



## Policies and Procedures Manual

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Title: Faculty Mortgage Subsidy Program Policy  
Policy Administrator: Director Administrative Services  
Effective Date: Mar-02-2008  
Approved by: Board of Trustees

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### **Purpose:**

The Faculty Mortgage Subsidy Program is intended to provide mortgage assistance for the first-time home purchase of a primary residence to tenured and tenure-track faculty members. The program was designed to enhance recruiting and retention of faculty as well as to encourage faculty to settle near the College so they can more easily participate in all facets of campus life.

### **Policy:**

To meet the varying needs of individual faculty, the College will provide the mortgage assistance program to tenured and tenure-track faculty for the purchase of a first-time primary residence. The College will provide a 15-year, below market rate, 2<sup>nd</sup> mortgage. The rate will be set against the current Bank of America (BOA) 15-year fixed-rate, no-points mortgage. The discount rate offered to eligible faculty will be 3% less than the BOA 15-year fixed-rate for a residence in the City of Worcester. For a residence outside the city of Worcester, the discount rate will be 2% less than the BOA 15-year fixed rate. However the rate of interest on the mortgage will not be less than the applicable federal rate.

### **1.0 Eligibility**

This policy is applicable to all faculty members that meet the following criteria:

- Tenured or tenure-track faculty member
- First-time homebuyer
- Mortgage assistance is for purchasing of a primary residence

The following additional criteria also apply:

- One loan per faculty member/family/cohabitants.
- Family income does not exceed two and one quarter times the salary of the Holy Cross faculty member

### **2.0 Benefit**

For those individuals that meet the eligibility requirements outlined above, the College will loan, up to 15 years, a matching dollar amount equal to the faculty member's down payment, up to 10% of the purchase price of the residence, at a fixed rate per annum equal to a graduated discount on the current Bank of America 15-year fixed rate with no points. This rate will be graduated based on the location of the residence in relation to the College so as to encourage faculty to reside in the proximity of the College:

- a.) for purchases in the City of Worcester, a 3% discount of the interest rate will apply,
- b.) for purchases outside of the City of Worcester, a 2% discount of the interest rate will apply.

Should a recipient of a College-subsidized mortgage loan sell the residence financed, resign from the College, or be terminated for cause before the loan is paid in full, the faculty member must immediately repay the outstanding balance due. No early payment penalty will apply. Should the interest rate charged by Holy Cross fall below the Federal Fair Interest rate, benefit recipients will be taxed on the difference between the two rates.

## **2.1 Limits**

The maximum aggregate amount of College funds available to all borrowers for this type of loan is one million dollars. Applications will be considered in the order in which they are submitted until the available funds have been exhausted. Applicants whose submissions are approved but for whom insufficient funds exist will remain on a list of potential beneficiaries. As additional funds become available within the pool, faculty members will be selected from the wait list in the order they were added, unless they subsequently withdraw their names from consideration.

## **Procedures:**

### **1.0 Administration**

The program will be administered by the Vice President for Administration and Finance subject to approval by the President. Faculty requests for assistance will be coordinated in writing through the Vice President for Academic Affairs/Dean of the College who will verify eligibility status and recommend approval or disapproval. Requests will be forwarded to the Vice President for Administration and Finance for identification of funds and final approval of the loan. A copy of the residential purchase and sales agreement and proof of down payment along with income information for a spouse or partner must accompany the request when it is forwarded. Once approved, the request will be forwarded to the Controller for disbursement. The Controller will prepare the necessary paper work and arrange a meeting with the faculty member to have it signed and to arrange a payment time/schedule.

#### ***1.1 Example Purchase Outside of Worcester***

**Assumptions:** A tenured faculty member earning \$75,000 a year with a spouse that earns \$25,000 annually decides to purchase a house in Spencer (Worcester County) for \$350,000. They have saved enough for a 10% down payment on the home. They choose the mortgage assistance subsidy benefit in the form of a loan to provide another

10% down on the home purchase, thus avoiding private mortgage insurance (PMI) that may otherwise have been required with less than 20% down on the home.

1<sup>st</sup> Mortgage: 30-year fixed rate mortgage at 6.2% for \$280,000 (\$350,000 purchase price – faculty down payment of 10% - HC loan of 10%)

2<sup>nd</sup> mortgage: Mortgage with HC for 15 years at 4% for \$35,000 (10% matching of faculty down payment at 2% (Worcester County) less than the 6% 15-year, no-points Bank of America rate being offered at the time.)

The following would result:

Cost of home	\$ 350,000
Down payment	\$ 70,000 (\$35,000 savings/\$35,000 HC Loan)
30-year finance	\$ 280,000
30-year rate	6%
Principal & Interest	\$ 1,690
PMI	\$ 0
Taxes	\$ 200
Insurance	\$ 67
Total	\$ 1,957
15-year 2 <sup>nd</sup> Mortgage	\$ 259 (\$35,000 @ 4% for 15 years)
<b>Estimated monthly payment</b>	<b>\$ 2,206</b>

## 1.2 Example Purchase in Worcester

**Assumptions:** A tenured faculty member earning \$75,000 a year with a spouse that earns \$25,000 annually decides to purchase a house in Worcester for \$300,000. They have saved enough for a 10% down payment on the home. They choose the mortgage assistance subsidy benefit in the form of a loan to provide another 10% down on the home purchase, thus avoiding private mortgage insurance (PMI) that would have been required with less than 20% down on the home.

1<sup>st</sup> Mortgage: 30-year fixed rate mortgage at 6% for \$240,000 (\$300,000 purchase price – faculty down payment of 10% - HC loan of 10%)

2<sup>nd</sup> mortgage: Mortgage with HC for 15-years at 3% for \$30,000 (10% matching of faculty down payment at 3% (Worcester) less than the 6% 15-year, no-points Bank of America rate being offered at the time.)

The following would result:

Cost of home	\$ 300,000
Down payment	\$ 60,000 ( \$30,000savings/\$30,000 HC Loan)
30-year finance	\$ 240,000
30-year rate	6%
Principal & Interest	\$ 1,440
PMI	\$ 0
Taxes	\$ 200
Insurance	\$ 67
Total	\$ 1,707
15-year 2 <sup>nd</sup> Mortgage	\$ 210 (\$30,000 @ 3% for 15 years)
<b>Estimated monthly payment</b>	<b>\$ 1,917</b>

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