

ANNUAL REPORT ON

UNIVERSITY EMPLOYEE

HOUSING ASSISTANCE

PROGRAMS



Fiscal Year Ended June 30, 2004

**Annual Report
on University Employee
Housing Assistance Programs**

Fiscal Year 2003-04

UNIVERSITY OF CALIFORNIA

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Introduction

This Annual Report on University Employee Housing Assistance Programs provides an overview of the accomplishments and progress of the University in addressing the housing needs of its faculty and other designated employee classes. The program components as well as the individual program policies and funding levels have changed significantly since the inception of the program in 1979. However, the guiding principle has remained the same, to provide financial and programmatic tools to assist in the recruitment and retention of key faculty members and other designated employees in order to maintain the University's position of preeminence in the academic community. The program must achieve this goal in the face of competition from other nationally-recognized institutions of higher education for many academic and administrative positions. The program must also address the continued fact of a large differential between the higher housing costs at the University's campuses and laboratories when compared to costs of housing at many comparable institutions across the country.

The management and program development responsibility for these programs has been delegated to the Office of Loan Programs (the Office). The Office plans, develops, and administers housing assistance programs for members of the Academic Senate, members of the Senior Management Group, and other designated classes of employees, and provides policy oversight for the Emergency Loan Fund (a non-housing loan program for all employees). The housing and loan-related operations of the Office are self-supporting. These program components include the Mortgage Origination Program (MOP), the University's major first deed-of-trust lending program, the Supplemental Home Loan Program, which provides primary and secondary financing using campus funds to assist in home purchases as well as tax-exempt bond financed single-family loan portfolios. In addition to the direct administration of the above-referenced programs, the Office has policy and coordination responsibility regarding For-Sale housing built on University-owned land at six campuses. The Office also manages a relationship with a major conventional lender to provide favorable financing terms to all University employees for the acquisition and refinancing of housing at all University locations.

Program Policy Summary

Key policy components of the University's Housing Assistance Programs include the:

- provision of a predictable source of mortgage financing for recruitment and retention of key faculty members and senior managers at each campus and laboratory;
- provision of financing at short-term rates with qualification standards more liberal than those provided by conventional lenders, coupled with reduced down-payment requirements and no points or origination fees;
- utilization of existing University land and acquisition of additional land, where feasible, to develop for-sale and/or rental housing units to create long-term affordable housing in proximity to work within a broad range of design and pricing;
- continuation of supplements to University and conventional financing via the Supplemental Home Loan Program and Salary Differential Housing Allowance Program; and
- development of programs of a one-time or short-term nature that supplement and/or complement existing University programs.

Program highlights and the annual Mortgage Origination Program Status Report follow. Also included are appendices providing descriptions of each currently active program component along with cumulative summaries and statistics of all University-wide employee housing assistance through June 30, 2004.

2003-04 Year in Review

The end of another program year can be described as one of continued high levels of loan activity, despite a conventional market with historically low interest rates. During 2003-04, 253 MOP loans were funded, in an aggregate amount of \$107.4 million. This represents a slight increase in the number of loans funded as compared to the previous year, and a 2.5% decrease in the total dollar volume funded. The decrease in total dollar volume is attributed in part to increased sales at University For-Sale housing developments. The number of loan payoffs processed during the fiscal year was 250 (a significant decrease from 344 the previous year), totaling \$77.9 million.

As of June 30, 2004, the MOP interest rate had reached a new low of 3.70%. The rate has been below 6% for the past 11 quarters. The 4-quarter averaging of the STIP rate-of-return, which produces the MOP Rate Index, moderates the changes in the MOP interest rate, which are generally slower than for conventional mortgage rates. It is anticipated that the MOP interest rate will continue to remain low for the next few quarters, which will further improve the competitiveness of MOP and will also serve to reduce the near-term costs to the campuses for the GP-MOP loans.

The two-year anniversary of the Graduated Payment MOP (GP-MOP) occurred in May 2004. This innovative program, recommended by the University's Housing Task Force and approved by The Regents in late 2001, increases affordability for University borrowers by providing a temporary reduction in the interest rate that incrementally returns to the Standard MOP rate over a specified period. During this fiscal year, 13 GP-MOP loans were funded for a total of \$7,291,150 with an average loan size of \$560,858. The GP-MOP Product Analysis Tool is now available on the Office Website and it provides important resource utilization and analysis information to campus decision makers, enabling them to more efficiently allocate limited housing assistance resources.

During 2003-04, there were three MOP portfolio sales, totaling \$113.3 million, with 269 loans sold. The University has retained the servicing for these loans, so there will be no changes in the quality of customer service to the borrowers. It is anticipated that as new loans are funded and closed, periodic sales will continue in order to maintain adequate liquidity for the program and to support the increased levels of allocations that may be necessary to support future growth. Based upon the success of this program and the need by some campuses for liquidity for the campus-funded Supplemental Home Loan Program (SHLP), the Regents approved a program for the sale of SHLP loans in March 2003. In 2003-04, there were a total of two SHLP portfolio sales, totaling \$3.3 million, with 81 loans sold.

Effective April 1, 2004, MOP participants can secure 90% financing on loans of up to \$916,000. This is an increase from the previous threshold of \$827,500, and resulted from an annual study of changes in housing prices near UC campuses that is completed by the Office. Under this new rule, a participant could potentially purchase a property for \$1,017,777 and receive a 90% loan of \$916,000.

The following table displays a summary of the use of housing-related financial assistance programs during the 2003-04 fiscal year.

Financial Assistance Programs: Fiscal Year 2003-04

Program	Number of Loans or Assistance	Dollar Value of Assistance	Average Amount
Mortgage Origination Program	253	\$107,447,581	\$424,694
Supplemental Home Loan Program	53	5,545,300	104,628
Salary Differential Housing Allowance Program	329	10,941,888	33,258
World Savings Home Loan Program	143	23,611,187	165,113
Totals	778	\$147,545,956	n/a

2003-04 Mortgage Origination Program Status Report

The Mortgage Origination Program utilizes funds from the unrestricted portion of the University's Short-Term Investment Pool (STIP) to make adjustable interest rate first deed-of-trust loans with terms of up to 40 years to eligible Academic Senate members and members of the Senior Management Group. The President is required to report annually on the program performance and include information regarding origination volume, portfolio balance, and rate-of-return calculations for the program.

2003-04 Program Status

As of June 30, 2004 the Office had funded 3,047 MOP loans in an aggregate amount of \$937.5 million since inception of the Program. The average original loan amount was \$307,677, with an aggregate loan-to-value ratio of the portfolio, based upon the total of all funded loans as compared to the total initial appraised value of the homes purchased under MOP, of 78.5%. As of June 30, 2004, the total servicing portfolio consisted of 1,472 loans totaling \$467.6 million. Of these loans, 99 were UC-owned with an aggregate UC-owned portfolio principal balance of \$44,074,049, representing 1.14% of the \$3.869 billion average daily balance of the legally available cash balances in the unrestricted portion of STIP. The balance of the loan portfolio has been sold to five outside investors and is being serviced by the Office.

The University continues to project unprecedented increases in student enrollment through 2012, which would drive substantial increases in annual levels of faculty recruitments. The current budget crisis affecting the state of California may impact the University's ability to support the projected enrollment growth. In addition, the opening of the Merced campus has been postponed for one year to Fall 2005. These factors may impact the level of faculty recruitments. However, a majority of the projected loan volume is connected to the replacement of existing faculty due to normal turnover, which, when coupled with the non-salary benefits of MOP, could maintain the demand for MOP loans even if the recruitment levels are lower than original projections.

To meet the ongoing and projected demand, the initial \$30 million that was allocated when the program was established in 1984 has increased to a total allocation of \$1.329 billion, with \$387.5 million remaining as of June 30, 2004. When MOP was established, it was determined that any cumulative shortfalls in earnings by the MOP portfolio would be repaid to STIP from the Faculty Housing Programs Reserve. A comparison of MOP earnings vs. STIP earnings is completed each month, accompanied by transfers of the overage/shortfall in earnings between STIP and the Faculty Housing Programs Reserve. For the period July 1, 2003 through June 30, 2004, the cumulative MOP portfolio rate-of-return out-performed the STIP rate-of-return, resulting in a net transfer to the Faculty Housing Programs Reserve from STIP of \$218,111 for the fiscal year.

1984-2004 Program Objectives and Results

The mission of the Office is to design, deliver, and manage housing assistance programs for recruitment and retention of faculty and senior managers in support of the education, research, and public service missions of the University. For the past 20 years, the Mortgage Origination Program has provided the primary University-funded source of first mortgage financing to assist faculty and senior managers in purchasing a home close to the location where they work.

Chart 1 displays the level of faculty recruitments from the inception of the program in fiscal year 1984-85 through the current fiscal year. This chart clearly depicts the cyclical nature of recruitments, which are affected by variations in enrollment growth, faculty turnover and retirement rates, and budgetary restrictions. During the five-year period of 1995-96 through 1999-00, new hire activity was relatively stable, averaging 375 new appointments each year. The number of newly appointed Senate faculty was 493 in 2001-02, increasing by 5.3% to 519 in 2002-03 and increasing an additional 10.4% to 573 in 2003-04. Chart 2 presents a breakdown by title of MOP loans made to members of the Academic Senate. During the early years of the program, the majority of loans were made to Professors, followed by Assistant Professors. Since fiscal year 1992-93, this mix has changed, with the majority of loans being made to Assistant Professors. Although Chart 2 depicts a modest decrease in loans to Academic Senate members from 2002-03 to 2003-04 (245 to 208), the total loans made each year were 252 and 253, respectively.

One of the initial assumptions for MOP was that the program would provide financial assistance to approximately 35% of all newly recruited faculty. It was believed that this level of service would be sufficient for the University to successfully recruit the high caliber of faculty needed at its campuses. The average percentage of new recruits served over the 20-year program history has been 28.1%. The percentage served each year has ranged from a low of 10.4% (1984-85) to a high of 49.4% (2001-02). These variations are due primarily to changes in economic conditions including home prices and fluctuations in conventional mortgage rates.

Chart 3 displays advantages offered by the University lending products' more flexible underwriting criteria, which enable a higher percentage of borrowers to receive affordable financing than would otherwise be possible under the more conservative debt-to-income ratios and loan-to-value requirements used by conventional lenders.

Since the offering of the first housing programs in the late 1970's, the University has provided over \$2.1 billion in home loans and other financial assistance related to housing. This assistance includes 3,857 University-provided loans (including 3,047 MOP loans totaling \$937.5 million), 2,397 housing assistance grants, and 5,876 loans provided by outside lenders. Seven campuses operate 697 units of rental housing for faculty and academic staff. The University also has 1,063 units of for-sale housing available at six of its campuses, which provide a long-term renewable affordable housing resource. These programs are vital tools for recruitment and retention in support of the overall mission of the University.

Chart 1: Appointments within the Professorial Series and Equivalent Ranks, and Lecturers with Security of Employment or Potential Security of Employment

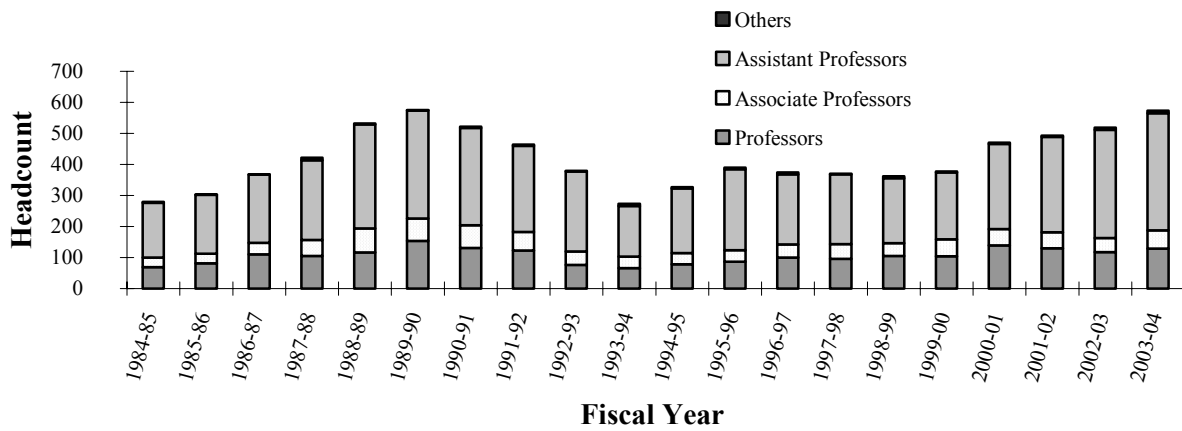


Chart 2: MOP Loans funded for Members of the Academic Senate

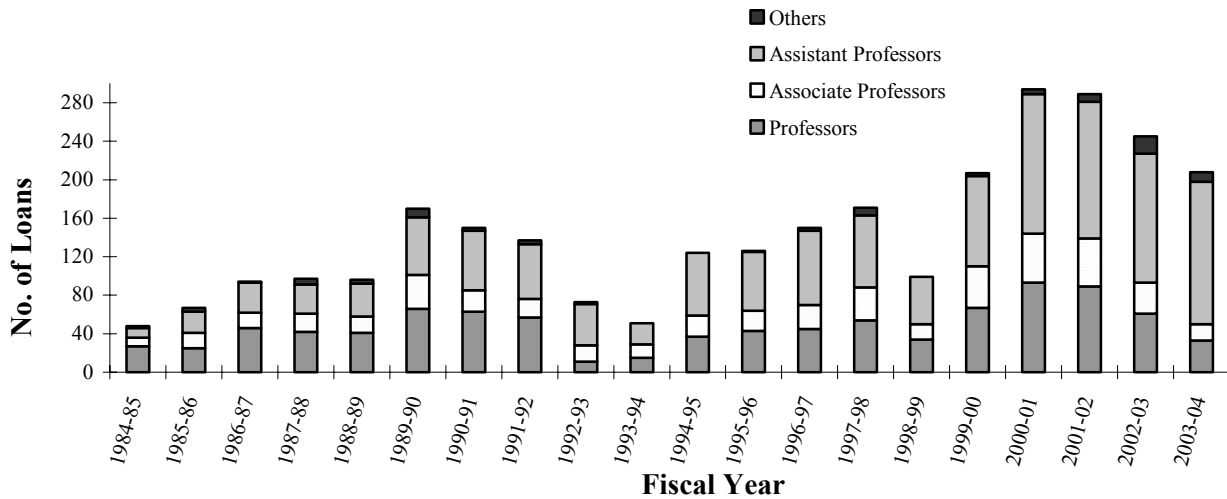
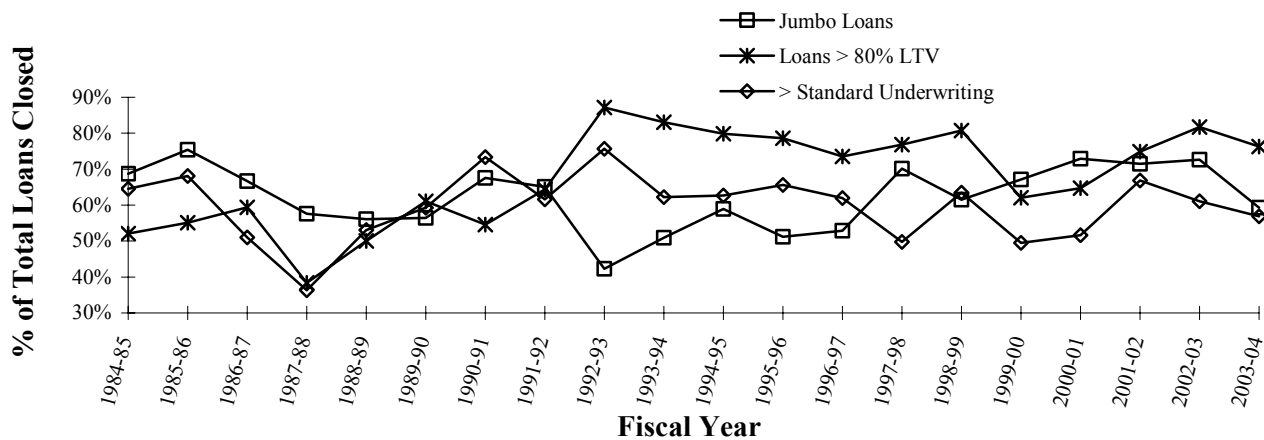
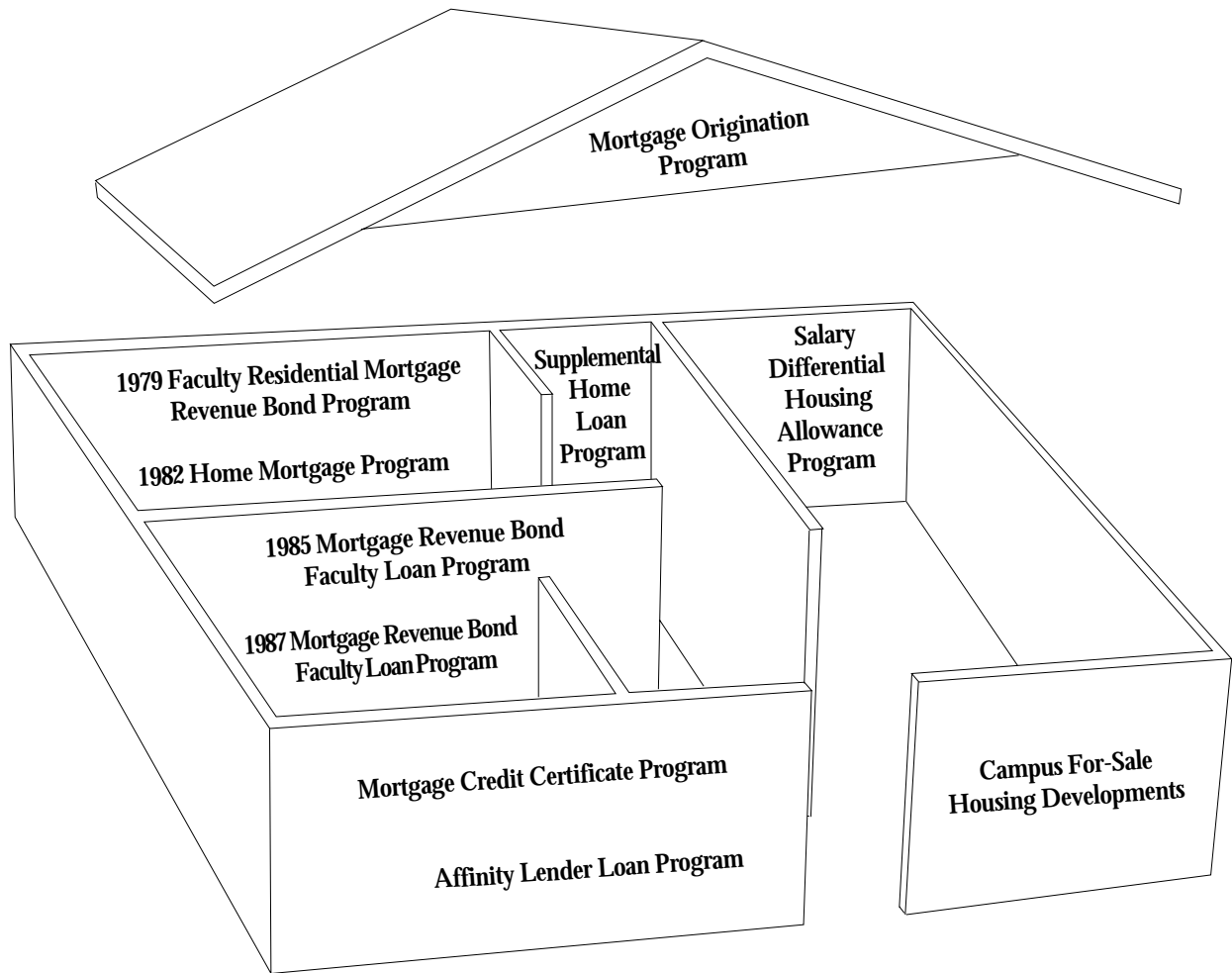


Chart 3: MOP Loan Characteristics



Appendix A: Summary of Housing Assistance Programs



Appendix A: Summary of Housing Assistance Programs

Summary Table of Financial Assistance Programs (Cumulative as of June 30, 2004)

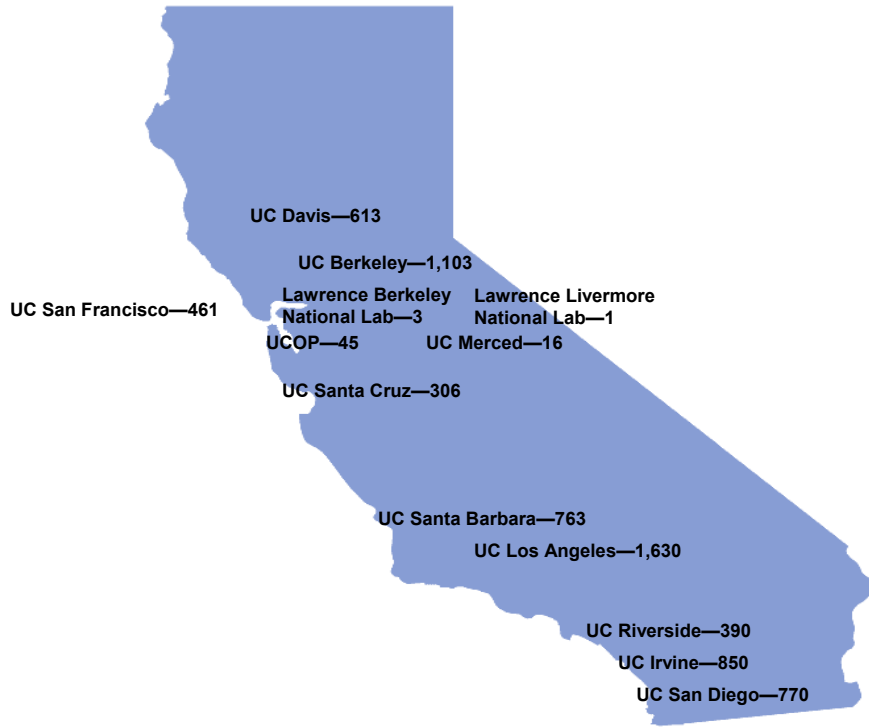
Program	Number of Loans/ Assistance	Dollar Value	Average Amount	Recruitment	Retention
<i>Active Program Components</i>					
Mortgage Origination Program	3,047	\$937,492,530	\$307,677	2,448	599
Supplemental Home Loan Program	810	74,504,672	91,981	615	195
Salary Differential Housing Allowance Program	2,397	57,852,192	24,123	2,152	245
World Savings Loan Program	214	36,654,292	171,282	n/a	n/a
Subtotal	6,468	\$1,106,503,686	n/a	5,215	1,039
<i>Inactive Program Components</i>					
1979 Faculty Residential Mortgage Revenue Bond Program	196	21,391,550	109,141	158	38
1982 Home Mortgage Program	119	15,158,100	127,379	69	50
1985 Mortgage Revenue Bond Faculty Loan Program	163	17,545,389	107,640	52	111
1987 Mortgage Revenue Bond Faculty Loan Program	168	20,772,990	123,649	104	64
Mortgage Credit Certificate Program	51	1,384,087*	27,139*	38	13
Wells Fargo Bank Loan Program					
First deed-of-trust mortgages	81	19,111,894	235,949	14	67
Second mortgages/equity lines	22	1,803,000	81,955	0	22
NAMC Loan Program	5,662	852,999,976	150,653	n/a	n/a
Subtotal	6,462	948,782,899**	n/a	435	365
Totals	12,930	\$2,055,286,585**	n/a	5,650***	1,404***

* Figures do not represent the dollar value of the mortgage loans obtained to purchase the home, but rather the value of the mortgage credit certificates, which can range from 10% to 50% of the loan amount, with an average of 23.2%.

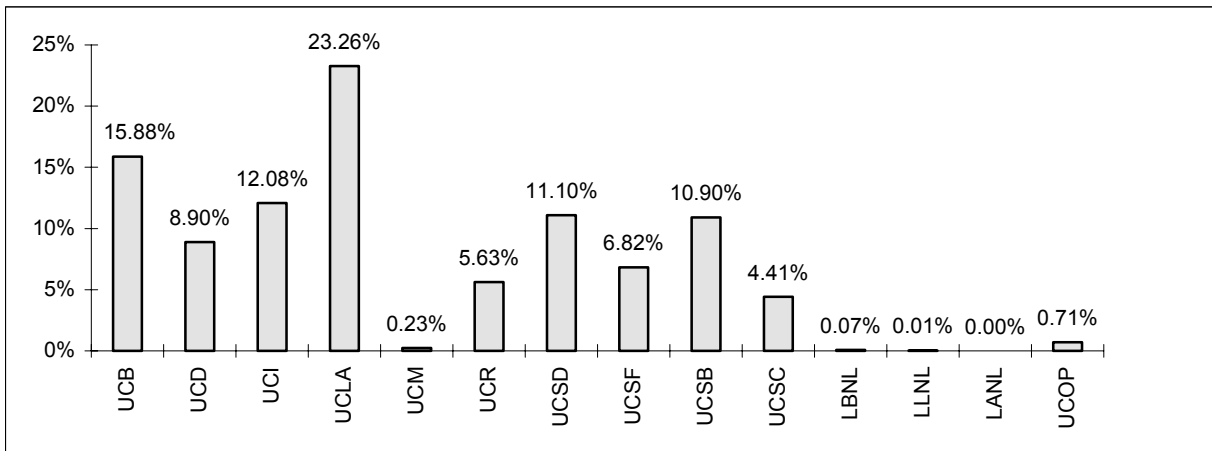
** Figure does not include the value of mortgage credit certificates.

*** Figures do not include NAMC or World Savings loans

Cumulative Total Number of University Loans/Financial Assistance by Location As of June 30, 2004



Cumulative Percentage of University Loans/Financial Assistance by Location As of June 30, 2004



Appendix B: Program Descriptions and Statistical Information--Active Programs

This Appendix presents a brief description and summary of the results and distribution of the resources of the University Housing Assistance Programs that are currently active.

I. Home Ownership Financial Assistance

There are four financial assistance programs that are currently offered to assist faculty members and senior managers in financing new or existing residences. The following information provides a summary of the program parameters and scope as well as statistical data concerning the recipients of assistance under each program.

A. Mortgage Origination Program.

The Mortgage Origination Program was authorized by The Regents in July 1984 and utilizes funds from the unrestricted portion of the University's Short-Term Investment Pool (STIP) to make first deed-of-trust loans to eligible employees. The program provides adjustable interest rate loans at up to 90% of value with terms of up to 40 years. Unlike conventional financing, MOP loans in excess of 80% of value do not require private mortgage insurance. The Standard interest rate is indexed to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee of one-quarter of one percent. The maximum annual adjustment of the interest rate for a loan, upward or downward, is one percent. The program has had cumulative allocations of \$1.329 billion through June 2004.

In November 2001, The Regents approved an additional new MOP loan product. The GP-MOP is a graduated payment loan that provides a lower interest rate during the initial years of the loan. The initial rate paid by the Borrower is a pre-determined amount less than the Standard MOP rate, with a minimum interest rate of 3.00%. The rate reduction amount is called the Interest Rate Differential, which declines for a set number of years (Rate Differential Period) by a fixed amount until the Standard MOP Rate is reached. The Rate Differential Period is generally between three and twelve years. During the Rate Differential Period, the campus reimburses STIP for the shortfall in earnings that results from the lower Borrower Rate. The GP-MOP provides a lower initial monthly payment, thereby expanding the range of purchase prices affordable to those prospective borrowers who expect their income to rise in subsequent years. At the end of the Rate Differential Period, the GP-MOP component will cease and the loan interest rate will be adjusted in the same manner as a Standard MOP loan. In fiscal year 2003-04, 13 GP-MOP loans were funded for a total amount of \$7,291,150.

MOP offers more flexibility to borrowers than conventional lending programs. Monthly mortgage payments may be as high as 40% of gross income as compared to a 28% to 33% ratio for all monthly housing expenses used by most conventional lenders. The program charges no fees to the applicants for processing the loans. These fees normally range from 1.0% to 2.0% of the loan amount via conventional lenders. For loans up to \$582,500, the participant has the option to have a portion or all of the usual and customary closing costs, as well as designated recurring costs such as first-year insurance premiums, financed as part of the loan, in which case the loan may be approved at up to 92% of value.

The eligible population for this program is full-time University appointees who are members of the Academic Senate or who hold equivalent academic titles, members of the Senior Management Group, and Acting Assistant Professors. The program is further limited to appointees who do not currently own, and have not, within the 12-month period preceding the funding of the loan, owned a principal place of residence within a reasonable distance of the campus. The eligible participant must hold at least a 50% ownership interest in the residence, and except in the event of retirement or disability, the loan must be repaid in full within six months of termination of employment with the University. In the event of the death of a participant, the surviving spouse or surviving domestic partner (or, in the absence of a surviving spouse or surviving domestic partner, a surviving eligible child) may continue to receive the benefits of the loan as long as the survivor continues to occupy the home as the primary residence and meet all other program requirements. The loans are not assumable and, generally, loans cannot be made for refinancing purposes. As of June 30, 2004 there were 99 UC-owned loans outstanding with an aggregate principal balance of \$44.1 million. The remainder of the portfolio consisted of 1,373 Investor-owned loans with an aggregate principal balance of \$423.5 million.

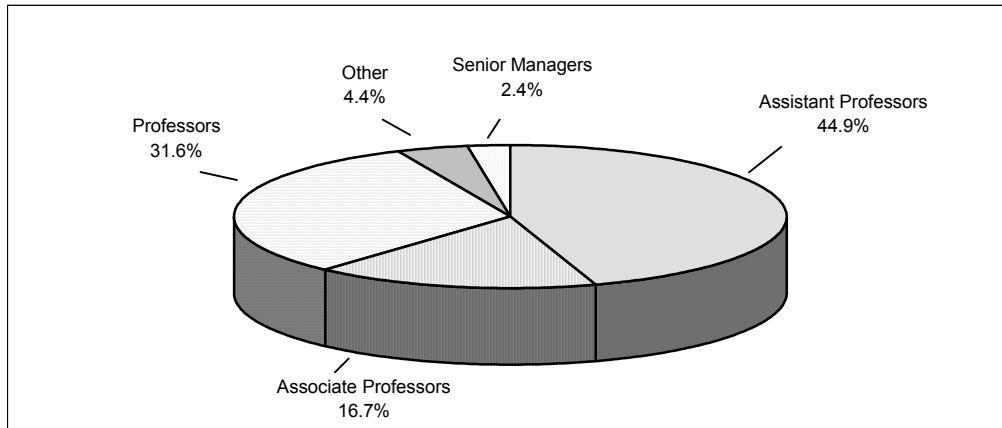
Between 1994 and 1998, MOP realized principal losses due to foreclosures, deeds-in-lieu of foreclosure, and approved short-sale transactions of \$1,041,153. There have been no losses under the program during the past five fiscal years. The current delinquency ratio of the portfolio is zero. An annual risk analysis of the MOP portfolio projects a very small risk of losses in the coming fiscal year, due primarily to the continued strong residential real estate market throughout California.

The following table displays a statistical summary of the use of the Mortgage Origination Program since its inception.

Table I.A: Mortgage Origination Program Statistics by Location (As of June 30, 2004)

Location	Number of Loans	Dollar Value of Loans	Average Loan Amount	Recruitment	Retention
Berkeley	455	\$138,899,420	\$305,273	359	96
Davis	340	77,595,034	228,221	305	35
Irvine	438	107,142,130	244,617	381	57
Los Angeles	594	211,128,050	355,434	395	199
Merced	14	4,333,050	309,504	14	0
Riverside	216	55,592,021	257,370	182	34
San Diego	309	94,674,350	306,389	284	25
San Francisco	202	98,445,475	487,354	153	49
Santa Barbara	255	85,010,225	333,373	224	31
Santa Cruz	184	46,340,875	251,853	124	60
Office of the President	37	16,789,900	453,781	24	13
Lawrence Berkeley National Lab	2	812,000	406,000	2	0
Lawrence Livermore National Lab	1	730,000	730,000	1	0
Totals/Average	3,047	\$937,492,530	\$307,677	2,448	599

Distribution of Number of MOP Loans by Employment Classification



B. Supplemental Home Loan Program.

The Supplemental Home Loan Program, established in March 1993, replaced the Short-Term Housing Loan Program and provides primary and secondary mortgage financing. Campuses were allocated \$2 million in 1982, to be repaid together with 6% simple interest no later than June 30, 2010. Each campus and laboratory is authorized to augment these funds and make mortgage loans from other funds available to the Chancellor or Laboratory Director. Campuses and laboratories have flexibility in determining the type of loan to be made including the term, interest rate, and method of repayment. The underwriting guidelines are similar to those used by the Mortgage Origination Program. This program is administered by the Office pursuant to an agreement with each location.

The eligible population for the program is comprised of full-time University appointees who are members of the Academic Senate or who hold equivalent titles, members of the Senior Management Group, and Acting Assistant Professors. The President is authorized to make exceptions to the above categories based upon the essential recruitment and retention needs and goals of the University. In the case of loans funded under the terms of a gift, an exception to this eligible population guideline may be made to comply with the terms of the gift. In general these loans are payable in full within six months of termination of employment with the University, with the same exceptions as for the Mortgage Origination Program.

The Regents approved the sale of SHLP loans in March 2003. As of June 30, 2004, there have been two SHLP portfolio sales, totaling \$3.3 million, with 81 loans sold.

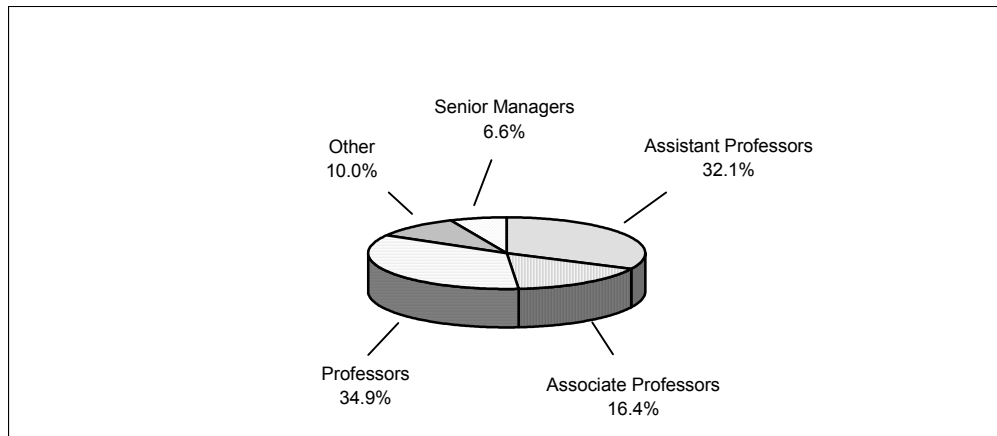
Between 1994 and 1998, principal losses of \$629,784 were realized under the Program, due to foreclosures, deeds-in-lieu of foreclosure, and approved short-sale transactions. There were no principal losses under the program during the past five fiscal years.

The following table displays a statistical summary of the use of the Supplemental Home Loan Program since its inception.

Table I.B: Supplemental Home Loan Program Statistics by Location (As of June 30, 2004)

Location	Initial Allocation	Number of Loans	Dollar Value of Loans	Average Loan Amount	Recruitment	Retention
Berkeley	\$324,000	219	\$13,894,912	\$63,447	159	60
Davis	200,000	74	1,602,376	21,654	61	13
Irvine	180,000	56	2,223,325	39,702	52	4
Los Angeles	480,000	238	38,842,161	163,202	161	77
Merced	0	0	0	0	0	0
Riverside	104,000	58	1,021,994	17,621	52	6
San Diego	228,000	11	1,130,350	102,759	6	5
San Francisco	220,000	97	12,686,792	130,792	77	20
Santa Barbara	164,000	32	1,194,862	37,339	25	7
Santa Cruz	100,000	16	303,400	18,963	15	1
Office of the President	0	8	1,580,800	197,600	7	1
Lawrence Berkeley National Lab	0	1	23,700	23,700	0	1
Totals/Average	\$2,000,000	810	\$74,504,672	\$91,981	615	195

Distribution of Number of Supplemental Home Loan Program Loans by Employment Classification



C. Salary Differential Housing Allowance Program.

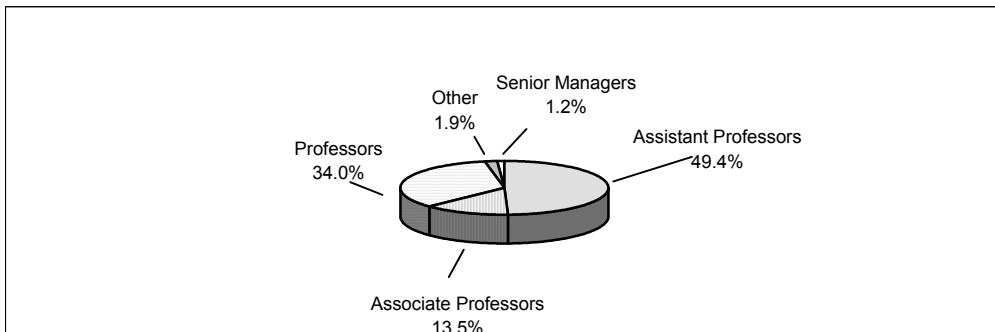
This program was authorized in 1982 and is funded from appropriate campus resources designated by the Chancellors. The program authorizes the granting of special housing allowances to assist with down payments, mortgage payments, and other housing-related costs. The assistance may be paid in one lump sum or over a period not to exceed ten years in equal, unequal, or declining balance amounts. The maximum assistance amount is indexed based upon salary increases for faculty and was increased in October 2001 to \$53,300. Campuses have the ability to establish repayment conditions for the housing allowances, or they can choose not to require repayment of amounts disbursed under this program. The eligible population for the program is full-time University appointees who are members of the Academic Senate or who hold equivalent titles, and Acting Assistant Professors. The program is further limited to those persons within two years of their appointment to an eligible rank who did not own their principal residence within a reasonable distance of campus on or after their appointment date.

The following table displays a statistical summary of the use of the Salary Differential Housing Allowance Program since its inception.

**Table I.C: Salary Differential Housing Allowance Program Statistics by Location
(As of June 30, 2004)**

Location	Number of Allowances	Dollar Value of Allowances	Average Allowance Amount	Recruitment	Retention
Berkeley	335	\$11,564,274	\$34,520	265	70
Davis	113	3,403,253	30,117	104	9
Irvine	242	4,777,736	19,743	236	6
Los Angeles	702	14,808,038	21,094	610	92
Merced	2	42,000	21,000	2	0
Riverside	79	913,208	11,560	66	13
San Diego	363	8,264,523	22,767	350	13
San Francisco	129	6,727,532	52,151	120	9
Santa Barbara	409	6,456,513	15,786	376	33
Santa Cruz	23	895,115	38,918	23	0
Totals/Average	2,397	\$57,852,192	\$24,135	2,152	245

Distribution of Number of Salary Differential Housing Allowance Awards by Employment Classification



D. World Savings Bank Home Loan Program.

In December 2002, the University entered into an agreement with World Savings to provide a variety of mortgage loan products to all University employees in California and New Mexico. In addition to standard secondary market loan products, World Savings has its own internal portfolio variable rate loan product that provides a wide range of repayment options. Through this agreement, World Savings offers discounted loan application fees on loans that may be used for home purchases, refinancing of existing debt, or equity lines of credit. World Savings has provided the aggregate lending activity data displayed in Table I.D. below.

Table I.D: World Savings Bank Home Loan Program Statistics (As of June 30, 2004)

Time Period	Number of Loans	Dollar Value of Loans	Average Loan Amount
July 1, 2002 to June 30, 2003	71	13,043,105	183,706
July 1, 2003 to June 30, 2004	143	23,611,187	165,113
Totals/Average	214	\$36,654,292	\$171,282

II. Home Ownership For-Sale Housing Production

The For-Sale housing program began in mid-1983 with the planning by the Irvine campus for development of a multi-phase faculty and staff housing community. Since that time, the Berkeley, Davis, Los Angeles, Santa Barbara, and Santa Cruz campuses have also developed For-Sale housing as a means to support recruitment and retention efforts at the campuses. Generally, the housing units are built on University land, and are sold subject to a long-term ground lease, so that the University retains ownership of the land. The development process, removal of marketing risk, and the ground rent structure assist in providing housing at sales prices below those of conventional market units. All units have resale restrictions that control price and determine eligibility for new buyers, and thus maintain the developments as long-term affordable housing resources. Two developments at UCLA, Park Wilshire and Village Terrace, are not included in this report, as they are currently only being offered to faculty on a rental basis.

The For-Sale Housing developments have provided a tremendous benefit to borrowers in the areas surrounding the campuses. The following charts present statistics concerning the availability of For-Sale Housing, the usage of the program, and the characteristics of the faculty and staff that have benefited from these housing developments.

Chart 1 provides a summary of the number and type of units that have been completed in each campus development, as well as a breakdown of units by their square footage. As of June 30, 2004 there were 1,063 total units at the six campuses. The majority of units (51%) are between 1,000 and 2,000 square feet in size and 22% are condominium units.

Charts 2 and 3 provide a summary of the bedroom and bathroom counts of the units. Two and three bedroom units are most prominent at 30% and 38%, respectively. A vast majority of the homes had two to three bathrooms.

Chart 4 presents a comparison of five economic indicators important to cost and/or affordability of housing in California: (1) the California Association of Realtors (CAR) median sales price for California, published annually; (2) the Median Sales Price of homes surrounding UC campuses, derived from a zip code study of where faculty live, completed annually by the Office of Loan Programs; (3) the annualized Marshall and Swift Index, which is an index that is published quarterly and reflects building cost changes for selected cities within geographic regions; (4) the annualized Consumer Price Index (CPI-U - National); and (5) the Faculty Salary Index, which is an internal University index based on the annual changes in faculty salaries.

To maintain ongoing housing affordability within the For-Sale Housing developments, the units are subject to resale price restrictions. The resale price of a unit is indexed to the increase in CPI-U, or the annual increase in the University's Faculty Salary index (whichever is higher). The Irvine campus also uses the Marshall and Swift index for wood frame homes in Los Angeles, California. Using the greater value derived from the change in these indices provides a moderated investment return to the homeowner, while allowing the price of these units to remain affordable to new buyers over time. Utilizing the CPI-U, Faculty Salary Index, or the Marshall and Swift Index provides home appreciation based on affordability, rather than the normally higher rates of increases in home prices that are attributed to market forces of supply and demand. As displayed in Chart 4, the CPI-U, the Faculty Salary Index, and the Marshall and Swift Index have

increased at a much slower rate than the real estate appreciation rates demonstrated by the CAR index and the Median Sales Price surrounding the campuses.

An example of the impact of the resale price restrictions is illustrated by a 3 bedroom, 2.5 bath townhouse in the Santa Barbara For-Sale development that was originally sold to a faculty member in 1986 for \$132,144. In 1986, the median sales price surrounding the campus, based on the zip code study of where faculty live, was \$187,000. At the time of original sale, the property sold for approximately 30% below the unrestricted market price. In 1995, the unit was sold with a resale price of \$184,000. The median sales price surrounding the campus in 1995 was \$277,500, so the property sold at approximately 35% below the surrounding unrestricted market price. In 2002, the property sold again, at a resale price of \$265,000, as compared to a median unrestricted sales price surrounding the campus of \$598,000. For this most recent resale, the property sold at 64% below the unrestricted market price, demonstrating the significant difference in affordability that has been maintained by utilizing resale price restrictions.

Chart 5 shows the percentage of For-Sale housing units by campus as of June 30, 2004, and Chart 6 details the number of For-Sale units at each campus and the number of households that have been served as of June 30, 2004. The University has built a total of 1,063 units and has served a total of 1,790 households over the 20 years of the program as of June 30, 2004. At the Los Angeles campus, 40 of the 58 units (69%) have had more than one owner. At Santa Cruz, Santa Barbara and Irvine, the percentage of multiple-owner units ranges from 44% to 46% (excluding the newest development at Santa Cruz that was completed in Fall 2003). Berkeley has experienced 27% multiple-owner units since its inception in 1994, whereas Davis experienced only 3% multiple-owner units during the same 10-year period. The overall experience is that 247 units, or 23.24 % of the total, have been owned by two households and 190 units, or 17.87 %, have been owned by 3 or more households. For units that have had multiple owners, the length of time the units have been owned range from a high of 17.4 years to a low of less than one year. The majority of resales have been units with two bedrooms, one bath and with three bedrooms, two baths. As might be expected, the number of multiple-owner units is generally higher in older developments.

Chart 7 illustrates the percentages of units that have been sold at each campus by academic title, with the majority being sold to Assistant Professors. This chart excludes those units sold to staff as well as some units for which titles were not available.

Chart 8 represents the number of sales for recruitment or retention purposes. The total of sales shown is less than the total of all sales because the statistics are not available for all sales.

The 20 years of experience and data demonstrate that the For-Sale Housing Developments have provided initial affordable housing and have successfully maintained prices within the developments that are more affordable than in the surrounding communities over time. In addition to normal employee turnover, some of the turnover in these units reflects borrowers who were able to move up to a larger unit as their family size increased, thus allowing the smaller, more affordable units to become available for faculty starting out with their first home. Over time, customer surveys indicate that the availability of these affordable units is one reason the University is able to recruit and retain quality faculty and staff in the high housing cost areas

surrounding the campuses. However, the low turnover rates within some of the developments have kept this a limited resource, particularly at Davis and Berkeley. Demand for the units continually exceeds supply, which is demonstrated by the fact that each campus maintains a waiting list for units. The recently completed Hagar Court development at Santa Cruz was sold out prior to completion, and the Irvine campus pre-sells all of the units that are made available with each new phase. The Irvine, Santa Cruz, Davis and Santa Barbara campuses are pursuing building new developments, so that more faculty and staff will be able to take advantage of this resource. These projects continue to be an integral part of the University's overall housing assistance program, and foster a sense of community in addition to providing affordable housing.

Chart 1: For-Sale Housing Unit Type and Size Statistics as of June 30, 2004

Campus	Project Name	Total # of Units	Unit Type	Square Footage		
				0-1000	1000-2000	2000-over
Berkeley	University Terrace	75	Condo	11	62	2
Davis	Aggie Village	37	PUD	0	37	0
Los Angeles	Colina Glen	58	PUD	0	42	16
Santa Cruz	Cardiff Terrace	69	PUD/Townhouse	0	69	0
		11	Custom Homes	0	4	7
	Hagar Court	50	PUD/Townhouse	50	0	0
Santa Barbara	West Campus Point	65	Townhouse	0	36	29
Irvine	University Hills	155	Condo	24	106	25
		13	Custom Lot	10	2	1
		46	Paired Home	0	0	46
		416	SFR	1	133	282
		68	Townhome	12	56	0
Totals		1063		108	547	408
Percent of Units				10.16%	51.46%	38.38%

Chart 2: Percentage of Total Units by Number of Bedrooms as of June 30, 2004

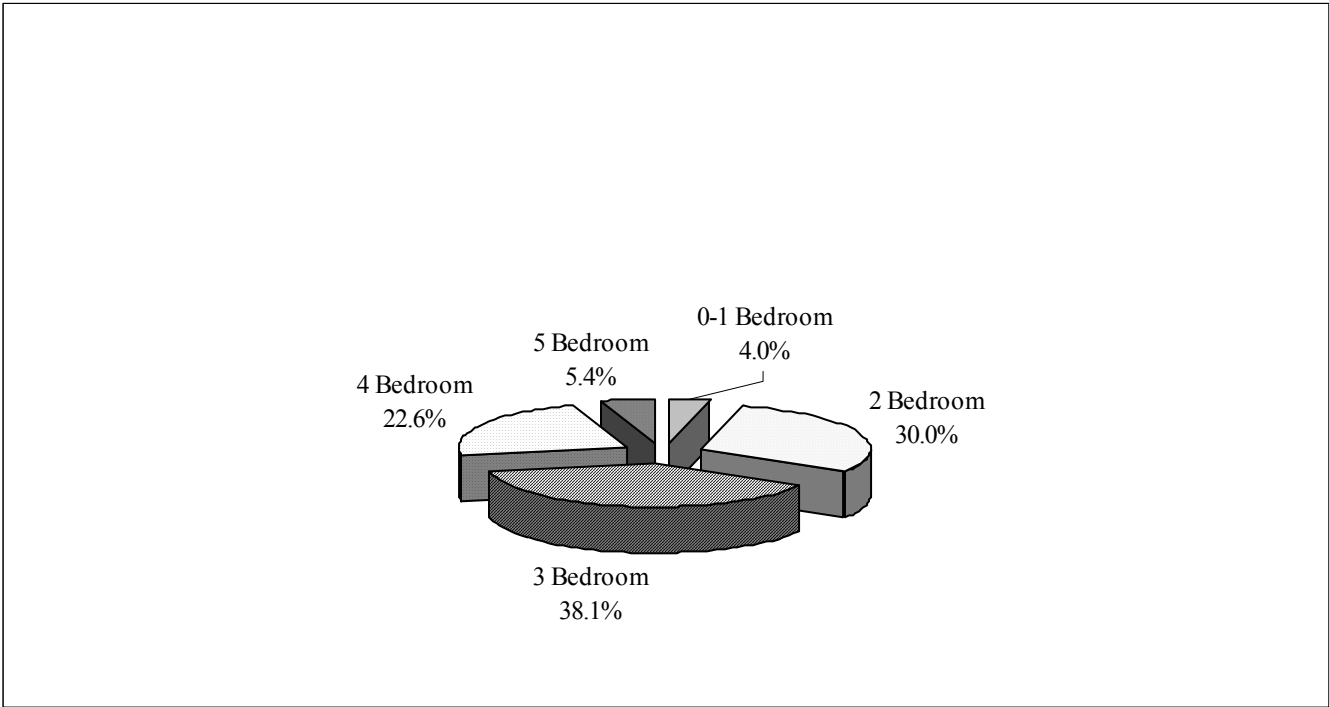


Chart 3: Percentage of Total Units by Number of Bathrooms as of June 30, 2004

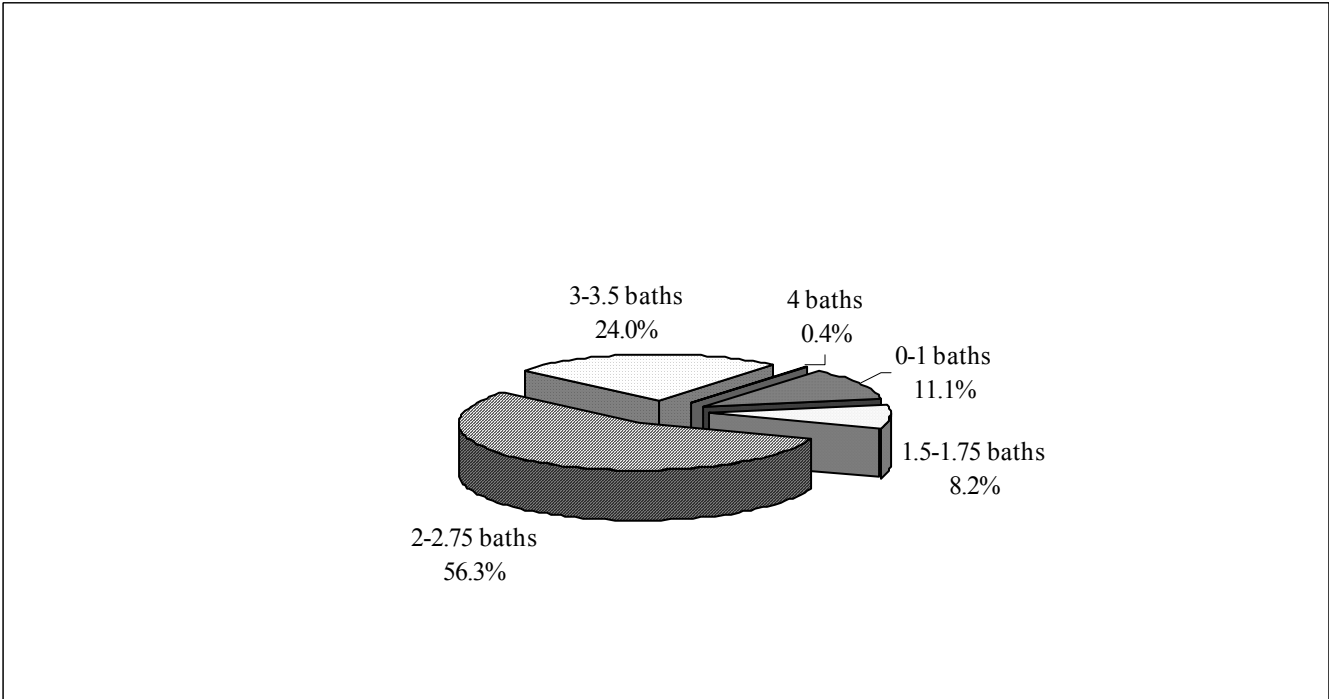


Chart 4: Comparison of Cost of Housing and Cost of Living Indices

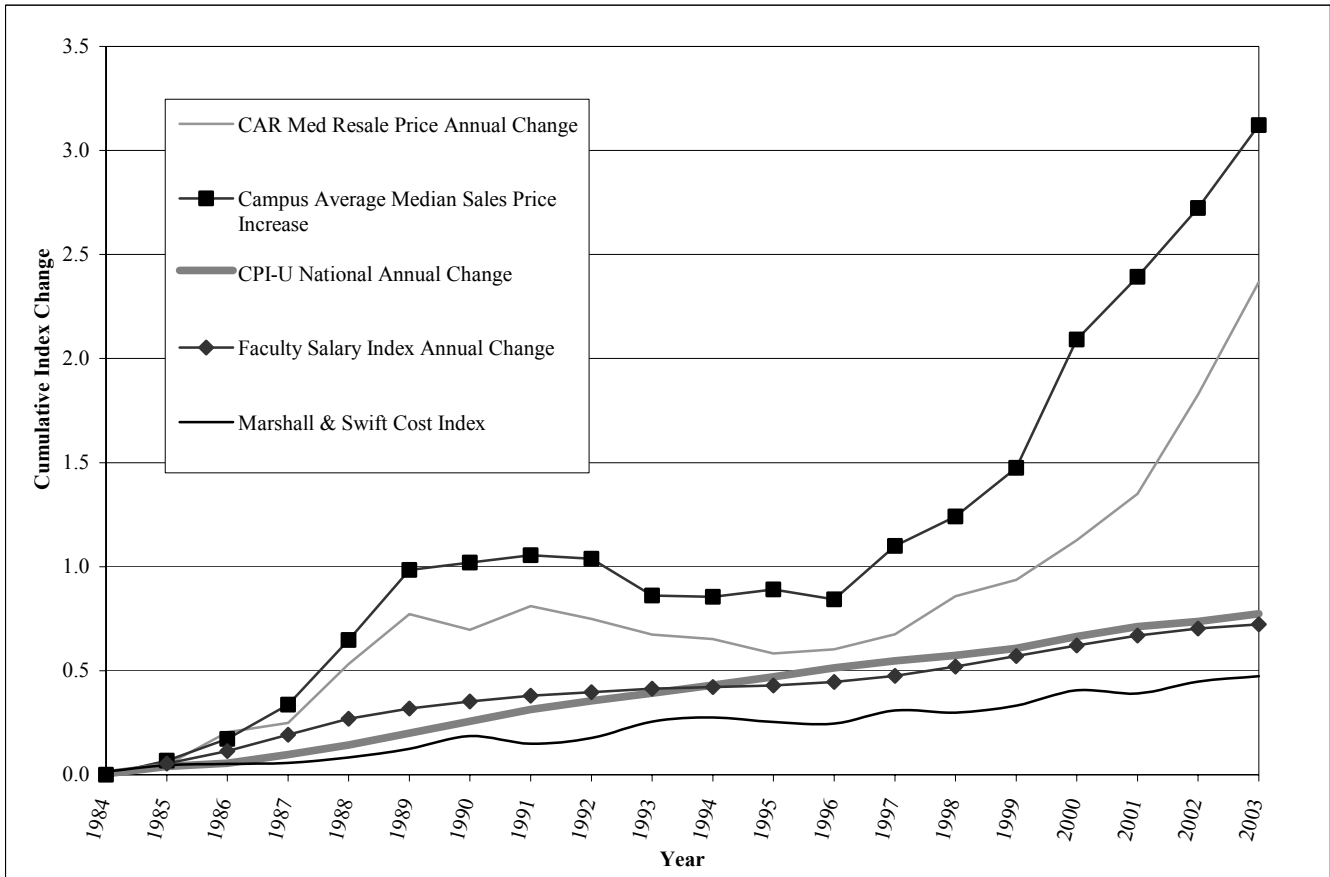


Chart 5: Percentage of Total Units by Campus as of June 30, 2004

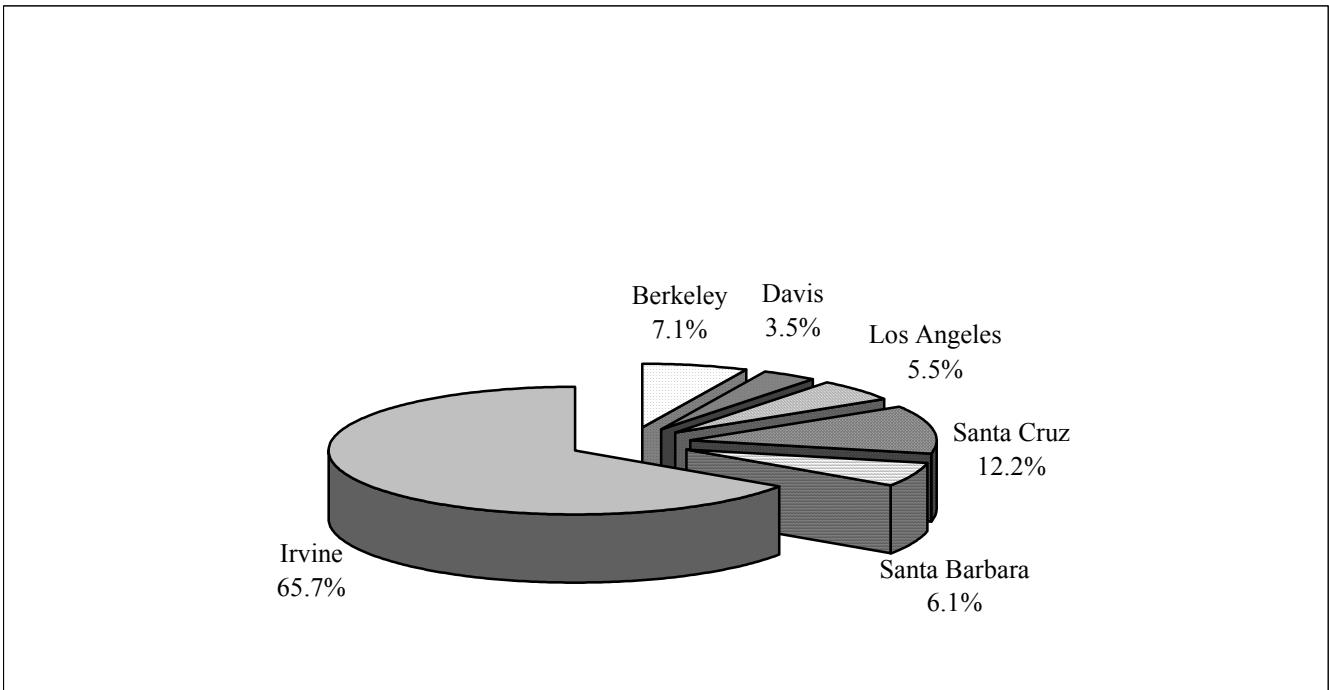


Chart 6: Comparison of Units Built to Number of Households Served as of June 30, 2004

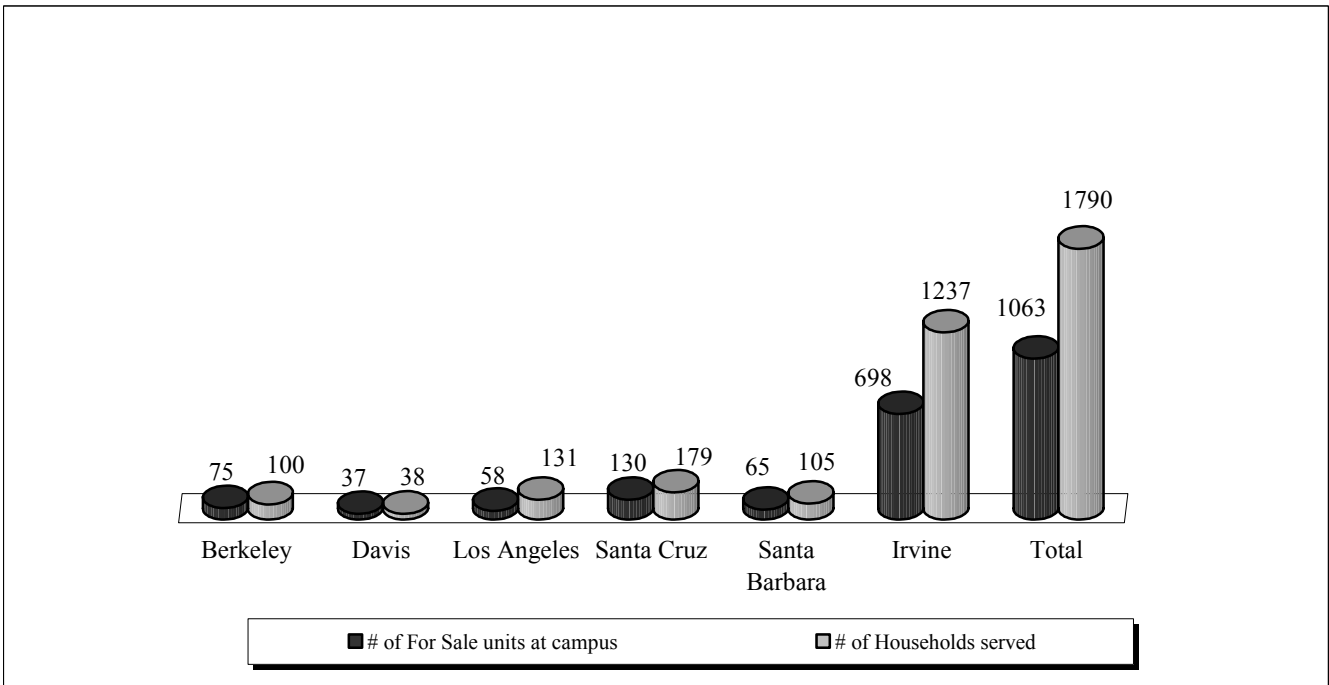


Chart 7: Program Usage by Campus by Academic Title* as of June 30, 2004

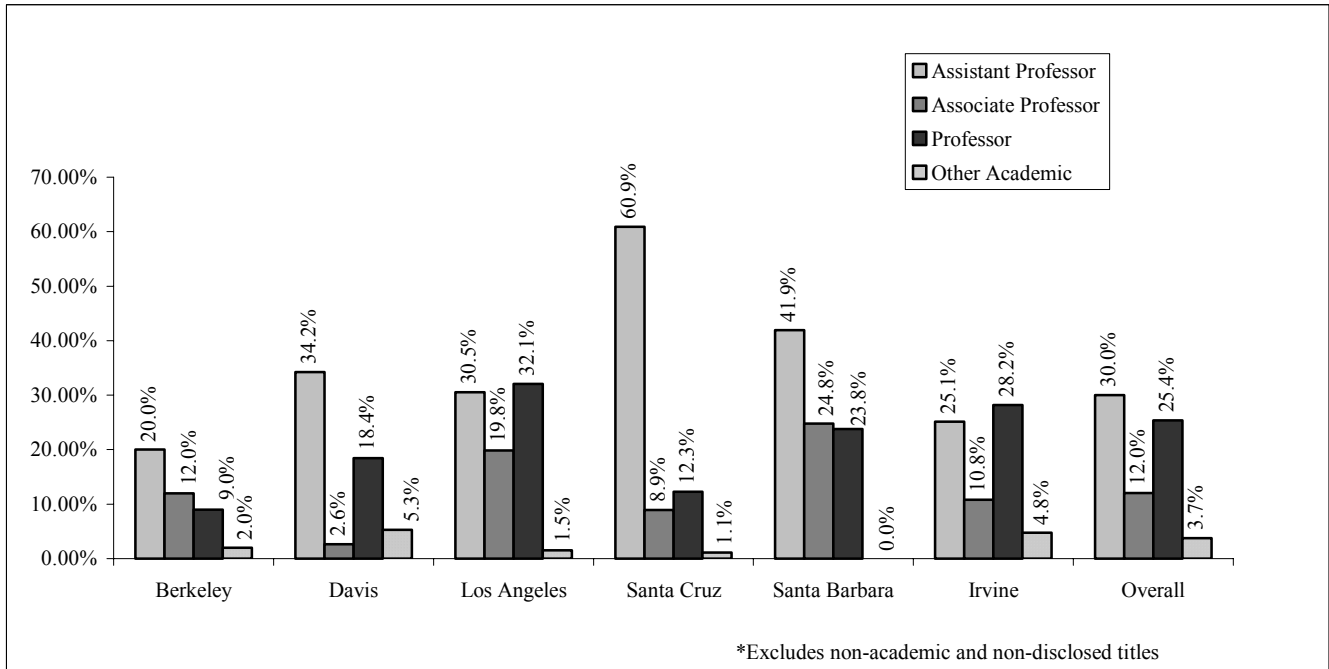
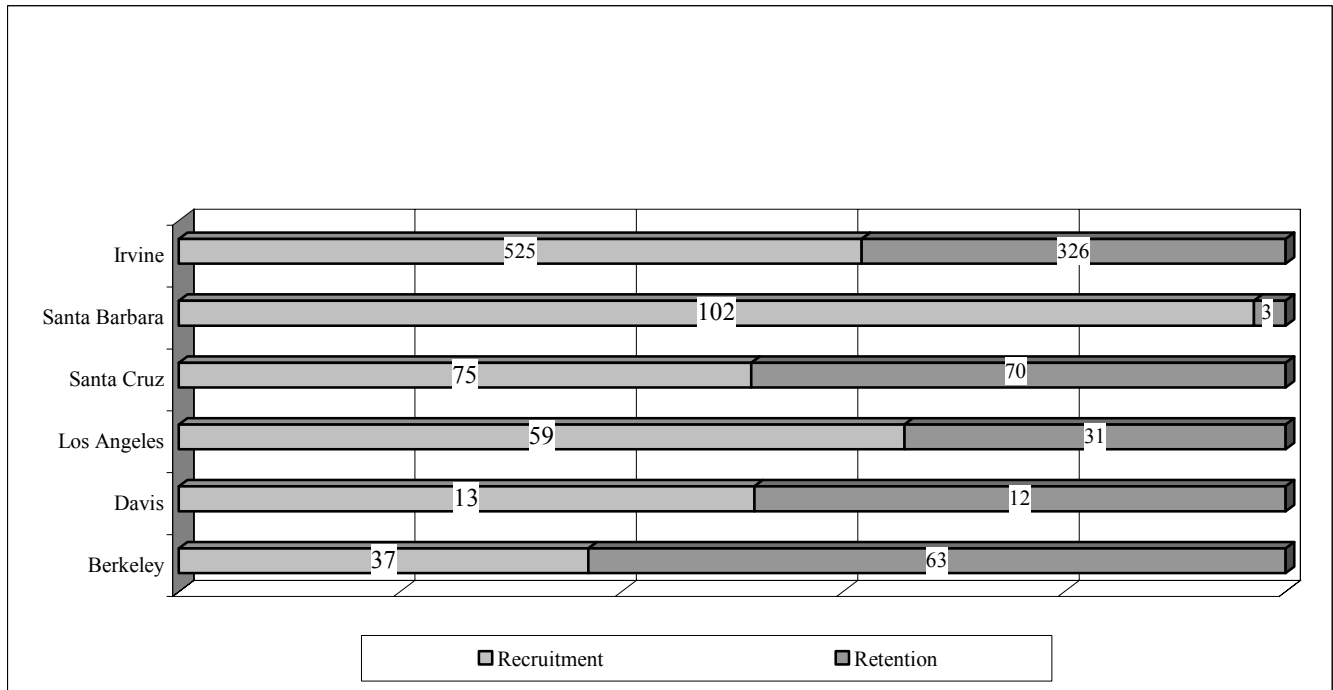


Chart 8: Number of Sales for Recruitment and Retention as of June 30, 2004



III. Rental Housing Assistance

In 2003-04, there were 697 faculty rental units at seven of the campuses that were financed as part of the University of California Housing System (UCHS) or as Campus Housing Facilities. Although all of the day-to-day operations are decentralized, the capital debt incurred by financing UCHS facilities is managed centrally by the Office of the President. Financing for Campus Housing Facilities has been provided by a combination of State funds, gifts, Regents loans, and conventional loans. Unlike the UCHS, the financial management of Campus Housing Facilities at each campus is independent from those facilities at other campuses.

Faculty rental units range in size from studios to three-bedrooms. The fees for the faculty apartments range from \$500 to \$2,979 per month. Differences in the range of rents between campuses are generally the result of campus location and local market conditions, scope of services offered, age and physical configuration of facilities, and amount of existing debt attributable to housing projects. In 2003-04, of the total 697 rental units, 493 were UCHS Facilities and 204 were Campus Housing Facilities.

In addition to these 697 units, there are 40 studio and one-bedroom rental units at UC Irvine that were built using Irvine Campus Housing Authority (ICHA) equity. These units are administered by ICHA, with rents ranging from \$870 to \$1,380 per month. As current owners in the Village Terrace and Park Wilshire For-Sale housing developments decide to sell their homes, the UCLA campus is exercising its option to purchase the units for rental to campus faculty and staff. Of the 52 units administered by the University in these two developments, 41 units have been purchased by UCLA and are being rented, with rents ranging from \$1,238 to \$2,979 per month.

IV. Employee Emergency Loan Fund

In September 1970, The Regents approved the establishment of an emergency loan fund for employees. The purpose of the fund is to provide loans to University employees who have an immediate need for funds as the result of an emergency and have no other source of money available within the time necessary to act, or who have a dire personal financial hardship and cannot obtain a loan from a credit union or comparable lending institution. This loan fund provides loans of up to \$5,000 to be repaid within 36 months, at an interest rate equal to the current MOP rate.

The following table displays a statistical summary of the financial assistance provided by the Employee Emergency Loan Fund.

**Table IV.A: Employee Emergency Loan Fund Statistics by Location
(As of June 30, 2004)**

Location	Number of Loans	Dollar Value of Loans	Average Loan Amount
Berkeley	174	\$684,313	\$3,933
Davis	1,672	2,173,762	1,300
Irvine	151	115,322	764
Los Angeles	460	1,804,500	3,923
Merced	0	0	0
Riverside	360	248,251	690
San Diego	1,026	504,022	491
San Francisco	601	571,019	950
Santa Barbara	1,038	771,111	743
Santa Cruz	557	573,019	1,029
Office of the President	9	27,150	3,017
Lawrence Berkeley National Laboratory	8	5,350	669
Lawrence Livermore National Laboratory	5	4,350	870
Los Alamos National Laboratory	53	249,800	4,713
Totals/Average	6,114	\$7,731,969	\$1,265