(deletions shown by strike-out; additions underscored)

MORTGAGE ORIGINATION PROGRAM FRAMEWORK

1. The eligible population for the Mortgage Origination Program consists of full-time University appointees who are members of the ~~Executive Program~~ Senior Management Group; ~~or 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; 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. From the eligible population, the Chancellor's Office will select eligible individuals for participation in the Program based on each campus' determination of its requirements for recruitment and retention.

4. Mortgage loans under the Program will be available for residences that are:
   - -- owner-occupied, single-family residences, including condominium units, and duplexes;
   - -- the principal place of residence for the participant;
   - -- used primarily for residential, non-income-producing purposes; and
   - -- 50% or more participant-owned.

5. Because the Program is designed to help eligible appointees enter the housing market near their campuses for the first time, refinancing loans are not part of this Program, except for loans made to repay short-term construction or bridge loans.

6. Direct construction loans are not eligible under this Program; however, Program loans may be used to refinance commercial construction loans upon completion of the residence.

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

8. Program participation may continue for the term of employment by the University of California:

   -- When the 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 of such date of separation or change in status, except that

      -- participation can continue when separation is due to disability or retirement and
      -- participation can continue for a surviving spouse (or, in the absence of a spouse, for an eligible child, as that term is defined by the University of California Retirement Plan Plan Document) in the event of the death of the participant.

9. 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 judgements rendered by a court of law, or for other reasons which, in the judgement 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.

(deletions shown by strike-out; 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 ~~$250,000~~$350,000, 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 ~~$250,000~~ $350,000 up to $~~400,000~~$550,000, the maximum LTV is 90%; and

   -- for loans greater than ~~$400,000~~$550,000, the maximum LTV is 85%.

   An exception to the 85% maximum LTV for loans in excess of ~~$400,000~~$550,000 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 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 30-year mortgage amortization term.

3. The mortgage interest rate will be equal to the base rate, defined as 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 ~~funding of~~ the mortgage loan, plus an administrative fee component:

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

-- the mortgage interest rate will be adjusted annually on the anniversary date of the loan;

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

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

-- in the event a loan commitment letter is issued and the base 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~~annually~~, with any ~~cumulative~~ earnings shortfall in the Program portfolio being covered by the Faculty Housing Program Reserve, ~~after taking into account any prior years' excess earnings~~. 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. Monthly mortgage payments may not exceed 40% of the participant's household income.

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

6. Mortgage loans under this Program are not assumable.

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

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