

UNIVERSITY OF CALIFORNIA OFFICE OF LOAN PROGRAMS

IMPORTANT INFORMATION

We would like to take this opportunity to congratulate you on your upcoming purchase of a new home! Once your loan is closed and recorded, our office assumes the responsibility of servicing your loan. You may find the following information helpful as you settle into your new home.

1) MONTHLY MORTGAGE PAYMENTS

As you know, we are required to collect your monthly payment by payroll deduction. This will continue throughout the life of your loan as long as you are on payroll. If you go on leave without pay, or are not paid through University payroll for some other reason, please contact our office so that we may make alternative payment arrangements.

2) ANNUAL MORTGAGE INTEREST STATEMENT

Each year we will send you a statement for income tax purposes that indicates the amount of mortgage interest you have paid on your University Mortgage loan during the year. This annual statement is sent out at the end of January for the prior calendar year and will also indicate your loan balance as of the end of that year.

3) PROPERTY TAXES

Property taxes are payable twice a year (February 1 and November 1) to your County Tax Collector. California counties operate on a fiscal year of July 1 - June 30. When you receive a tax bill, it will be divided into two installments. The first installment is due November 1 (for the period July 1 through December 31) and is delinquent if not postmarked by December 10. The second installment is due February 1 (for the period January 1 through June 30) and is delinquent if not postmarked by April 10.

When your loan closes, your escrow officer may collect from you a pro-rated amount representing your share of property taxes for the current period, or he/she may collect from the seller a pro-rated amount representing their share of property taxes for the current period. Any amount collected from you and the seller for property taxes may be paid directly from escrow to the county tax collector if a tax bill is due. However, depending on when escrow closes and the current tax bill situation, the seller may receive your pro-rated payment as reimbursement for taxes already paid, or you may receive the pro-rated tax payment from the seller to go toward the next tax bill that is not yet due.

When a property is transferred in California, it is reassessed and the new owner is responsible for paying any resulting increase in property taxes. This additional tax normally will be billed to you in the form of a supplemental tax bill. The one-time supplemental tax bill is separate from and in addition to your "regular" property tax bill. You should expect to receive this supplemental bill a few months after your purchase.

Generally, property taxes are calculated at 1.00% to 1.25% of the full market value of the property. For example, based upon a purchase price of \$555,600 and a tax rate of 1.15%*, the estimated annual property tax amount would be \$6,389.40.

If you do not receive a tax bill prior to December or April (depending on when your loan closes), contact your County Tax Collector immediately to avoid any imposition of late payment penalties.

*The rate in this example is only hypothetical. Please contact the county tax collector for the current tax rate.

4) HAZARD INSURANCE (also known as fire, casualty, or homeowner's insurance)

You are required to have adequate hazard insurance coverage (including, if applicable, flood or earthquake insurance coverage) in place on your home at all times. The minimum amount of required coverage is determined by the property appraisal at the time of loan closing. It is also a good idea to review your policy from time to time to see if your current policy provides the coverage that you desire. If you have a homeowner's policy that includes coverage for liability and personal property, you should review these coverages as well. Based upon past major disaster events in California, it is also advisable to consider obtaining a partial or full building code upgrade endorsement, particularly on older homes. This will provide extra coverage to rebuild the home to meet new modern building code requirements, which oftentimes can add many thousands of dollars to the cost of replacing a home. While at the time of escrow closing, the University may not require flood or earthquake insurance coverage, should Federal, State or local governmental agencies make zoning revisions which would cause your property to be located within a special studies zone or within a designated flood area, the University will require appropriate insurance coverage to cover damages due to flood and/or earthquake.

Generally, hazard insurance premiums are paid annually; however, some companies provide other payment arrangements such as semi-annually, quarterly or monthly payments. Your hazard insurance premium for the first 12 months will be collected from you in escrow, and thus you should expect a hazard insurance premium renewal bill approximately one year after your purchase.

5) PREPARING FOR THE PAYMENT OF TAXES AND INSURANCE

The combination of property taxes and hazard insurance premiums can represent a substantial dollar amount each year. Our office does not provide for the monthly impounding of funds for the payment of taxes or insurance. Thus, you are solely responsible for paying your property taxes and insurance premiums on a timely basis.

You can avoid paying one large amount by establishing your own "impound account" with a local bank, credit union or savings and loan. Contact your financial institution regarding the establishment of a special savings account or automatic transfers to an existing savings account each month to save for those purposes.

6) STRUCTURAL PEST CONTROL REPORT OR "TERMITE INSPECTION"

When real property is transferred in California, a Structural Pest Control Report or "Termite Report" generally is required. This report is prepared by licensed professionals who are obligated by law to report any damage in visible and accessible areas of the property caused by wood destroying organisms ("termites") and/or by moisture ("dryrot"). Any damage found is either classified as section one (visible evidence of infestation or damage) or section two (conditions likely to cause damage).

If section one items are not repaired prior to the close of escrow, funds must be "held back" in escrow (normally for no more than two months) for the repair of these items. Occasionally, repair of some section two items may be required. If your property is found to have items that require carpentry or structural repair, we urge you to carefully review the qualifications and references of the tradespeople doing the work. In addition, you may wish to obtain bids from other licensed contractors to complete some or all of the work. If the work is **not** performed by the termite company that performed the original inspection, a reinspection by a licensed termite company will be required to obtain a "clear termite" certification and may involve an additional inspection fee.

If you have any questions about your mortgage loan, please feel free to contact our office.

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please visit our website at: www.ucop.edu/facil/olp/**