Subsidy Fund; Grants

1. Parking Subsidy Fund Created.

    (a). There shall be a Parking Subsidy Fund created by the Department of Parking and Transportation Services as a separate and distinct fund from all other funds of EHLF. The initial principal balance of the fund will be established at $100,000. All monies in the fund shall be derived from the resources of the Department. The fund balance may be adjusted from time to time as reasonably necessary to accomplish its purpose of providing subsidies to employees having financial hardship in affording the cost of a CSU employee parking permit.

2. Parking Subsidy Committee.

    (a). There shall be a standing committee, to be known as the Employee Hardship Parking Subsidy Committee (EHPSC), appointed by the Vice President of University Operations, whose charge is to administer the Parking Subsidy Fund, review and make decisions on applications for grants from the fund, and generally oversee and manage the operations of the Parking Subsidy program.

    (b). The Committee will consist of five or more voting members plus such advisory and *ex officio* (non-voting) members as the VPUO may appoint from time to time. Members of the EHPSC may, but need not, also be members of the EHLF Committee. The VPUO will appoint a Chair, and the EHPSC will elect a Vice Chair to serve in the Chair's absence. The Chair and the Vice Chair will serve two-year terms, and may be reappointed. In the event of a resignation by the Chair, the VPUO shall appoint a new Chair. In the event of a resignation by the Vice Chair, the Committee will elect a new Vice Chair from the current membership. All members serve at the pleasure of the VPUO, who may make appointments to the Committee at any time.

    (c). All employees of the University having an appointment of half-time (.5 FTE) or greater are eligible to apply for a grant from the fund.

(d). Grants will be made based upon a showing, to the satisfaction of the EHPSC by majority vote, of the applicant's financial hardship in paying the cost of a CSU parking permit, together with a demonstrated need for the parking permit in order to fulfill the requirements of the applicant's job with CSU.

(e). Grants will be made on an annual basis for the current fiscal year in the amount needed to obtain a parking permit. The EHPSC will determine the type of permit that most reasonably meets the applicant's needs at the time of the application. Types of permits include, but are not limited to, regular annual employee ("A") permits, monthly permits, or any other type of permit that may be provided by Parking and Transportation Services as the committee deems appropriate.

APPROVED:
Colorado State University

By: *Original signature on file*
Anthony A. Frank, President

Date: */signed/ by Anthony A. Frank, May 16, 2014*

Revision 1.01 Approved April 3, 2015

By: *original signature on file*
Amy Parsons, Vice President for University Operations