The Regents of the University of California

COMMITTEE ON FINANCE
COMMITTEE ON COMPENSATION
July 14, 2010

The Committees on Finance and Compensation met jointly on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present:	Representing the Committee on Finance: Regents Blum, Cheng, DeFreece, Island, Lozano, Makarechian, Schilling, Varner, and Wachter; Ex officio members Gould and Yudof; Advisory member Simmons; Staff Advisors Herbert and Martinez Representing the Committee on Compensation: Regents Hime, Johnson, Kieffer, Lozano, Ruiz, Varner, and Wachter; Ex officio members Gould and Yudof; Advisory member Powell
In attendance:	Regents De La Peña, Maldonado, O'Connell, Reiss, and Zettel, Regents-designate Hallett, Mireles, and Pelliccioni, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice Presidents Brostrom and Taylor, Senior Vice Presidents Dooley and Stobo, Vice Presidents Beckwith, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellmann, Drake, Fox, Kang, Katehi, White, and Yang, and Recording Secretary Johns

The meeting convened at 3:25 p.m. with Committee on Finance Chair Lozano presiding.

REVISIONS AND MODIFICATIONS OF PROGRAM POLICIES FOR UNIVERSITY OF CALIFORNIA MORTGAGE ORIGINATION PROGRAM AND SUPPLEMENTAL HOME LOAN PROGRAM

The President recommended that the Committee on Finance recommend that the Regents approve the revisions and modifications to the Mortgage Origination Program policies as shown in Attachment 1 and the Supplemental Home Loan Program policies as shown in Attachment 2.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Committee on Finance Chair Lozano briefly introduced the item.

Upon motion duly made and seconded, the Committee on Finance approved the President's recommendation and voted to present it to the Board.

The meeting adjourned at 3:30 p.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

UNIVERSITY OF CALIFORNIA
MORTGAGE ORIGINATION PROGRAM
~~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.

1. The eligible population for the Mortgage Origination Program (~~Program~~ MOP) consists of full-time University appointees who:

   - are members of the Academic Senate or hold academic titles equivalent to titles held by such members;
   - 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.~~

2. From the eligible population, the Chancellor or ~~DOE Laboratory~~ Lawrence Berkeley National Laboratory (LBNL) Director shall designate eligible individuals for participation in ~~the Program~~ MOP based on each location's determination of its requirements for recruitment and retention. Additionally, the Chancellor or ~~DOE Laboratory~~ LBNL Director may recommend, and the President is authorized to approve, individuals not in the eligible population defined in ~~Policy~~ Section A.1 for participation in ~~the Program~~ MOP, 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.~~

~~2. Because the Program is primarily designed to assist eligible appointees enter the housing market near their campus 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.~~

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. 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 within the 12-month period preceding the closing date of their MOP loan.

4. If, in the judgment of the Chancellor or ~~DOE~~ LBNL ~~Laboratory~~ Director, individual circumstances warrant the making of a loan that does not meet the ~~primary~~ intent of ~~Policy~~ Section A.3, up to 40% of the allocation is available to ~~in order to~~ address ~~an~~ essential recruitment or retention needs of the campus~~, the Chancellor or Laboratory Director may authorize Program participation~~ or laboratory for ~~an~~ otherwise eligible appointees ~~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):~~ 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 ~~Program~~ MOP ~~refinancing~~ loan, with the understanding that the ~~Program~~ MOP 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. 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 ~~Program~~ MOP loan to a current or prior ~~Program~~ MOP participant at the same campus or laboratory; or
   - to provide a ~~Program~~ MOP loan to a participant who has owned a home within a reasonable distance of the campus or laboratory within a 12 month period prior to the funding of a ~~Program~~ MOP loan.

5. ~~Program~~ MOP 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~~ Section B.1, it being understood that:

   - if the property securing the loan no longer meets the specifications outlined in ~~Policy~~ Section B.1, the MOP ~~mortgage~~ loan shall be reviewed for appropriate disposition; and

- 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 MOP ~~mortgage~~ 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 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. ~~PROGRAM~~MOP LOAN POLICIES

1. ~~Program~~ MOP loans shall be secured, using a recorded deed of trust ~~or other appropriate recorded document,~~ 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 ~~Direct~~ construction loans ~~are not eligible under this Program~~; however, MOP ~~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.

3. The maximum loan-to-value ratio (LTV) of a MOP ~~Program~~ loan is to be determined as follows:

   - for loans up to (including) $845,000 (indexed limit as of April 2010), 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 2010), the maximum LTV is 90%;

- for loans greater than the Indexed Program Loan Amount ~~$1,330,000~~, the maximum LTV is ~~85~~80%; and
- ~~Program~~ MOP loan amounts greater than the ~~$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 increase to the ~~85~~80% maximum LTV for loans in excess of the Indexed Program Loan Amount ~~$1,330,000~~ to no more than ~~90~~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 ~~2007~~2010, which shall be adjusted annually in 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 ~~Program~~ 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;
- there will be no overall cap on the total amount of adjustment of the Standard MOP Rate over the term of the loan;
- 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 and the Standard MOP Rate subsequently decreases prior to the loan funding, the ~~borrower~~ participant will receive the more favorable rate; and
- the difference between the weighted average rate of return of the ~~Program~~ MOP mortgage portfolio versus that of STIP will be calculated monthly, with any earnings shortfall in the MOP ~~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~~ Participants ~~borrowers~~ may request an Interest-Only MOP loan (IO-MOP) ~~MOP loans~~ that has ~~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.

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 ~~DOE Laboratory~~ the LBNL 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 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 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.~~, 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.~~

8. The sum of monthly mortgage payments (principal and interest) of <u>the MOP loan</u> ~~this~~ and all other loans secured by the residence may not exceed 40% of the participant's household income.

9. When administratively feasible, <u>MOP loan</u> ~~mortgage~~ payments shall be made by payroll deduction while on salary status.

10. ~~Mortgage loans under this~~ <u>MOP</u> ~~Program~~ <u>loans</u> are not assumable.

11. <u>MOP loans</u> ~~Mortgage loans under this Program~~ carry no prepayment penalty.

12. <u>MOP loans</u> ~~Mortgage loans under this Program~~ carry no balloon payments.

Additions shown by underscoring; deletions shown by strikethrough

UNIVERSITY OF CALIFORNIA
SUPPLEMENTAL HOME LOAN PROGRAM
~~ELIGIBLITY AND PARTICIPATION GUIDELINES~~
~~and PARAMETERS~~ POLICIES

A. ELIGIBILITY AND PARTICIPATION ~~GUIDELINES~~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 participation by The Regents.

1. The eligible population for the Supplemental Home Loan Program (~~Program~~ SHLP) consists of full-time University appointees who ~~are~~:

   - are members of the Academic Senate or ~~who~~ hold academic titles equivalent to titles held by such members; ~~or who~~
   - hold the title of Acting Assistant Professor; ~~or~~
   - ~~who~~ 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. ~~; 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, which authority may be delegated to the Chancellors and DOE Laboratory Directors for other academic employee classes; and~~
     - ~~in the case of loans funded under terms of a gift, an exception to this eligible population guideline may be made to comply with the terms of the gift.~~

2. From the eligible population, the Chancellor or ~~DOE Laboratory~~Lawrence Berkeley National Laboratory (LBNL) Director shall designate eligible individuals for participation in SHLP ~~the Program~~ 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.

3. ~~Program~~ SHLP participation may continue for the term of ~~the participant's eligible~~ employment ~~at~~ by the University of California, as long as the property securing the loan continues to meet the specifications outlined in ~~#2 under Program Loan Parameters~~Section B.2, it being understood that:

   - if the property securing the loan no longer meets the specifications outlined in ~~#2 under Program Loan Parameters~~Section B.2, the ~~mortgage~~ SHLP loan shall be reviewed for appropriate disposition; and

- 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~~ SHLP loan is to be repaid within 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 under the provisions of the University of California Retirement Plan or other retirement plan to which the University 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~~PROGRAM~~ LOAN ~~PARAMETERS~~ POLICIES

1. SHLP ~~Program~~ loans shall be used primarily for the purchase of a participant's ~~primary~~ principal residence, or to provide short-term bridge financing; however, at the discretion of the Chancellor or ~~DOE~~LBNL ~~Laboratory~~ Director, ~~Program~~ SHLP loans also may be used for:

    - Renovation of a principal residence;
    - ~~Refinancing of existing housing related debt secured by the Primary 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 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. For any debt 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. ~~Program~~ SHLP loans shall be secured, using a recorded Deed of Trust ~~or other appropriate recorded document,~~ 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 ~~Program~~ 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)~~up to $1,330,000,~~, the maximum combined LTV is 95%; ~~and~~
   - for loans totaling more than the Indexed Program Loan Amount ~~$1,330,000~~, the maximum combined LTV is 90%;
   - ~~Program~~ 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 above dollar threshold amounts for determining the maximum LTV reflect applicable levels in effect as of April 2007, which shall be adjusted annually based upon increases in the all-campus average sales price determined by the annual zip code study performed by the Office of Loan Programs.~~

   ~~Exceptions to increase the maximum combined LTV of 90% for loans in excess of $1,330,000, to a maximum of 95% may be granted upon recommendation of the President, with the 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 and for the Indexed Program Loan Amount reflect applicable levels in effect as of April 2010 ~~07~~, which shall be adjusted annually in 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 ~~Program~~ loan shall be 40 years, with repayment schedules designed to accommodate the needs of ~~the Program~~ SHLP participant 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, ~~except~~ with the understanding that ~~minimum or~~ 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 ~~this~~ 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, ~~mortgage~~ SHLP payments shall be made by payroll deduction while on salary status.

8. SHLP loans ~~Mortgage loans under this Program shall~~ are not ~~be~~ assumable.

9. SHLP loans carry no prepayment penalty.