




UC Irvine ZIP Loan Evaluation

PLA Workshop 2023

Yingying Dong
Timothy Downing
Alexander Ihler
Matt Mchenry
Annie Ro
Jeanne Scheper
Zuzanna Siwy



Background



Our Charge

Review both the prior use of the Faculty Recruitment Allowances (FRAs) and the newly announced Zero Interest loan (ZIP) program that provides newly recruited faculty with down payment assistance to purchase a home.

Make “recommendations regarding use of the two programs, specifically with respect to purchasing homes in the University Hills vs. the local community and on how to ensure that there are funds available for the program and that they are distributed equitably”.

Faculty Recruitment Allowance (FRA) Program

- Hiring incentive: offers financial support for full-time University appointees to be given within the first two years of their qualifying appointment;
- Flexibility: FRA can be used for housing, offset childcare costs, tuition and other similar expenses.
- High taxes: the whole FRA amount is taxed.
- Not solving housing issue: FRA amount is too modest to facilitate purchasing a house outside the University Hills community. University Hills waitlist is at its historic length of over 500 UCI employees with 210 assistant professors.
- Uneven allocation among Schools: there are Schools within UC Irvine that received significantly less funds than other Schools, also seen in the percentage of new faculty that have received FRA.

ZIP Loan Details

- Zero-interest, no monthly payment loan for down payments
- Loans are forgivable; 10% of principal is forgiven annually over 10 years
- Can be combined with other UCOP loans (MOP, supplemental loan)
- No central funding
- 2022-2023 ZIP Loan Pilot at UCI
 - No FRA
 - All recruits offered \$78,900 for down payment for a home outside of University Hills
 - Must buy within 4 years of employment
 - 1 faculty member has used the ZIP during pilot year

Data Sources and Approach

- FRA data from 2019-2022
- MOP loan application data
- Area home prices
- ICHA
 - Meeting
 - Waitlist information
 - Survey of faculty on the waitlist
- Discussions with Deans/Chairs

Recommendations

1. Will ZIP loan address equity issues?

- Unlike the FRAs, ZIP loans will be offered to everyone.
- Possible school supplements
 - Individual schools can supplement up to \$150,000
 - Supplementing schools are likely those that have higher start up packages, replicating the FRA patterns

2. Can faculty purchase a home in Irvine using the ZIP?

Monthly mortgage for \$1.3M home (2,000 sq ft) in Irvine is \$5600 (\$7049 including taxes and insurance), assuming ZIP loan + Supplemental home loan covers 10% downpayment for a MOP loan.

- **39% of faculty can afford this mortgage,** according to household income data.
- **7% of faculty can afford this mortgage,** based on self-reported monthly mortgage affordability.

3. Should ZIP loan be used for non-Uhills or Uhills homes?

We recommend the ZIP loan to be used **ONLY** to buy homes outside of University Hills .

- To help alleviate the Uhills demand.
- To encourage outside purchasing through peer effects or information sharing.

It is not necessary to incentivize faculty to buy homes in University Hills.

- Uhills homes are more affordable and they are already in great demand.
- 93% of the MOP loan applicants can afford a 2,000 sqft (~ \$6k) home in Uhills.

4. Who should the ZIP loan to be offered to?

We recommend the ZIP loan prioritize newly recruited faculty, due to the limited resources.

- Total cost would be \$2.21M if 40% of 70 newly faculty take the \$78.9k ZIP loan, roughly equivalent to the total amount used for FRAs.

However, if the ZIP program is under-utilized or expanded,

- ZIP loans could prove useful for retention and moving households to the outside market.

5. How much pressure could this program relieve from the UniHills waitlist?

UniHills Waitlist

- **Historical:** 70% percent of hired faculty added to list, $\frac{2}{3}$ left via lotteries.
- **Present:** 500 faculty and staff on current list, including 210 Assistant Professors (starting from 2019). 100% of new hired faculty (60-70) added to waitlist annually.
- **Future construction:** Last building (Los Trancos) will provide only 210 new units.

Projections for ZIP Loan

- The ZIP program could help 7–40 % (4-28) of new hires afford a down payment.
- These high-earning households likely could afford a down payment without the ZIP.
- The remaining hires (32-66) who cannot afford an outside mortgage will add to the waitlist.

Conclusions

- ZIP Loan will likely accelerate outside purchases by high-earning hires.
- The ZIP program should have only have a modest effect on the length of the UniHills waitlist.

6. Should we keep the FRA in any capacity?

And what are the implications of continuing the FRA on the original existing problems before the ZIP loan?

FRAs

- **Pros:** Can be applied to any expenses by the hire, Deans like having the flexibility it offers in recruitments, benefits are realized immediately
- **Cons:** Taxable, unlikely to significantly reduce the UHills waitlist
- If ZIP Program primarily serves high-earning faculty, then the FRA offers a more equitable distribution use of resources

Recommendation

- Retain FRAs to aid in the recruitment of faculty of any income level.

Conclusion

ZIP loan only meets housing needs within narrow parameters

- Will likely have the strongest impact among high-earners by incentivizing them to purchase outside of UHills

Housing remains one of the biggest barriers to recruiting

- The ZIP loan should be one of several housing assistance programs
- Be creative to maximize its impact (i.e., offer and promote to senior faculty in UHills)

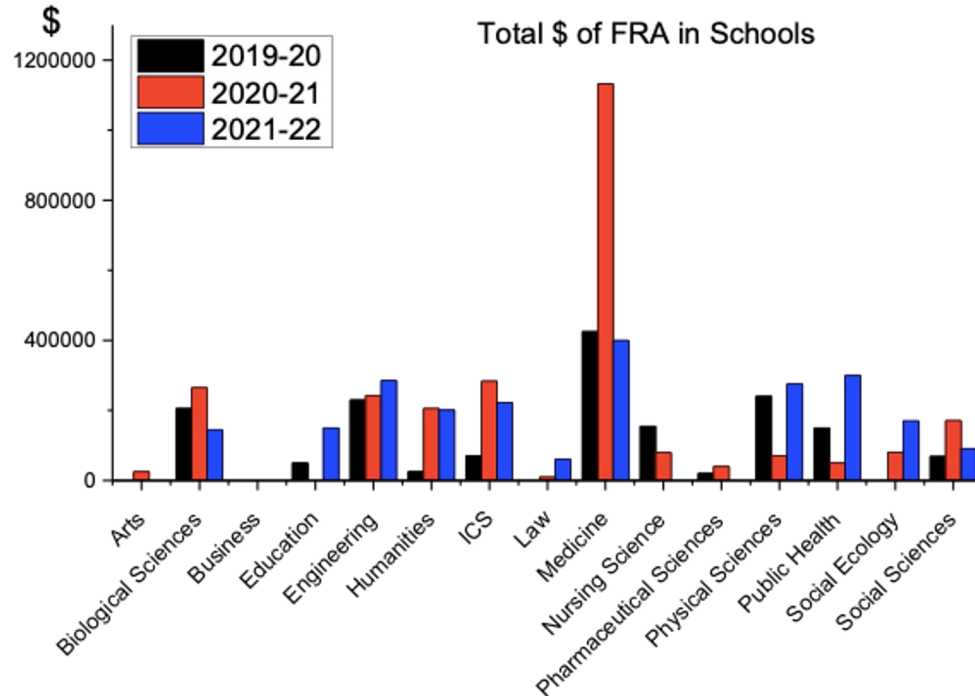
Continue the FRA

- Seek Provost support for FRAs, using campus priorities to avoid past patterns of inequitable use/distribution of FRAs

Extra Slides

Simulation

Allocation of FRA to all Schools at UCI 2019-2022



FRA is not offered in Schools equally; % of newly hired faculty that received FRA

