



Guidance on	University of California Employee Housing Assistance Program
Related Policy:	Regents Policy 5309: Policy on the University of California Employee Housing Assistance Program
Effective Date:	January 1, 2019

Contact:	Jennifer Mays
Email:	Jennifer.Mays@ucop.edu
Phone:	(510) 287-3337

University of California Employee Housing Assistance Program Implementation Guidelines

I. SUMMARY

Regents Policy 5309 provides the framework for the University of California Employee Housing Assistance Program (Program), which is comprised of the Mortgage Origination Program and its components and the Supplemental Home Loan Program. The Program is administered by the University of California Home Loan Program Corporation.

These Implementation Guidelines contain the specific procedures associated with the operation of the Program. Additional operational details are contained in a Master Note Agreement and a Services Agreement executed between the Regents of the University of California and the Corporation.

II. DEFINITIONS

ANR:	Agriculture and Natural Resources
Applicant:	Applicant and co-Applicant, Borrower and co-Borrower and any co-signer
Anniversary Date:	The date upon which the 12 th payment on a loan is due, and the same calendar month and day each year thereafter
Campus:	One of the 10 University of California campuses
CFPB:	Consumer Financial Protection Bureau
CF-SHLP:	Centrally-Funded Supplemental Home Loan Program

Corporation:	The University of California Home Loan Program Corporation
Fixed-Rate Term:	The period of time that a 5/1-MOP loan has a fixed interest rate
GP-MOP:	Graduated Payment Mortgage Origination Program
Interest Rate Cap:	A limit on how much an interest rate may increase
Interest Rate Floor:	A limit on how much an interest rate may decrease
IO-SHLP:	Interest-Only Supplemental Home Loan Program
LBNL:	Lawrence Berkeley National Laboratory
Location:	Refers to the 10 Campuses, the University Medical Centers, LBNL, UC Hastings, UCOP and ANR
LTV Ratio:	Loan-to-Value ratio
MOP:	Mortgage Origination Program
MOP Index:	The annualized equivalent of the average rate of earnings credited to funds participating in the University of California Short Term Investment Pool during the four most recent calendar quarters, for which such rates have been determined
OLP:	Office of Loan Programs
Participant:	Appointee who is eligible to receive a Program loan allocation
Program:	University of California Employee Housing Assistance Program
Regents:	The Regents of the University of California
Reserve:	Faculty Housing Programs Reserve Fund
Single Family:	A residential unit intended for the use and occupancy of a
Residence:	Single family
SHLP:	Supplemental Home Loan Program
SMG:	Senior Management Group
Standard Rate:	The MOP Index, plus an administrative fee component
STIP:	Short-Term Investment Pool
TRIP:	Total Return Investment Pool
UC Hastings:	UC Hastings College of the Law
UCOP:	University of California Office of the President
University:	The University of California
5/1-MOP:	5/1 Mortgage Origination Program

III. POLICY TEXT

A. Eligibility for Program Participation

Reference Regents Policy 5309 for eligibility requirements.

The Chancellors and other designated officials are authorized to designate eligible individuals for Program participation, based on each Location's determination of recruitment and retention requirements.

B. Eligible Properties

1. Program loans shall be secured, using a recorded deed of trust, on owner-occupied properties that are Single-Family Residences, including condominiums and properties located in a planned unit development.
 - a. Determination of property type will be based on documentation available in a preliminary title report issued by a California title company.
 - b. An eligible subject property may include one secondary unit, also known as an accessory unit, that does not comprise more than one-third of the total living area of the subject property.
2. Program loans may not be used for direct construction loans. However, Program 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.

C. Loan Purpose

1. At least 60% of MOP loans shall be issued to Participants who are purchasing their principal residence, and who have not owned a principal place of residence within a reasonable distance of their Location within the 12-month period preceding the closing date of their MOP loan. Included in this 60% limitation are loans to Participants who have had a MOP loan at one Location and accept employment at a new Location, provided the prior MOP loan has been paid in full.
2. Up to 40% of MOP loans may be used:
 - a. To refinance existing qualifying housing-related debt secured on a Participant's principal residence;
 - b. To offer a new MOP loan to a current or prior MOP Participant at the same Location, provided the prior MOP loan has been paid in full; or
 - c. To provide a MOP loan to a Participant who has owned a principal residence within a reasonable distance of the Location within a 12-month period prior to the funding of the MOP loan.
3. SHLP loans may be used for either a purchase or a refinance transaction. There is no limitation on the percentage of SHLP loans that may be used for refinance transactions.

4. MOP and SHLP refinance transactions have the following restrictions:
 - a. Only existing housing-related debt from an institutional lender secured on the subject property is eligible for refinance.
 - b. Loan transaction expenses included in the outstanding loan balance and/or loan transaction expenses related to the Program loan may be included in the refinanced loan amount, subject to LTV Ratio requirements.
 - c. Program loans may not be used to pay off loans, secured or not secured, used for non-housing-related expenses or for any mortgages on properties other than the subject property.
 - d. For any outstanding loans secured on a Participant's principal residence that were incurred during the five years prior to the new MOP or SHLP loan application date, the Participant must document the purpose and use of funds as qualifying housing-related indebtedness associated with the subject property.

D. General Loan Parameters

1. The value of the subject property is defined as the lesser of the purchase price or the current appraised value.
2. The maximum loan amount for Program loans is indexed to the increase in the annual median sales price of existing homes in California, published by the California Association of Realtors¹. This figure is published in the December Home Sales and Price Report that is available in late January of each year.
 - a. The maximum loan amount is effective on March 1st of each year, subject to the availability of the December Home Sales and Price Report. In the event of a decrease in the published annual median sales price of existing homes in California, the maximum loan amount will not be adjusted.
 - b. Requests for loan amounts greater than the maximum loan amount require the approval of the President.
 - c. Participants may be subject to imputed interest income according to Internal Revenue Service guidelines if their Program loan is deemed to be a below-market rate loan. If applicable, imputed interest income will be reported as additional wage income on the Participant's W-2, subject to any applicable Federal and State withholdings.
3. Loan-to-Value and Combined Loan-to-Value Requirements
 - a. The maximum LTV Ratio for MOP loans is 90%, except that Participants may finance eligible closing costs for a maximum LTV Ratio of 92%.
 - b. The maximum combined LTV Ratio (MOP plus SHLP) is 95%.
 - c. For loan amounts greater than the indexed maximum loan amount (with required approvals), the maximum LTV Ratio for MOP loans is 80%.

¹ <https://www.car.org/aboutus/mediacenter/newsreleases/>

- d. For loan amounts greater than the indexed maximum loan amount (with required approvals), the maximum combined LTV Ratio (MOP plus SHLP) is 90%.
 - e. Requests for an increase to the MOP LTV Ratio to no more than 85% for loans in excess of the maximum loan amount require the approval of the President.
4. The maximum term of a Program loan is 30 years, except that Locations may offer loans with terms up to 40 years with approval by the Chancellor or other designated official. The approval includes an acknowledgement that the Location will accept any regulatory risk or potential litigation associated with applicable CFPB regulations.

E. Continuing Eligibility

1. If 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 Program loan is to be repaid within 180 days of such date of separation or change in status.
2. Program participation may continue during absences for sabbatical leave or other approved leaves of absence.
3. Program participation may 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.
4. In the event of the death of the Participant, participation may 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).
5. In hardship cases, reasonable forbearance beyond the required repayment period may be granted, provided all other terms and conditions of the loan are satisfied.

F. MOP Loan Parameters

1. MOP loans must be secured on the subject property by a first deed of trust.
2. The interest rate for each loan will be adjusted annually on the anniversary date of the loan.
3. The maximum annual adjustment of the interest rate for an individual loan is one percent, up or down, subject to the applicable Interest Rate Cap and Interest Rate Floor.
4. The overall Interest Rate Cap on the adjustment of the interest rate over the term of the loan is 10% above the initial interest rate for the loan (effective for loans funded on or after January 1, 2014).

5. The minimum interest rate for new loans is determined by the President and is set at a level to provide a competitive interest rate to Participants, while also providing a rate that takes into account market conditions. The President may, from time to time, adjust the minimum interest rate for new loans to increase the likelihood of selling loans to outside investors. At no time will the minimum interest rate be less than 2.75%.
6. MOP loans have a 60-day rate lock period from the time of loan commitment. In the event a loan commitment letter is issued and the interest rate subsequently decreases prior to the loan funding, the Participant will receive the more favorable rate.
7. Interest on the outstanding principal balance of Corporation loans is calculated on the same basis as other advances or loans made from STIP. The interest due is transferred from the Corporation to the University on a monthly basis. Any excess Corporation earnings are held in the Reserve.
8. A MOP Participant may only have one active MOP loan at any given time.

G. Graduated Payment Mortgage Origination Program Parameters

1. The Chancellors and other designated officials are authorized to designate eligible Participants for participation in the GP-MOP option, which provides for a temporary reduction in a Participant's interest rate.
2. GP-MOP loans must be secured on the subject property by a first deed of trust.
3. The maximum interest rate reduction is 3.0% and the minimum resulting mortgage interest rate for such loans is the minimum interest rate in effect at the time of loan commitment (see F.5 of these guidelines).
4. The rate reduction amount decreases by a predetermined annual adjustment (ranging from 0.25% to 0.50%).
5. GP-MOP loans have a 60-day rate lock period from the time of loan commitment. In the event a loan commitment letter is issued and the interest rate subsequently decreases prior to the loan funding, the Participant will receive the more favorable rate.
6. For the time period in which the rate reduction is in effect for each GP-MOP loan, the Location provides for a monthly transfer of 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 without the rate reduction.
7. The overall Interest Rate Cap on the adjustment of the interest rate over the term of the GP-MOP loan is 10% above the initial interest rate for the loan (effective for loans funded on or after January 1, 2014).
8. In the event that the principal balance secured by the Deed of Trust becomes due and payable as provided in Section E., the Participant's interest rate will be adjusted to the Standard Rate in effect as of that date, subject to applicable Interest Rate Cap and Interest Rate Floor. The Location will no longer be required to contribute funds to STIP once this rate change occurs.

9. Eligible fund sources for the rate reduction reimbursement include discretionary funds, as well as unrestricted and appropriate restricted gift funds. State funds are not eligible to be used for this purpose.
10. The President is authorized to approve an interest 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.

H. 5/1 Mortgage Origination Program Parameters

1. Participants may request a 5/1-MOP loan that has an initial Fixed-Rate Term, after which the interest rate adjusts to the Standard Rate in effect at that time, subject to the applicable Interest Rate Cap and Interest Rate Floor on the adjustment.
2. The initial interest rate remains fixed until the date that the 60th payment is due, resulting in a fixed payment amount for the first 60 monthly payments.
3. The minimum interest rate is determined by the President and is set at a level to provide a competitive interest rate to Program participants, while also providing a rate that takes into account market conditions. The President may, from time to time, adjust the minimum interest rate to increase the likelihood of selling loans. At no time will the minimum interest rate be less than 3.25%.
4. After the Fixed-Rate Term, the interest rate adjusts to the Standard Rate in effect at that time, subject to a 5.0% Interest Rate Cap, and subject to the Interest Rate Floor rate associated with the loan.
5. The overall Interest Rate Cap on the adjustment of a 5/1-MOP loan's interest rate over the term of the loan is 10.0% above the initial rate for the loan (effective for loans funded on or after January 1, 2014).
6. The Fixed Rate Term is not renewable beyond 5 years.

I. Supplemental Home Loan Program Parameters

1. SHLP loans must be secured on the subject property by a deed of trust in first, second or third position.
2. 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 equal to the lesser of (1) 2.75% or (2) the most recently available average rate of return earned by STIP for the four quarters preceding the issuance of a loan commitment letter for the mortgage loan, plus a service fee component of 25 basis points (0.25%).
3. For adjustable rate SHLP loans, the overall Interest Rate Cap on the adjustment of the interest rate over the term of the loan will be 10.0% above the initial interest rate for the loan (effective for loans approved on or after February 1, 2017).

J. Centrally-Funded Supplemental Home Loan Program

1. The parameters of the CF-SHLP loans must fall within the guidelines as outlined in Section I. with the following additional restrictions:
 - a. Loans must be in second position.
 - b. 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 annual median sales price of existing homes in California, published by the California Association of Realtors.²
 - c. The maximum loan term is 15 years (180 months).
 - d. The loans will have a fixed interest rate equal to the most recently available 4-quarter average rate of return of STIP, plus a 0.25% servicing fee. The minimum interest rate will be 2.75%.

K. Interest-Only Supplemental Home Loan Program

1. The Locations have the option to offer IO-SHLP loans using authorized funding sources. There are no central funds available for the IO-SHLP loans. All loan parameters must fall within the guidelines outlined in Section I., with the following additional terms:
 - a. The Interest-Only Term (IO-Term) is available for 5, 7, or 10 years. Following the IO-Term, the loan will convert to a fully amortizing loan with an overall term as follows:
 1. 5 year IO-Term: 15 year fully amortizing (20 year total amortization)
 2. 7 year IO-Term: 23 year fully amortizing (30 year total amortization)
 3. 10 year IO-Term: 30 year fully amortizing (40 year total amortization).
 - b. The Chancellor or other designated official will be required to acknowledge and accept any regulatory risk or potential litigation associated with applicable CFPB regulations.

L. Faculty Housing Programs Reserve Fund

The Reserve is an established fund with the primary purpose of supporting the development and operation of Program components.

M. Funding Sources

1. The approved funding sources for MOP and SHLP loans are as follows:
 - a) MOP, GP-MOP and 5/1-MOP loans are funded from the University's Short Term Investment Pool (STIP).
 - b) SHLP and IO-SHLP loans are funded from eligible funding sources at the appropriate Location, including discretionary funds, unrestricted funds, and designated restricted gift funds.

² <https://www.car.org/aboutus/mediacenter/newsreleases/>

- c) The President is authorized to allocate a portion of the Reserve as the funding source for CF-SHLP loans that comply with the parameters outlined in Section J.
2. State funds (19900) cannot be used to fund Program loans.

IV. COMPLIANCE/RESPONSIBILITIES

The Program is administered by the University of California Home Loan Program Corporation. Implementation and compliance with this Policy shall be administered by the Executive Vice President - Chief Financial Officer (or any successor position based on a change of title), who also serves as the Chair of the Board of the Corporation. The Executive Vice President - Chief Financial Officer is authorized to represent the University in administrative transactions with financial institutions, lenders, and governmental and other agencies in matters related to the day-to-day operation of the Program.

Any requests for loans that do not meet the requirements of these Implementation Guidelines must be approved by the President.

These Implementation Guidelines have been approved by the President, and any amendments to this document must be approved by the President.

V. PROCEDURES

Not applicable.

VI. RELATED INFORMATION

Regents Policy 7701 Section III. J. (SMG Home Loan Eligibility)

University of California Home Loan Program Corporation Documents

Delegation of Authority 2619: Administration of the University of California Housing Assistance Program

Delegation of Authority 2587: Authority to Designate University of California Home Loan Program Participation for University Employees with Non-Eligible Titles

Delegation of Authority 2620: Authority to Designate University of California Home Loan Program Participation for Applicants Receiving Graduated Payment-Mortgage Origination Program Loans with Non-Standard Parameters

VII. FREQUENTLY ASKED QUESTIONS

For new Applicants:

<http://www.ucop.edu/loan-programs/resources/faqs-about-new-uc-home-loans.html#address>

For Existing Participants:

<http://www.ucop.edu/loan-programs/resources/faqs-about-existing-uc-home-loans.html>

VIII. REVISION HISTORY

July 9, 2019: The technical revision of this guideline clarifies that the President has the authority to approve Centrally-Funded Supplemental Home Loan Program (CF-SHLP) allocations from the Faculty Housing Program Reserve Fund.

January 1, 2019: Guideline was revised in response to recommendations for programmatic changes developed by the UCLA Task Force on Faculty Housing, and to clarify procedures for administering the program. Revisions include adding and clarifying definitions and acronyms, clarification regarding Program Eligibility and authority for designating Program participation, clarification regarding eligible properties, refinance requirements, general loan parameters, and other administrative changes for clarity and consistency.

This Guideline was also remediated to meet Web Content Accessibility Guidelines (WCAG) 2.0.

November 2018: Revised.

April 2018: Implementation Guidelines issued.