

January 31, 2025

LORI KLETZER
Campus Provost and Executive Vice Chancellor

Re: Proposed Updates to Mortgage Origination Program (MOP) and Supplemental Home Loan Program (SHLP)

Dear Lori,

The Academic Senate has reviewed the proposed updates to the Mortgage Origination Program (MOP) and the Supplemental Home Loan Program (SHLP). Our committees on Faculty Welfare (CFW) and Planning and Budget (CPB) have responded.

We highlight the changes included in the January 5, 2025 proposed program updates:

- **All MOP loans will be capped at \$1,100,000, and SHLP loans will be capped at \$50,000.**
- **New MOP authorizations in appointment or start-up letters will have a six-year limit for filing pre-approval.**
- **Existing MOP authorizations will have a six-year limit for filing pre-approval from the date of notification.**
- **A pause will be placed on most MOP exception requests, including pre-approval extensions, eligibility extensions, and requests for second MOP loans.**
- **Faculty and staff who are currently in escrow with a MOP or have an active pre-approval will not be affected by these changes.**

At a high level the Senate certainly understands the necessity for modifications to the program given the current funding situation. However, many of CPB's informal comments from consultations still reflect the Senate's view of the formalized policy proposal. In particular, the Senate believes that flexibility needs to be built into any MOP loan policy, and that whatever changes are made should be reviewed regularly to see the effects of those changes. We do not support a permanent policy change, and we recommend being transparent about the process, timelines, and review criteria for future adjustments, so that faculty can make informed decisions about participation in the MOP loan program.

We do appreciate the data-driven approach to setting the loan dollar limits and time limits based on current Ranch View Terrace (RVT) pricing and waitlist times. We note that your memo indicates that limits could be regularly indexed as prices and waitlist times change, but *we strongly encourage a defined review period*. Moreover, we note that if dollar limits are too low to effectively support off-campus home purchases, MOP loans may go unused, inadvertently creating less incentive for faculty to leave campus housing.

Other specific concerns from our informal consultations that are still relevant are summarized below.

1) The Senate finds the reasoning for setting the MOP cap at \$1.1 million unconvincing. The reference for this cap is the cost of Ranch View Terrace (RVT) housing. Yet, we note that there are only a handful of RVT homes available and the new phase of RVT (RVT2) is set to be for-rent only housing. Very few for sale on-campus housing units become available each year, leaving purchasing in the local housing market, which is one of the highest and most unaffordable in the nation, as the only defacto option for almost all new faculty.

The cover letter for this review states that the majority of loans in the past three years have been under \$1.1 million, but the MOP Loan Histogram provided does not indicate what year the loans were requested. Without this year-specific data, it is unclear whether recent higher housing costs have driven requests for larger loans. Further, high interest rates make any loan of this magnitude difficult to afford, and so the recent interest environment may have discouraged requests for larger loans. Finally, the fact that there were requests for larger loans coupled with median home prices shows that there is a need for a higher cap. With the average home price in Santa Cruz in 2024 exceeding \$1.3 million,¹ reducing the MOP cap would make it even more difficult for faculty to afford local housing. As noted above and in the CPB response, a loan capped too low for off-campus housing will likely result in program underutilization, and disincentivize faculty from leaving on-campus housing.

2) We suggest that the time limit for MOP loans be extended beyond six years for several reasons. These include allowing faculty with student loan debt to participate in the MOP program following the ten-year period for public service loan forgiveness, to allow faculty to make financially-sound decisions amidst changing market conditions, and to avoid forcing faculty to make unwise decisions when their eligibility is running out. We note that 6 years is approximately the highest pressure tenure time line, and also believe that short time limits make the program inherently inequitable: those who begin their careers with more resources will be most able to take advantage of the program, in particular with its low limits relative to the Santa Cruz housing market. CPB suggested restricting MOP loans to Assistant and Associate Professors only, with longer time horizons, as one alternate strategy. This could help balance equity and costs with an extended time limit. CPB also suggests that two-time windows could be applied, one for Assistant Professors (perhaps nine years) who have lower salary and additional considerations related to tenure that make purchasing a home daunting. More established (Associate or above) faculty could maintain the six-year window.

3) Impact of MOP process changes for recent hires should be minimized. The Senate recognizes that MOP and SHLP are some of the most important tools for addressing our campus's severe housing crisis and for recruiting and retaining exceptional employees. In addition to concerns regarding loan cap and the suspension of a second MOP loan, concerns were also raised that recent faculty hires received offer letters that included different MOP provisions, only to see those provisions suspended shortly thereafter, and now potentially reduced. The Senate regards this as highly problematic. At a minimum, new hires from the past two years should be

¹ Zillow: <https://www.zillow.com/home-values/13715/santa-cruz-ca/>

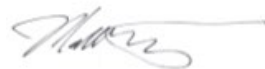
grandfathered into the previous loan program parameters. Without this, some recent faculty hires will have accepted positions at UCSC based on offers which may now prove to be inaccurate or at least seem misleading.

4) Impact of possible 2nd MOP loan elimination on faculty on-campus housing options should be seriously considered. On-campus housing was originally intended as a transitional option for new/junior faculty, enabling them to eventually move off campus and open up on-campus units for others. However, the ability to move off campus has largely been severely hindered by the steeply rising cost of the local market, making housing stock turnover rare. A second MOP loan is one of the few tools/resources available to address this issue. Suspending or eliminating second MOP requests will likely further solidify the lack of turnover of on-campus units. An alternative approach might be more careful review, coupled with lower prioritization, of such requests until the overall environment improves.

5) Geographical Location restriction approach should be reconsidered. The Senate appreciates existing flexibility regarding geographical location, but also questions whether an exception-based policy produces more work (I.e., every exception needs to be reviewed) and less potentially less equitable access. A more timely, equitable, and less resource intensive approach might be to simply make this a standard part of the policy. Such standardization would also provide the relevant information to all applicants in advance, as some may not be aware that exceptions can be requested.

Finally, as mentioned in numerous responses on the topic, the Senate believes that employee housing program policy must be looked at holistically in order to really succeed. The MOP and SHLP programs do not stand alone but are integrated parts of a broader strategy that needs to be considered collectively if we are to accurately assess and address the employee housing needs of our campus and develop sustainable solutions. We therefore propose that the MOP program alterations proposed be only interim policy changes, with final changes decided as part of a holistic housing review: i.e. that the impact of the proposed MOP loan changes on the larger campus housing issues be considered as part of the charge of the nascent Employee Housing Task Force. We believe that any policy changes should be routinely reviewed on a clear timeline and assessed by the planned Employee Housing Task Force with broad Senate participation. Members of CFW, CPB, and ad hoc Senate representation have been forwarded by COC for appointment on the Task Force.

Sincerely,



Matthew McCarthy, Chair
Academic Senate, Santa Cruz Division

Enc: Senate Committee Responses (Bundled)

cc: Herbie Lee, Vice Provost for Academic Affairs

Grace McClintock, Assistant Vice Provost–Academic Personnel
Yat Li, Chair, Committee on Faculty Welfare
Raphael Kudela, Chair, Committee on Planning and Budget
Matthew Mednick, Executive Director, Academic Senate

January 27, 2025

MATTHEW MCCARTHY
Chair, Academic Senate

Re: Proposed Updates to Mortgage Origination Program (MOP) and Supplemental Home Loan Program (SHLP)

Dear Matt,

During its meeting of January 23, 2025, the Committee on Faculty Welfare (CFW) discussed the proposed updates to the Mortgage Origination Program (MOP) and Supplemental Home Loan Program (SHLP) and the feedback requests from the CP/EVC¹ and Santa Cruz Faculty Association (SCFA)². CFW recognizes that MOP and SHLP are some of the most important tools for addressing our campus's severe housing crisis and for recruiting and retaining exceptional employees. As such, members raised concerns regarding the proposed changes to the MOP loan cap and the suspension of a second MOP loan, both of which could further hinder the ability of UCSC employees to secure housing, and agreed with CPB regarding the need for built in flexibility and routine policy review.

First and foremost, as mentioned in numerous Senate responses on the topic, CFW contends that the employee housing program should be looked at holistically. The MOP and SHLP programs do not stand alone, but are integrated parts of a broader strategy that needs to be considered collectively if we are to accurately assess and address the employee housing needs of our campus, and develop sustainable solutions. CFW finds this perspective particularly important to highlight as the administration and SCFA enter into bargaining about these loan programs.

That said, CFW found the reasoning for setting the MOP cap at \$1.1 million unconvincing. The reference for this cap is the cost of Ranch View Terrace (RVT) housing. Yet, CFW notes that there are only a handful of RVT homes available and the new phase of RVT (RVT2) is set to be for-rent only housing. Very few for sale on-campus housing units become available each year, leaving purchasing in the local housing market, which is one of the highest and most unaffordable in the nation, as the only option for faculty. The CP/EVC cover letter states that the majority of loans in the past three years have been under \$1.1 million, but the MOP Loan Histogram provided does not indicate what year the loans were requested. Without this year-specific data, it is unclear whether recent higher housing costs have driven requests for larger loans. Furthermore, high interest rates make any loan of this magnitude difficult to afford, and may have discouraged requests for larger loans. However, the fact that there were requests for larger loans, shows that there is a need for a higher cap. With the average home price in Santa Cruz in 2024 exceeding \$1.3 million,³ reducing the MOP cap would make it even more difficult for faculty to afford local housing. As CPB mentioned in its response,⁴ a loan capped too low for off-campus housing will likely result in the program underutilized, and disincentivize faculty from leaving on-campus housing.

¹ CP/EVC Kletzer to CFW Chair Li, 1/08/25, Re: Proposed Updates to Mortgage Origination Program (MOP) and Supplemental Home Loan Program (SHLP)

² SCFA Co-Chairs Gould and Taft to Senate Chair McCarthy and CFW Chair Li, 1/05/25, Re: Changes to MOP

³ Zillow: <https://www.zillow.com/home-values/13715/santa-cruz-ca/>

⁴ CPB Chair Kudela to Senate Chair McCarthy, 1/24/24, Re: Proposed MOP and SHLP Changes

Members raised additional concerns about the effect of the pause placed on MOP exception requests, including requests for second MOP loans, on on-campus housing turnover. On-campus housing was originally intended as a transitional option for new/junior faculty, enabling them to eventually move off campus and open up on-campus units for others in need. However, the ability to move off campus has largely been hindered by the astronomical rising cost of the local market, making turnover a rare occurrence. A second MOP loan is one of the few tools/resources available to address this issue. Suspending or eliminating second MOP requests will likely exacerbate the lack of turnover of on-campus units.

CFW acknowledges the need to adjust the MOP loan program due to budgetary constraints. However, it is concerning that recent faculty hires received offer letters that included different MOP provisions, only to see those provisions suspended shortly thereafter, and now reduced. This is highly problematic. At a minimum, new hires from the past two years should be protected from the revised loan program. The CP/EVC letter states that “new MOP authorizations in appointment or start-up letters will have a six-year limit for filing pre-approval.” This commitment should be honored retroactively. Indeed, there are faculty members who recently accepted positions at UCSC based on offers that have now proven inaccurate or misleading. Given that the University was likely aware of the budgetary challenges when these offers were made, it is essential to address this issue fairly and with integrity.

With the concerns raised above, CFW understands that changes to the employee housing as a whole are urgently needed in order to meet the evolving needs of our campus and the current budget environment. Like CPB, CFW does not support a permanent policy change, and recommends that flexibility be built into any MOP policies to adapt to the constantly changing market and campus needs. We further agree that any policy changes should be routinely reviewed and assessed by a committee, such as the planned Employee Housing Task Force, with broad Senate participation.

Thank you for the opportunity to opine.

Sincerely,



Yat Li, Chair

Committee on Faculty Welfare

cc: Rafael Kudela, Chair, Committee on Planning and Budget
Melissa Caldwell, Vice Chair, Academic Senate
Matthew Mednick, Director, Academic Senate

January 24, 2025

MATTHEW McCARTHY
Chair, Academic Senate

Re: Proposed MOP and SHLP Changes

Dear Matt,

Following on from our informal conversation about the MOP loan program changes, the Committee on Planning and Budget (CPB) understands that a formal consultation memo is requested. We refer to your January 5, 2025 memo to Committee on Faculty Welfare (CFW) for the details, summarized here:

- All MOP loans will be capped at \$1,100,000, and SHLP loans will be capped at \$50,000.
- New MOP authorizations in appointment or start-up letters will have a six-year limit for filing pre-approval.
- Existing MOP authorizations will have a six-year limit for filing pre-approval from the date of notification.
- A pause will be placed on most MOP exception requests, including pre-approval extensions, eligibility extensions, and requests for second MOP loans.
- Faculty and staff who are currently in escrow with a MOP or have an active pre-approval will not be affected by these changes.

CPB reiterates that we understand and agree with the need for modifications to the program given the current funding situation. However, CPB notes that many of our informal comments still apply. In particular, CPB believes that flexibility needs to be built into any MOP loan policy, and that whatever changes are made should be reviewed regularly to see the effects of those changes. CPB does not support a permanent policy change. CPB also recommends being transparent about the process, timelines, and review criteria for future adjustments, so that faculty can make informed decisions about participation in the MOP loan program. Other specifics from our informal consult that are still relevant are also summarized below:

- We appreciate the data-driven approach to setting the loan dollar limits and time limits based on current Ranch View Terrace (RVT) pricing and waitlist times. We note that your memo indicates that limits could be regularly indexed as prices and waitlist times change, but we strongly encourage a defined review period. Moreover, CPB notes that if dollar limits are too low for off-campus home purchases, MOP loans may go unused and there will be less incentive for faculty to leave campus housing.
- CPB still suggests that the time limit for MOP loans be extended beyond six years for several reasons, including to allow faculty with student loan debt to participate in the MOP program following the ten-year period for public service loan forgiveness, to allow faculty to make financially-sound decisions amidst changing market conditions, and to avoid faculty panic-spending when their eligibility is running out. CPB also believes that short time limits make the program inequitable, as only those who begin their careers with wealth will be able to take advantage of the program.

- CPB suggests consideration of restricting MOP loans to Assistant and Associate Professors only. This can help balance equity and an extended time limit. CPB also suggests that two time windows could be applied, one for Assistant Professors (perhaps nine years) who have lower salary and additional considerations related to tenure that make purchasing a home daunting. More established faculty could maintain the six-year window.
- CPB appreciates the flexibility regarding geographical location, but questions whether an exception-based policy produces more work (every exception needs to be reviewed) and whether it would be more timely and less resource intensive to make this a standard part of the policy. Standardization would also provide the relevant information to the applicants in advance, as some may not be aware that exceptions can be requested.

In closing, CPB also endorses the planned housing task force and looks forward to participating in that process. CPB suggests that the MOP program be part of this holistic housing review, i.e. that the impact of the proposed MOP loan changes on the larger campus housing issues be considered as part of the committee charge.

Thank you again for the opportunity to make these recommendations.

Sincerely,



Raphael M. Kudela, Chair
Committee on Planning and Budget

cc: Yat Li, Chair, Committee on Faculty Welfare
Melissa Caldwell, Vice Chair, Academic Senate
Matthew Mednick, Executive Director, Academic Senate