

Welcome to *Policy Matters*, an engaging and informative monthly e-newsletter featuring expert insight and analysis on emerging relocation products, policies and services that can provide immediate benefit to your organization.

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Home-finding and House-hunting Assistance

A well-defined home finding assistance policy is a key component of a successful relocation. Taking the “mystery” out of the new location goes a long way in helping the transferee and his or her spouse/domestic partner make the transition to the new work location. The home finding benefit should focus on creating a positive entry for the employee and his/her family to their new surroundings and serves as the beginning point of their acclimation. This is best accomplished with a well thought out home finding/house hunting benefit—whether it is paid as a lump sum, as part of a larger lump sum or through expense reimbursement. The ultimate goal is to have the transferee feel comfortable that they had sufficient time and adequate funds to secure new housing.

When creating your home finding assistance policy there are a number of key points that you should keep in mind:

Determining the Benefit Level

Traditionally the home finding trip was a single trip ranging from three to seven days. Increasingly, companies have determined that one trip is often not adequate to make all the necessary decisions, and have consequently changed their policies to include two trips. When two trips are provided, the key is to not stipulate the number of days allowed per trip but rather control the benefit by the total number of days allowed. For example, a policy may allow for two trips with the total not to exceed seven days. In this case, one trip may be five days and the second trip two days.

Costs will likely arise during the home finding trip other than food and lodging, so it's important to decide how you are going to handle these additional reimbursements. Nearly all policies provide for the spouse/domestic partner to accompany the transferee. We recommend that children generally not accompany, and if so, not at company expense. However, childcare should be reimbursed at the rate of \$50 per day per child with a maximum of \$100 per day. Lastly, there is the issue of a rental car. Although some companies have considered not reimbursing this cost, as the car often sits at the hotel while the real estate/rental agents do the driving, very few have changed their policy to disallow this expense.

Below are statistics on the home finding benefits SIRVA clients provide in their homeowner (253) and renter (172) policies.

Highest Policy Tier – Homeowners			
Trips	%	Days	%
1	54%	3	4%
2	45%	4	3%
3	1%	5	17%
		6	13%
		7	25%
		8	10%
		9	0%
		10	7%
		N/A	21%

Highest Policy Tier – Renters			
Trips	%	Days	%
1	57%	2	1%
2	41%	3	4%
3	2%	4	5%
		5	20%
		6	13%
		7	24%
		8	6%
		10	7%
		N/A	20%

Homeowners and Renters

Please note that the data above shows only slight differences in the benefits that renters receive versus homeowners. In the past, it was more common for policies to provide a more robust benefit to the homeowner than the renter; however, this has now become far less common. The home finding trip is an example of the type of benefit where such a distinction makes little sense when you consider that the total cost of a typical renter move is approximately a third of the total cost of a homeowner’s move.

Payment Options

For the home finding trip, the traditional payment approach has been to reimburse the transferee for the actual expenses incurred with relocation policies stating that “reasonable” expenses will be paid. This has proven to be problematic, as the transferees’ definition of what is “reasonable” tends to differ. The result has been a variance in the cost of lodging and an even wider variance seen in the transferees’ notion of the “reasonable” cost of food, ranging from \$20 per day to well over \$100. For this reason and a desire for equity, many companies have moved to pure per diems on food, allotting for example \$35 per day. With per diems, no receipts are required for submission or approval.

The next policy improvement companies have made to this benefit is the addition of a “location sensitive” lump sum, with some including the cost of air travel within the lump sum and other policies handling it separately as an actual expense.

Lastly, an increasingly popular best practice is to include the home finding/house hunting trip as one of the items in a Managed Lump Sum, along with temporary living and the miscellaneous expense allowance (MEA). The point of this Managed Lump Sum, as an alternative to direct reimbursement for each of these benefits, is to provide more flexibility with fewer rules for the transferee while controlling company cost through less receipt administration as well as reducing exception requests.

Timing

Timing is an important key to the home finding trip, especially in policies in which only one trip is provided. If the trip is taken too early in the process and prior to establishing a value on the departure residence via the Broker Marketing Analyses (BMA), the trip may turn into a wasted expense potentially resulting in a request for an additional home finding trip.

Preparation

Prepare your transferee for the trip by first having professional input on the value of his/her current residence—typically these are BMAs from real estate professionals who specialize in relocations. It is also advisable to have your transferee meet with a preferred lender to discuss different financing options and get pre-qualified for the home loan. Include provisions in your policy that call for a well-planned home finding trip that is arranged by a qualified relocation service provider.

Lastly, companies are increasingly requiring that only network agents be considered in the destination location, just like at the origination location. The need to have relocation-trained, accountable agents who understand value and property eligibility in the new location is critical—especially in today's tough real estate market. The home that was purchased using a non-network agent is more likely to be one that causes problems when the transferee is relocated again. It is also a good idea to include a reminder in the written policy on what constitutes an ineligible property and remind transferees that if they make such a purchase they will not be eligible for the normal home sale program.

Relocation vs. Business Expenses

Remember that after the relocation has been accepted, the costs of the home finding trips are fully taxable. If the assignment has not yet been accepted, then a trip to the new location (for the employee only) can be treated as a business expense. Clear rules must be in place and followed, as this accounting area is frequently reviewed by the IRS in an employment compliance audit.

Conclusion

When evaluating your home finding assistance, consider how important first impressions will be to the transferees, both in how your policy provides support as well as what the new location has to offer them. While this benefit costs on average \$2,375 (per the most recent Employee Relocation Council data) there are opportunities such as a lump sum approach to make these dollars go further and increase transferee satisfaction. If you would like more information on home finding and house hunting assistance please contact David Barlow, SCRP, GMS, senior vice president, SIRVA Relocation at 925.824.3109 or david.barlow@sirva.com.

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The foregoing is intended as general information only. SIRVA suggests that decisions as to your specific situation should be made only after full evaluation of your circumstances with your company leadership, tax and legal advisors, and HR personnel.

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