

**UNIVERSITY OF CALIFORNIA MORTGAGE ORIGINATION PROGRAM
PROGRAM POLICIES**

(deletions shown by strike-out; additions shown by underlining)

A. ~~PROGRAM FRAMEWORK~~ ELIGIBILITY AND PARTICIPATION POLICIES

1. The eligible population for the Mortgage Origination Program (Program) consists of full-time University appointees who:
 - are members of the Academic Senate; or ~~who~~ hold academic titles equivalent to titles held by such members;
 - ~~or~~ hold the title of Acting Assistant Professor;
 - are members of the Senior Management Group; or
 - will be appointed to any of these eligible positions effective no more than 180 days after loan closing;

it being understood that any non-academic appointee with total cash compensation in excess of the Indexed Compensation Level and any position specifically designated by The Regents as requiring Regents' approval for compensation-related matters, must be approved for Program participation by The Regents.~~except that the President is authorized to make exceptions to the above categories based upon the essential recruitment and retention needs and goals of the institution.~~
2. ~~The Program is further restricted to eligible appointees who do not currently own, and, within the 12-month period preceding the issuance of the loan have not owned, a principal place of residence within a reasonable distance of their campuses.~~
3. ~~2.~~ From the eligible population, the Chancellor's Office or DOE Laboratory Director will select~~shall designate~~ eligible individuals for participation in the Program based on each ~~campus~~location's determination of its requirements for recruitment and

retention. Additionally, the Chancellor or DOE Laboratory Director may recommend, and the President is authorized to approve, individuals not in the eligible population defined in Policy A.1 for participation in the Program, based upon the essential recruitment and retention needs and goals of the institution, it being understood that any non-academic appointee with total cash compensation in excess of the Indexed Compensation Level at the time of the request for approval and any position specifically designated by The Regents as requiring Regents' approval for compensation-related matters must be approved for Program participation by The Regents.

5.3. Because the Program is primarily designed to help assist eligible appointees enter the housing market near their campuses for the first time, a minimum of 90% of the funds allocated for Program loans between July 1, 1988 and June 30, 2000, and a minimum of 85% of the funds allocated for Program loans since July 1, 2000 are to be used for the purchase of the participant's first principal place of residence within a reasonable distance of campus at which the participant is employed, it being understood for these purposes that the participant has not owned a principal place of residence within such distance of the campus within the 12-month period preceding the closing of the Program loan. refinancing loans are not part of this Program, except for loans made to repay short term construction or bridge loans.

4. If, in the judgment of the Chancellor or DOE Laboratory Director, individual circumstances warrant the making of a loan that does not meet the primary intent of Policy A.3 in order to address an essential recruitment or retention need of the campus, the Chancellor or DOE Laboratory Director may authorize Program participation for an otherwise eligible appointee from that portion of the remaining funds not restricted by the provisions of Policy A.3 for the following limited purposes (Limited Resource Allocation Loans):

- to refinance existing housing-related debt secured on a participant's principal residence, including related loan transaction expenses included in the prior loan

balance or related to the Program refinancing loan, with the understanding that the Program loan cannot be used to pay off loans, secured or not secured, used for non-housing-related expenses or for any mortgages on other properties:

- to provide a new Program loan to a current or prior Program participant at the same campus; or
- to provide a Program loan to a participant who has owned a home within a reasonable distance of the campus within a 12 month period prior to the funding of a Program loan.

~~5. In order to maximize the number of loans available, an individual may receive only one mortgage loan under the Program.~~

8.5. Program participation may continue for the term of employment by the University of California, as long as the property securing the loan continues to meet the specifications outlined in Policy B.1, it being understood that:

- if the property securing the loan no longer meets the specifications outlined in Policy B.1, the mortgage loan shall be reviewed for appropriate disposition; and
- ~~When the~~ if University employment is terminated or, in the case of academic appointees, there is a permanent change to an appointment status not considered to be in full-time service to the University, the mortgage loan is to be repaid within ~~six months~~ 180 days of such date of separation or change in status, ~~except with the understanding that:~~
 - participation can continue when separation is due to disability or retirement; or
 - in the event of the death of the participant, participation can continue for a surviving spouse or surviving ~~d~~Domestic Partner or, in the absence of a surviving spouse or surviving ~~d~~Domestic partner, for a surviving ~~e~~Eligible eChild (as the terms Domestic Partner and Eligible Child are defined by the University of California Retirement Plan); or

- o in hardship cases, reasonable forbearance beyond the 180 day period may be granted for repayment, provided all other terms and conditions of the loan are satisfied.

7. ~~Exceptions, in an amount not to exceed 10% of a campus's cumulative allocations for all allocation periods beginning with July 1, 1988 through June 30, 2000, and not to exceed 15% of all cumulative allocations for allocation periods beginning with July 1, 2000, may be made under items 2, 5, and 7 for otherwise eligible appointees who are unable to retain ownership of a current residence as a result of medical circumstances, natural disaster, a qualified domestic relations order or other judgments rendered by a court of law, or for other reasons which, in the judgment of the Chancellor, warrant such an exception based upon the essential academic recruitment or retention needs of the campus. With respect to an exception for refinancing, the loan cannot be for an amount greater than the outstanding balance of the prior loan and accrued expenses nor can the loan be used to pay off loans secured by second trust deeds if those loans were used for non-housing related expenses or mortgages on other properties.~~

B. PROGRAM LOAN PARAMETERS POLICIES

1. ~~Mortgage loans under the Program loans shall be secured, using a recorded deed of trust or other appropriate recorded document, will be available for residences that are:~~
 - ~~owner-occupied; single-family residences, including planned unit development and condominium units, which may include one secondary unit that does not comprise more than one-third of the total living area of the home;~~
 - ~~the principal place of residence for the participant, other than during absences for sabbatical leave or other approved leaves of absence;~~
 - ~~used primarily for residential, non-income producing purposes; and~~
 - ~~50% or more participant-owned.~~

2. Direct construction loans are not eligible under this Program; however, Program loans may be used to refinance commercial construction loans upon completion of ~~the a~~ new residence or the completion of the renovation of an existing residence.
3. ~~A minimum down payment of 10% is required to be provided by the participant; however, T~~the maximum loan-to-value ratio (LTV) of a Program loan is to be determined as follows:
- for loans up to ~~\$795,500~~\$45,000, the maximum LTV is 90% when the loan does not include any financing of closing costs and 92% with financing of documented closing costs;
 - for loans greater than ~~\$795,500~~\$45,000 up to ~~\$1,251~~\$330,00, the maximum LTV is 90%; ~~and~~
 - for loans greater than ~~\$1,251~~\$330,000, the maximum LTV is 85%; ~~and~~
 - Program loans amounts greater than \$1,000,000~~\$1,330,000~~ (Indexed Program Loan Amount) shall require the approval of the President and the concurrence of the Chairman of the Board of Regents and Chairs of the Committees on Finance and Compensation.

An ~~exception~~increase to the 85% maximum LTV for loans in excess of ~~\$1,251~~\$2330,000 to no more than 90% may be ~~granted~~approved upon recommendation by the President, with ~~approval~~concurrence of the Chairman of the Board of Regents and the Chairs of the Committees on Finance and Compensation and the Chair of the Board of Regents. The value of the residence is, in all cases, defined as the lesser of the purchase price or current appraised value. The above dollar threshold amounts for determining the maximum LTV and for the Indexed Program Loan Amount reflect applicable levels in effect as of April 2007~~6~~, which shall be adjusted annually in April, based upon increases in the All-Campus Average Sales Price ~~from~~determined by the annual zip code study performed by the Office of Loan Programs.

4. ~~Up to a~~The maximum term of a Program loan shall be 40-years.~~mortgage amortization term.~~
5. The standard mortgage interest rate (Standard MOP Rate) will be equal to the most recently available average rate of return earned by the Short-Term Investment Pool (STIP) for the four quarters preceding the issuance of a loan commitment letter for the mortgage loan, plus an administrative fee component:
- the President shall determine the level of the administrative fee component of the rate up to an amount not to exceed 0.25%;
 - the Standard MOP Rate will be adjusted annually on the anniversary date of the loan;
 - the maximum amount of adjustment up or down of the Standard MOP Rate will be 1% per year;
 - there will be no cap on the total amount of adjustment of the Standard MOP Rate over the term of the loan;
 - in the event a loan commitment letter is issued and the Standard MOP Rate subsequently decreases prior to the loan funding, the borrower will receive the more favorable rate; and
 - the difference between the weighted average rate of return of the Program mortgage portfolio versus that of STIP will be calculated monthly, with any earnings shortfall in the Program portfolio being covered by the Faculty Housing Program Reserve. Any earnings excess will be retained in the Faculty Housing Program Reserve. The Faculty Housing Program Reserve will reimburse STIP for any principal losses resulting from portfolio loan losses.
6. Campuses have the option to offer borrowers Program loans that have a temporary interest-only repayment feature for up to 10 years (IO-Period) with the following parameters:
- the maximum overall term of the loan is 40 years and the minimum remaining term after the IO-Period is 30 years;

- an additional interest rate margin of 0.25% will be added to the Standard MOP Rate during the IO-Period (IO-Rate);
- the additional 0.25% margin amounts collected during the period of UC-ownership of any such loan shall be held in a separate loss protection account within the Faculty Housing Programs Reserve to offset any losses of principal attributed to this class of loans;
- during the IO-Period, the maximum annual adjustment to the IO-Rate, up or down, is 1%;
- after the IO-Period, the fully amortized payment will be calculated using the remaining loan balance and term at the underlying Standard MOP Rate in effect at the end of the IO-Period, subject to the maximum annual interest rate adjustment of the Standard MOP Rate, up or down, of 1%; and
- the IO-Period is not renewable beyond the maximum 10-year IO-Period term.

4.7. Each Chancellor and DOE Laboratory Director is authorized to designate eligible program participants for participation in the Graduated Payment Mortgage Origination Program (GP-MOP) option, which provides for a reduction in the Standard MOP Rate in the manner described below:

- the maximum rate reduction in the Standard MOP Rate is 3.0% and the minimum resulting ~~initial~~ mortgage interest rate for such loans shall be 3.0%;
- the rate reduction amount will be decreased by a predetermined annual adjustment (ranging from 0.25% to 0.50%) until the mortgage interest rate equals the Standard MOP Rate;
- for the time period in which the rate reduction is in effect for each GP-MOP loan, the campus shall provide for a monthly transfer of funds (from available campus funds, including discretionary funds, as well as unrestricted and appropriate restricted gift funds) to STIP or to a third-party investor, if the loan has been sold, to provide the same yield that would have been realized under the Standard MOP Rate; and

- the President is authorized to approve ~~exceptions to the maximum~~ an initial rate reduction greater than 3.0% and an annual adjustment amounts outside the standard range of 0.25% to 0.50%, ~~but not to the minimum initial mortgage interest rate~~, based upon the essential recruitment and retention needs and goals of the institution, it being understood that any such approvals for non-academic appointees with total cash compensation in excess of the Indexed Compensation Level at the time of the request for approval and any position specifically designated by The Regents as requiring Regents' approval for compensation-related matters must be approved by The Regents.

5.8. ~~The sum of Monthly~~ monthly mortgage payments (principal and interest) of this and all other loans secured by the residence may not exceed 40% of the participant's household income.

6.9. When administratively feasible, mortgage payments ~~will~~ shall be made by payroll deduction while on salary status.

7.10. Mortgage loans under this Program are not assumable.

8.11. Mortgage loans under this Program carry no prepayment penalty.

9.12. Mortgage loans under this ~~p~~Program carry no balloon payments.