

(deletions shown by ~~strikeout~~; additions underscored)

MORTGAGE ORIGINATION PROGRAM LOAN PARAMETERS

1. A minimum down payment of 10% is required to be provided by the participant; however, the maximum loan-to-value ratio (LTV) of a Program loan is to be determined as follows:
 - for loans up to \$437,000, 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 \$437,000 up to \$687,000, the maximum LTV is 90%; and
 - for loans greater than \$687,000, the maximum LTV is 85%;
 - loans greater than \$1,000,000 shall require the concurrence of the Chairman of the Board.

An exception to the 85% maximum LTV for loans in excess of \$687,000 to no more than 90% may be granted upon recommendation by the President, with approval of the Chair of the Committee on Finance 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 reflect applicable levels in effect as of April 2001, which shall be adjusted annually based upon increases in the all-campus average sales price from the annual zip code study performed by the Office of Loan Programs.

2. Up to a 40-year mortgage amortization term.

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3. The standard mortgage interest rate (Standard 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:

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-- the President shall determine the level of the administrative fee component of the rate up to an amount not to exceed 0.25%;

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-- the Standard Rate will be adjusted annually on the anniversary date of the loan;

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-- the maximum amount of adjustment up or down of the Standard Rate will be 1% per year;

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-- there will be no cap on the total amount of adjustment of the Standard Rate over the term of the loan;

-- in the event a loan commitment letter is issued and the Standard Rate subsequently decreases prior to the loan funding, the borrower will receive the more favorable rate; and

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-- 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.

4. Each Chancellor and 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 Rate in the manner described below:

-- the maximum rate reduction in the Standard 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 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 to provide the same yield that would have been realized under the Standard Rate;
- the President is authorized to approve exceptions to the maximum rate reduction and annual adjustment amounts, but not to the minimum initial mortgage interest rate, based upon the essential recruitment and retention needs and goals of the institution.

5. Monthly mortgage payments may not exceed 40% of the participant's household income.

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

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7. Mortgage loans under this Program are not assumable.

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

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9. Mortgage loans under this Program carry no balloon payments.

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