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Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ACTION ITEM

For Meeting of November 20, 2015

UNIVERSITY OF CALIFORNIA MORTGAGE ORIGINATION PROGRAM AND SUPPLEMENTAL HOME LOAN PROGRAM – PROPOSED REVISIONS TO PROGRAM POLICIES

EXECUTIVE SUMMARY

This item proposes revisions to the Mortgage Origination Program (MOP) and Supplemental Home Loan Program (SHLP) policies as described in Attachments 1 and 2: expanding the eligibility pool for MOP and SHLP loans to include UC Hastings College of the Law faculty, designating a portion of the Faculty Housing Program Reserve Fund to provide a central funding source for Supplemental Home Loan Program loans, and rescinding the SHLP provision that allows renovation loans. All of the recommendations will take effect as of January 1, 2016.

RECOMMENDATION

The President of the University recommends that the Committee on Finance recommend to the Regents:

A. Expansion of Mortgage Origination Program and Supplemental Home Loan Program (SHLP) eligibility to include UC Hastings College of the Law faculty.

B. Establishment of a centrally-funded pool available for SHLP loans, with an initial allocation of $5.5 million from the Faculty Housing Programs Reserve Fund.

C. Rescission of the current SHLP policy for renovation loans.

BACKGROUND

Program History

In July 1984, the Regents approved the establishment of MOP to provide primary mortgage financing to support the University of California's recruitment and retention needs for faculty and Senior Managers. SHLP was approved by the Regents in March 1993 to provide flexibility to utilize campus funding sources to offer an additional source of financing. SHLP is most often used as secondary financing in conjunction with a MOP loan. In some cases, a SHLP loan has been used as primary financing in order to provide loan terms that are not available under MOP.

From program inception in July 1984 through June 30, 2015, the Office of Loan Programs (OLP) funded 6,077 MOP loans with an aggregate amount of $2.7 billion. The servicing portfolio as of June 30, 2015 consisted of 2,754 loans with an outstanding portfolio balance of $1.24 billion. From July 1, 1993 through June 30, 2015, 880 SHLP loans were funded with a total amount of $103.3 million.

MOP and SHLP have maintained a continuous high level of customer satisfaction due to a long-term programmatic commitment to process improvement and product design and delivery mechanisms.

In January 2014, the Regents approved the establishment of a nonprofit entity, the University of California Home Loan Program (UCHLP) Corporation, to undertake the residential lending activities performed by OLP within the Office of the President. Effective with loan applications received on or after February 1, 2014, all loan origination functions are performed by UCHLP. The Corporation has been functioning as a successful operating entity since it was established.

Expansion of MOP and SHLP Eligibility to Include UC Hastings College of the Law Faculty

UC Hastings College of the Law (UC Hastings) is finding it difficult to recruit faculty due to the high cost of housing in the San Francisco Bay Area. Although UC Hastings faculty are not University of California (University) employees, there is a legal relationship and affiliation between the University and UC Hastings.

To help alleviate the high cost of housing, UC Hastings has requested the addition of their faculty (Assistant, Associate and Full Professors) to the eligibility pool for MOP and SHLP loans. Management positions at UC Hastings would not be included, unless the individual also had an Academic Appointment (for example a Dean who also had a professorial title).

- There are approximately 65 tenure and tenure track faculty positions at UC Hastings with projected recruitments of two to five faculty members during each of the next five years.

- The projected demand in these newly recruited faculty positions is for loans with loan amounts of $1 million or less.

- The demand based on the projected usage outlined above would total between $2 million and $5 million annually, resulting in a maximum usage of between $10 million and $25 million over the next five years.

Effective July 18, 2015, the President executed a Delegation of Authority (DA2587) to certain University officials to provide them with the ability to designate MOP or SHLP participation for

University employees with specific non-eligible titles, as outlined in Attachment 3. The President retains the authority to designate MOP or SHLP participation for titles not included in DA2587. Since UC Hastings faculty are not University employees, there is no provision for UC Hastings faculty to receive a MOP or SHLP loan, even under the additional approval provisions as outlined in DA2587.

In reviewing the UC Hastings request, the following issues were evaluated:

- UC Hastings faculty are members of the University of California Retirement System (UCRS).
- UC Hastings has funds invested in the Short Term Investment Pool (STIP).
- Annual MOP usage is projected to be within a range that can be supported by the existing MOP allocation.
- It would be cost-prohibitive for UC Hastings to set up its own loan program for its current number of faculty.

Initially, UC Hastings MOP loans will be funded from the UCOP MOP allocation, which has a balance of $36.1 million as of September 30, 2015. During the five most recent fiscal years, the average annual loan volume from the UCOP allocation has been eight loans totaling $6.3 million.

If UC Hastings receives its own allocation of funds in the future, loans will be funded from the UC Hastings allocation. All MOP loan policies and procedures will apply to loans made to UC Hastings faculty, including the provision that the Faculty Housing Programs Reserve Fund will be used to reimburse STIP for any principal losses associated with the loan portfolio.

UCHLP will complete the loan origination process for UC Hastings applications using the same qualification standards used for all MOP and SHLP loans.

Hastings will designate a funding source for SHLP loans with the exception of centrally-funded SHLP loans as outlined below.

Establishment of a centrally-funded pool available for SHLP loans, with an initial allocation of $5.5 million from the Faculty Housing Programs Reserve Fund

Currently, there is no central funding source available for SHLP loans. University locations participating in SHLP are authorized to use discretionary funds from all legally-available fund sources, including unrestricted and restricted gift funds and campus Foundation funds. State funds (19900 funds) cannot be used for SHLP loans.

The availability of funds for SHLP loans has become limited in the last several years, particularly at the smaller locations. In order to provide a stable source of funding, it is proposed that a portion of the Faculty Housing Programs Reserve Fund (Reserve) be designated as a central funding source. The designated funds will not be distributed to the campuses, but will remain in the Reserve until loans are funded. The loans will be investments of the Reserve and will provide a reasonable return on investment.

Faculty Housing Programs Reserve Fund

In July 1984, the Regents approved the establishment of MOP. At the same meeting, the Reserve was established. The source of funds for the Reserve was the Regents’ Working Capital Fund, which was a fund that was established by the Regents in 1951 to provide loans to campuses to finance inventory and equipment needs of auxiliary and service enterprises.

The uses of the principal balance and earnings of the Faculty Housing Programs Reserve (Reserve) as approved by the Regents are:

- Mortgage Origination Program administration and operations.
- Reimbursement to STIP in the event that the actual interest received from MOP mortgage payments is less than the rate of return that the funds would have earned had they remained in other STIP investments.
- Reimbursement to STIP of any principal losses resulting from the loan portfolio.
- Payment of sales costs and purchase discounts related to the sale of MOP loans to third parties under the MOP Portfolio Sales Program.
- Other costs associated with the development and implementation of programs designed to provide housing assistance.

In January 2012, the Regents authorized a reallocation of $15 million of the Reserve to help alleviate budget conditions. In July 2013, the Regents authorized an additional reallocation of $10 million to address academic priorities.

The balance of the Reserve fund when it was established in July 1984 was $9.3 million. As of September 30, 2015, the Reserve balance is $52.3 million. The annual source of earnings to the Reserve includes service fee revenue from MOP and SHLP loans, MOP portfolio earnings in excess of the STIP rate of return, and loan sale premiums from MOP loan sales that are completed at a price that exceeds par value.

The Reserve fund balance is invested in STIP, which is currently earning less than two percent annually.

Historical SHLP Loan Losses

For the $103.3 million of SHLP loans funded between fiscal year 1993-94 and fiscal year 2014-15, principal losses of $332,700 were recognized. This annualized loan loss percentage of

0.027 percent represents an extremely low historical loss ratio. Assuming a similar risk profile for future loans, the risk of losses to the portfolio is very small.

Designating $5.5 million of the Reserve for SHLP loans will provide a new source of funding to aid in the recruitment and retention of faculty, while also providing additional earnings to the University, with very little risk of principal losses.

Centrally Funded SHLP Pool – Loan Parameters

The high cost of housing surrounding the University locations continues to restrict the ability of faculty to purchase a home near their work location. The Mortgage Origination Program allows a loan-to-value ratio of up to 90 percent of the value of the property (lesser of the sales price or the appraised value). The SHLP policy provides for a combined loan-to-value ratio of up to 95 percent. The purpose for developing the Centrally Funded SHLP (CF-SHLP) pool is to provide the locations with a central source of funding that will assist in providing this additional five percent of financing. The intent of the new pool is to provide relatively small loan amounts to assist applicants who have limited downpayment resources.

The parameters of the loans made from the Reserve will fall within the guidelines of the existing SHLP Program Eligibility and Participation Guidelines and Program Loan Parameters with the following additional restrictions:

- Loans must be in second position.
  The maximum loan amount will be the lesser of either five percent of the purchase price or $75,000. The maximum loan amount will be indexed to any increase in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.
- The maximum term for loan amounts up to $25,000 will be ten years (120 months).
- The maximum term for loan amounts greater than $25,000 will be 15 years (180 months).
- The loans will have a fixed interest rate equal to the most recently available four-quarter average rate of return of STIP, plus a 0.5 percent margin, plus a 0.25 percent servicing fee. The minimum interest rate will be three percent.
- The allocation will be divided equally between the campuses and UCOP. The UCOP allocation will be utilized for loans to UCOP, LBNL, ANR and UC Hastings employees.

This allocation is being divided equally to help assess initial demand at each location. Although the larger locations tend to have more demand for SHLP loans, they also have more resources available to fund those loans. An analysis of the demand and usage patterns for each location will be completed in order to determine the distribution methodology for future allocations.

Based on the essential recruitment and retention needs of the University, the President shall have the authority to approve exceptions to the CF-SHLP loan parameters as long as the loan parameters still fall within overall SHLP policy.

On an annual basis, the President shall have the ability to designate an additional allocation from the Reserve. The total allocation from the Reserve will not exceed 15 percent of the outstanding Reserve balance as of the end of the fiscal year.

All principal loan repayments will be returned to the CF-SHLP pool. When a loan pays off in full, the original loan amount will be returned to the location's allocation.

Rescission of the Current SHLP Policy for Renovation Loans

In addition to providing secondary financing, SHLP policy allows SHLP loans to be used for bridge financing, refinances, and renovation purposes. However, the primary purpose of SHLP has always been to provide downpayment assistance (generally, in the form of five percent financing behind the MOP) towards the purchase of a principal residence. Currently, nearly all SHLP loans are used as secondary financing as part of a home purchase.

Since the establishment of SHLP, only 31 renovation loans have been issued. The low usage rate for renovation loans during the 22 years that SHLP loans have been available is an indicator that there is a very limited demand for the product.

During the last several years, the level of regulation associated with renovation loans has increased. Fannie Mae regulations require the lender to have complete oversight regarding review of the necessary building permits, blueprints, and contractor plans. The lender must also monitor the completion of the renovation work to ensure that clear title to the property is maintained. When there are construction delays or change orders, the initial timeline for a renovation project can be significantly delayed. In the event the final cost of the renovation project exceeds the original estimate, the borrower may not have sufficient resources to pay the amount of the overages to the contractor.

Given the risks associated with making renovation loans in the current regulated environment, and the higher level of technical expertise involved with issuing this type of loan, no further applications for renovation loans will be accepted after December 31, 2015.

Key to Acronyms

DA	Delegation of Authority
OLP	Office of Loan Programs
MOP	Mortgage Origination Program
SHLP	Supplemental Home Loan Program
STIP	Short Term Investment Pool
UCHLP	University of California Home Loan Program

Attachment 1 – University of California Mortgage Origination Program Policies
Attachment 2 – University of California Supplemental Home Loan Program Policies
Attachment 3 – Delegation of Authority 2587 – List of Titles

Additions shown by underscoring; deletions shown by strikethrough

UNIVERSITY OF CALIFORNIA
MORTGAGE ORIGINATION PROGRAM
POLICIES

A. ELIGIBILITY AND PARTICIPATION POLICIES

In all eligibility and participation policies described herein, it is understood that any appointee in a position specifically designated by The Regents as requiring Regents' approval for compensation-related matters must be approved for Mortgage Origination Program participation by The Regents.

All references to MOP loan eligibility, participation policies, and loan policies also apply to GP-MOP, IO-MOP and 5/1-MOP loans unless otherwise described herein.

1. The eligible population for the Mortgage Origination Program (MOP) consists of full-time University appointees ~~who~~ with positions in the following categories:
   - ~~are members of the~~ Academic Senate ~~or hold academic titles equivalent to titles held by such~~ members;
   - Academic titles equivalent to titles held by Academic Senate members as specified in Section 105.1 and 103.3 of the By-Laws and Standing Orders of the Regents of the University of California;
   - ~~hold the title of~~ Acting Assistant Professors;
   - ~~are members of the~~ Senior Management Group members; ~~or~~
   - UC Hastings College of the Law (UC Hastings) faculty members;
   - University or UC Hastings employees who will be appointed to any of these eligible ~~positions~~ categories effective no more than 180 days after loan closing~~.~~;
   - Other appointees who have received required additional approvals to be eligible for participation.

2. From the eligible population, the Chancellor, ~~or~~ Lawrence Berkeley National Laboratory (LBNL) Director, or the Dean of UC Hastings shall designate eligible individuals for participation in MOP based on each location's determination of its requirements for recruitment and retention. Additionally, ~~the Chancellor or LBNL Director may recommend, and~~ the President is authorized to approve~~,~~ individuals not in the eligible population defined in Section A.1 for participation in MOP, based upon the essential recruitment and retention needs and goals of the institution. Effective July 18, 2015, the President has delegated this authority (DA2587) to the Chancellors, LBNL Director, Executive Vice President – Chief Operating Officer, and the Agriculture and Natural Resources Vice President for specific titles as outlined in an Appendix to the University of California Home Loan Program Corporation – Program Lending and Administrative Manual.

3. ~~Effective with the 2010-2012 MOP allocation and for all subsequent allocations,~~ A minimum of 60% of funds allocated for MOP is designated for participants who are purchasing their first principal place of residence within a reasonable distance of their ~~campus or laboratory~~ work location. These loans are further designated for participants who have not owned a principal place of residence within a reasonable distance of their ~~campus or laboratory~~ work location within the 12-month period preceding the closing date of their MOP loan.

4. ~~If, in the judgment of the Chancellor or LBNL Director, individual circumstances warrant the making of a loan that does not meet the intent of Section A.3,~~ Up to 40% of the allocation is available to address essential recruitment or retention needs ~~of the campus or laboratory~~ for otherwise eligible appointees for one or more of the following purposes (Limited Purpose loans):

   - to refinance existing qualifying 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 MOP loan.~~,~~ ~~with the understanding that the~~ MOP loans ~~cannot~~ may not be used to pay off loans, secured or not secured, used for non-housing-related expenses or for any mortgages on other properties. For any debt secured on a participant's principal residence that was incurred during the five years prior to loan closing, the participant must document the purpose and use of funds as qualifying housing-related indebtedness associated with the subject property;

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

5. MOP participation may continue for the term of employment by the University of California or UC Hastings, as long as the property securing the loan continues to meet the specifications outlined in Section B.1, it being understood that:
   - if the property securing the loan no longer meets the specifications outlined in Section B.1, the MOP loan shall be reviewed for appropriate disposition; and
   - if University or UC Hastings 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 or UC Hastings, the MOP loan is to be repaid within 180 days of such date of separation or change in status, with the understanding that:
     - participation can continue when separation is due to disability or retirement under the provisions of the University of California Retirement Plan or other retirement plan to which the University or UC Hastings contributes on behalf of the participant; or
     - in the event of the death of the participant, participation can continue for a surviving spouse or surviving Domestic Partner or, in the absence of a surviving spouse or surviving Domestic Partner, for a surviving Eligible Child (as the terms Domestic Partner and Eligible Child are defined by the University of California Retirement Plan); or

- 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.

B. MOP LOAN POLICIES

1. MOP loans shall be secured, using a recorded deed of trust 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. MOP loans may not be used for direct construction loans; however, MOP loans may be used to refinance commercial construction loans upon completion of a new residence or the completion of the renovation of an existing residence.

3. The maximum loan-to-value ratio (LTV) of a MOP loan is to be determined as follows:
   - for loans up to (including) $845,000 (indexed limit as of April ~~2013~~ 2015), 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 $845,000 up to (including) the Indexed Program Loan Amount ($1,330,000 as of April ~~2013~~ 2015), the maximum LTV is 90%;
   - for loans greater than the Indexed Program Loan Amount, the maximum LTV is 80%; and
   - MOP loan amounts greater than the 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 increase to the 80% maximum LTV for loans in excess of the Indexed Program Loan Amount to no more than 85% may be approved upon recommendation by the President, with concurrence of the Chairman of the Board of Regents and the Chairs of the Committees on Finance and Compensation. 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 ~~2013~~ 2015, which shall be adjusted annually ~~in~~ each April, based upon any increases in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.

4. The maximum term of a MOP loan shall be 40 years.

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;
   - for MOP, GP-MOP and IO-MOP loans made on or after January 1, 2014, the overall cap on the adjustment of the interest rate over the term of the loan will be 10% above the initial interest rate for the loan. For GP-MOP loans, the initial interest rate is defined as the actual rate paid by the borrower after the interest rate reduction;
   - effective with loans approved on or after August 1, 2010 the minimum initial Standard MOP Rate shall be 3.0%, and the annual rate adjustment on these loans will have a floor rate of 3.0%;

- in the event a loan commitment letter is issued for a MOP, GP-MOP or IO-MOP loan and the Standard MOP Rate subsequently decreases prior to the loan funding, the participant will receive the more favorable rate; and
- the difference between the weighted average rate of return of the UC-Owned MOP, GP-MOP, and IO-MOP mortgage portfolios versus that of STIP will be calculated monthly, with any earnings shortfall in the combined MOP, GP-MOP, IO-MOP portfolios being covered by the Faculty Housing Program Reserve. The rate of return of the 5/1 MOP mortgage loans will not be included in this calculation during the Fixed Rate Term, as defined in this document. Following the Fixed Rate Term, the 5/1 MOP loans will be considered MOP loans for the purposes of the monthly calculation. 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. Participants may request an Interest-Only MOP loan (IO-MOP) that has 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.

Beginning with the 2010-2012 MOP allocation and for all subsequent allocations, IO-MOP loans shall be limited to 15% of the cumulative allocation.

7. Each Chancellor, ~~and~~ the LBNL Director, and the Dean of UC Hastings is authorized to designate eligible 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 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~~ work location 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 an initial rate reduction greater than 3.0% and an annual adjustment amount outside the standard range of 0.25% to 0.50% based upon the essential recruitment and retention needs and goals of the institution.

8. Participants may request a 5/1 ARM product (5/1 MOP) that has a temporary fixed-rate period (Fixed Rate Term), after which the loan converts to a standard MOP loan.

- The initial interest rate (Initial Rate) will remain fixed until the date that the 60th payment is due, resulting in a fixed payment amount for the first 60 monthly payments.
- The minimum Initial Rate will be 3.5%.
- The overall cap on the adjustment of a 5/1 MOP loan's interest rate over the term of the loan will be 10% above the Initial Rate for the loan.
- After the Fixed Rate Term, the interest rate will adjust to the Standard MOP Rate in effect at that time, subject to a 5% interest rate adjustment cap, and a 3% minimum interest rate.

- After the Fixed Rate Term and the initial rate adjustment at the end of the Fixed Rate Term, the maximum annual adjustment is 1%.
- There is no Interest-Only option available under the 5/1 MOP.
- The Fixed Rate Term is not renewable beyond 5 years.

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

10. When administratively feasible, MOP loan payments shall be made by payroll deduction while on salary status.

11. MOP loans are not assumable.

12. MOP loans carry no prepayment penalty.

13. MOP loans carry no balloon payments.

Attachment 2

Additions shown by underscoring; deletions shown by strikethrough

UNIVERSITY OF CALIFORNIA
SUPPLEMENTAL HOME LOAN PROGRAM
POLICIES

Generally, Supplemental Home Loan Program (SHLP) loans are funded from available campus resources, which may include discretionary funds, as well as unrestricted and appropriate restricted gift funds. State funds (19900) cannot be used to fund SHLP loans.

Effective January 1, 2016, the President is authorized to designate a portion of the Faculty Housing Programs Reserve Fund (Reserve) as a centrally-available pool of funds to make SHLP loans that comply with the parameters outlined in Section C. below.

A. ELIGIBILITY AND PARTICIPATION POLICIES

In all eligibility and participation policies described herein, it is understood that any appointee in a position specifically designated by The Regents as requiring Regents' approval for compensation-related matters, must be approved for ~~Supplemental Home Loan Program~~ SHLP participation by The Regents.

1. The eligible population for ~~the Supplemental Home Loan Program (~~SHLP~~)~~ consists of full-time University appointees ~~who~~ with positions in the following categories:
   - ~~are members of the~~ Academic Senate ~~or hold academic titles equivalent to titles held by such~~ members;
   - Academic titles equivalent to titles held by Academic Senate members as specified in Section 105.1 and 103.3 of the By-Laws and Standing Orders of the Regents of the University of California;
   - ~~hold the title of~~ Acting Assistant Professors;
   - ~~are members of the~~ Senior Management Group members; ~~or~~
   - UC Hastings College of the Law (UC Hastings) faculty members;

- University or UC Hastings employees who will be appointed to any of these eligible ~~positions~~ categories effective no more than 180 days after loan closing~~.~~;
- Other appointees who have received required additional approvals to be eligible for participation.

2. From the eligible population, the Chancellor, ~~or~~ Lawrence Berkeley National Laboratory (LBNL) Director, or the Dean of UC Hastings shall designate eligible individuals for participation in SHLP based on each location's determination of its requirements for recruitment and retention. Additionally, the ~~Chancellor or LBNL Director may recommend, and the~~ President is authorized to approve~~,~~ individuals not in the eligible population defined in Section A.1 for participation in SHLP, based upon the essential recruitment and retention needs and goals of the institution. Effective July 18, 2015, the President has delegated this authority (DA2587) to the Chancellors, LBNL Director, Executive Vice President – Chief Operating Officer, and the Agriculture and Natural Resources Vice President for specific titles as outlined in an Appendix to the University of California Home Loan Program Corporation – Program Lending and Administrative Manual.

3. SHLP participation may continue for the term of employment by the University of California or UC Hastings, as long as the property securing the loan continues to meet the specifications outlined in Section B.2, it being understood that:

   - if the property securing the loan no longer meets the specifications outlined in Section B.2, the SHLP loan shall be reviewed for appropriate disposition; and
   - if University or UC Hastings 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 or UC Hastings, the SHLP loan is to be repaid within 180 days of such date of separation or change in status, with the understanding that:
     - participation can continue when separation is due to disability or retirement under the provisions of the University of California Retirement Plan or other retirement plan to which the University or UC Hastings

contributes on behalf of the participant; or

- in the event of the death of the participant, participation can continue for a surviving spouse or surviving Domestic Partner, or, in the absence of a surviving spouse or surviving Domestic Partner, for a surviving Eligible Child (as the terms Domestic Partner and Eligible Child are defined by the University of California Retirement Plan); or
- 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.

B. SHLP LOAN POLICIES

1. SHLP loans shall be used primarily for the purchase of a participant's principal residence, or to provide short-term bridge financing.~~; however~~, At the discretion of the authority designating participation, ~~Chancellor, or LBNL Director,~~ SHLP loans may also ~~may~~ be used ~~for~~:
   - ~~Renovation of a principal residence;~~
   - To refinance existing qualifying 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 SHLP loan.~~, with the understanding that the~~ SHLP loans ~~cannot~~ may not be used to pay off loans, secured or not secured, used for non-housing-related expenses or for any mortgages on other properties. For any debt secured on a participant's principal residence that was incurred during the five years prior to loan closing, the participant must document the purpose and use of funds as qualifying housing-related indebtedness associated with the subject property.

2. SHLP loans shall be secured, using a recorded Deed of Trust 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

3. The maximum loan-to-value ratio (LTV) of a SHLP loan, either alone or in combination with other loans, is to be determined as follows:
   - for loans totaling up to (including) the Indexed Program Loan Amount ($1,330,000 as of April ~~2010~~ 2015), the maximum combined LTV is 95%;
   - for loans totaling more than the Indexed Program Loan Amount, the maximum combined LTV is 90%;
   - SHLP loan amounts greater than the Indexed Program Loan Amount shall require the approval of the President and the concurrence of the Chairman of the Board of Regents and the Chairs of the Committees on Finance and Compensation

   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 ~~2010~~ 2015, which shall be adjusted annually ~~in~~ each April, based upon any increases in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.

4. The maximum term of a SHLP loan shall be 40 years, with repayment schedules designed to accommodate the needs of SHLP participants as well as any requirements of the funding source.

5. Each location shall determine the mortgage interest rate to be charged on a given loan, with the understanding that maximum rates may be established to comply with federal and State lending and tax laws and regulations. The minimum SHLP interest rate shall be 3.0%.

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

7. When administratively feasible, SHLP payments shall be made by payroll deduction while on salary status.

8. SHLP loans are not assumable.

9. SHLP loans carry no prepayment penalty.

C. CENTRALLY FUNDED SHLP LOAN PROGRAM

The parameters of the loans made from the Reserve will fall within the guidelines as outlined in Sections A. and B. with the following additional restrictions:

1. Loans must be in second position.

2. The maximum loan amount will be the lesser of 5.0% of the purchase price or $75,000. The maximum loan amount will be indexed to any increase in the All-Campus Average Sales Price determined by the annual zip code study performed by the Office of Loan Programs.

3. The maximum term for loan amounts up to $25,000 will be 10 years (120 months).

4. The maximum term for loan amounts greater than $25,000 will be 15 years (180 months).

5. The loans will have a fixed interest rate equal to the most recently available 4-quarter average rate of return of STIP, plus a .50% margin, plus a .25% servicing fee. The minimum interest rate will be 3.0%.

Delegation of Authority 2587 - List of Titles

Delegation of Authority 2587 authorizes certain University officials to designate University of California Home Loan Program participation for University employees with non-eligible titles.

The specific titles by authorizing official are outlined below:

Chancellors:

- Vice Provosts
- Associate Vice Provosts
- Associate Vice Chancellors
- Assistant Vice Chancellors
- Associate Deans
- College Provosts

Chancellors at campuses with Medical Schools:

- Health Sciences Clinical Instructor
- Health Sciences Assistant Clinical Professor
- Health Sciences Associate Clinical Professor
- Health Sciences Clinical Professor

LBNL Director:

- Executive Management Positions
  - Associate Laboratory Director
  - Chief Financial Officer and Operations Division Director
  - Chief Laboratory Counsel
  - Operations Division Director
  - Scientific Division Director
  - Chief Development Officer, Berkeley Lab
- Distinguished Scientist/Engineer
- Senior Scientist/Engineer
- Divisional Fellows
- Staff Scientists/Engineer
- Research Scientist/Engineer

Executive Vice President – Chief Operating Officer:

- High level employees that represent critical recruitment or retention needs of the University of California Office of the President, including employees of the Office of the Chief Investment Officer of the Regents.

ANR-VP:

- Cooperative Extension Specialists
- Cooperative Extension Advisors

Additional requirements:

- Each request for an additional approval must be processed for a named individual – the Chancellor, Laboratory Director, EVP – COO, or ANR-VP cannot approve participation unless a specific employee has been identified.
- Approval for Program participation must be fully executed and received by the Office of Loan Programs prior to the applicant beginning the loan application process.
- Any position that reports directly to the Chancellor, LBNL Director, EVP – COO, ANR-VP and any position not specifically designated in the Delegation of Authority requires approval by the President.
- The authority may not be re-delegated.