

# INTEREST-ONLY MORTGAGE ORIGINATION PROGRAM

## PROGRAM OVERVIEW

The Interest-Only Mortgage Origination Program (IO-MOP) loan provides a first deed of trust loan with an adjustable interest rate that changes once a year, with a maximum annual rate adjustment of 1%, up or down. The IO-MOP loan features interest-only payments for a specified period of time (IO-Period) as defined in the promissory note. During the IO-Period, the monthly payments due are based on the interest-only rate (IO-MOP Rate) which is equal to the Standard Rate, plus an additional fee component of .25% and adjusts annually on the Anniversary Date of the note. After the IO-Period, the interest rate will be the then-current Standard Rate, without the added .25% fee component, and the principal balance of the loan will be fully amortized over the remaining term of the loan resulting in a principal and interest monthly payment. Although the maximum overall loan term is 40 years, an IO-MOP loan must have a minimum 30-year amortization period remaining after the IO-Period ends.

### PAYMENT COMPARISON EXAMPLE

This example assumes the following:

Loan Amount: \$500,000

Initial Standard MOP Rate: 5.00%

Loan Term: 35 Years

Initial IO-MOP Rate: 5.25%

IO-Period: 5 years

	IO-MOP	Standard MOP
<b>Qualifying Rate</b>	5.25%	5.00%
<b>Initial Payment</b>	\$2,187	\$2,523
<b>Minimum Income*</b>	\$5,468	\$6,307

\*Minimum income required to qualify with 40% Payment-to-Income ratio. Additional income may be required to meet overall Debt-to-Income ratio requirement.

### QUESTIONS?

Contact the local Campus Housing Programs Representative or the Office of Loan Programs for more detailed information.

### GENERAL GUIDELINES

Maximum Loan-to-Value Ratio:	Same as Standard MOP LTV Thresholds
Maximum IO-Period:	Up to 10 years
Minimum Loan Term after IO-Period:	30 Years
Maximum Payment-to-Income Ratio:	40%
Qualifying Interest Rate:	Initial IO-MOP Rate

### LOAN FEATURES:

- Interest-only monthly payments in the early years of the loan are lower than principal and interest payments for Standard MOP resulting in greater purchasing power
- Lower monthly income required to qualify for the same loan size with a fully amortizing payment
- Requires a minimum 30-year amortization period remaining after the IO-Period ends
- Principal payments can be made at any time without penalty
- No Negative Amortization

### IMPORTANT CONSIDERATIONS:

- Increased monthly payments when the IO-Period ends. Should feel comfortable with ability to afford these payments once they begin.
- During the IO-Period, principal payments are not required. In a flat or declining market, equity will not accumulate in the property.
- Total interest paid over the life of the loan will be higher than for a fully amortizing Standard MOP Loan.

NOTE: This Program brochure is a general description of the Program and if there is a conflict between the Program brochure and the official Program policies, the Program policies will prevail.

