Homes and Home Loans Provided to Employees

The Committee received a request about how an entity accounts for employee home ownership plans and employee home loans of the types described in two fact patterns.

Fact pattern 1: employee home ownership plans
An entity provides its employee with a house that the entity constructed and owns. In return, the employee has a proportion of his or her base salary deducted every month until the agreed price of the house has been fully repaid.

If the employee leaves employment *within* the first five years of the arrangement, the employee forfeits his or her rights to the house and recovers the salary deductions to date. If the employee leaves employment *after* that five-year period, the employee may choose either:

a. to forfeit his or her rights to the house and recover the salary deductions to date; or
b. to keep the house and immediately repay the outstanding balance.

Legal title to the house transfers to the employee only when he or she has paid in full the agreed price for the house.

Fact pattern 2: employee home loans
An entity provides its employee with a loan to buy a house, which the employee chooses and purchases and the entity does not own. The entity provides the loan at a below-market rate of interest; the loan is typically interest-free. The employee repays the loan through salary deductions. If the employee leaves employment for any reason at any point, the outstanding balance of the loan becomes repayable.

Conclusion
Evidence gathered by the Committee indicated that the matters described in the request are not widespread. On the basis of that evidence, the Committee concluded that the matters described in the request do not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.