Office of Loan Programs

OLP Net News

Spring/Summer 2001 Issue 10

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Other Links of Interest

- University of California and Other Home Financing Links
  www.ucop.edu/facil/olp/links.html
- Weather in California
  http://weather.yahoo.com/regional/US/CA.html
- Moving Information
  www.usps.gov/moversnet/
- Insurance Rating Information
  www.ambest.com/

Current MOP Interest Rate:

6.40%

May 2001 – July 2001

For MOP Historical Rate Information, visit
www.ucop.edu/facil/olp/ratetbl.html

To compare our MOP Rate with conventional mortgage rates, visit
www.ucop.edu/facil/olp/mopcomp.html

For more information about our Products and Services, visit our home page at
www.ucop.edu/facil/olp/

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From the Director's Desk

The numbers keep growing for the 2000-01 program year, with 269 MOP loans, totaling $97.8 million as of May 21. The new MOP interest rate for May through July 2001 is 6.40%, down from the previous quarter's rate of 6.45% and continuing the below 7% trend begun in February 1993. This favorable rate, coupled with rising prices and increased recruitment efforts by all campuses have all contributed to the increased program utilization of the past two years.

A systemwide Housing Task Force is being formed to assess the overall housing needs and programs of the University (for students, faculty, and staff) and make recommendations regarding future directions. The Task Force, comprised of representatives from The Regents, campuses, Academic Senate, students, and the community, has its first meeting on May 25. The work of the Task Force is scheduled for completion in the Fall, including a report to The Board of Regents.

While any major changes to our programs must await the work of the Task Force, several program modifications have been administratively approved to partially address the current faculty housing assistance needs resulting from the price increases of the past two years near most of our campuses. Effective April 1, 2001, the loan to value thresholds for MOP loans were increased to $687,000 for 90% loans (the former limit was $550,000). This provides 90% financing for purchase prices up to $763,300. For SHLP loans, alone or in combination with a MOP first, the 95% LTV limit was increased from a maximum loan amount of $350,000 to $437,000, providing 95% financing for purchase prices up to $460,000. These increases resulted from the annual study of changes in housing prices near UC campuses. We anticipate annual adjustments in April of each year.

On April 17, the President approved a change to the Salary Differential Housing Allowance Program extending the time period for periodic payouts from five years to ten years. This lengthened payout period reduces the risk of losing large up-front payouts to individuals who leave University employment earlier than expected and encourages faculty members to make longer-term commitments to remain at the University. The longer payout window also will provide more options for using a combination of deferred payment SHLP loans and Housing Allowances to address high housing costs during the early years of employment. In the near future, we will provide an overview of two new SHLP loan notes being developed in coordination with the Berkeley campus to address affordability issues for faculty entering the local housing market.

Finally, on May 22 the President announced a supplemental MOP allocation for the 2000-02 allocation cycle in the amount of $120 million. These additional funds should allow each location to address near-term needs as well as make commitments for recruitments underway. The amount of funds allocated, when added to the $160 million allocated last fall is based upon making a MOP loan to approximately 50% of all newly hired ladder-rank faculty at each location. This increased level of funding represents the maximum utilization level that can be sustained in order to have sufficient funds available each year through 2010 to meet anticipated hires.✦

--Steve Mathews

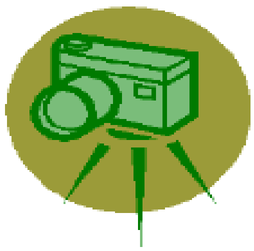
Do you have a topic you would like to see covered in OLP Net News? E-mail us at olp@ucop.edu

What is a FICO Score?

Many mortgage lenders, including the University, use FICO scores to assist in evaluating mortgage loan applications. What is a FICO score?

The FICO score is a numeric snapshot of your credit risk picture at a particular point in time. The score is taken from an analysis of your credit bureau report. It does ***not*** consider your gender, race, nationality or marital status. It was developed by the Fair, Isaac Company to assist lenders in evaluating how likely you are to repay your loan in a timely manner. The company uses a proprietary formula to compare your credit history with a nationwide database of millions of borrowers. The result is a score from between 350 and 850 with 700 or higher being generally considered a "good" credit risk. As a general rule, your FICO score is composed of five factors from your credit report:

- Payment History
- Amounts Owed
- Length of Payment History
- New Credit
- Types of Credit in Use



Your **payment history** is your track record. Obviously, this includes how often you have made your past payments on time. Other components of this factor include any public record collection items (bankruptcy, foreclosure, etc.) and the number of accounts with no late payments. As past behavior has historically been a good indicator of future behavior, this factor usually receives the largest weight in calculating your FICO score: 35%.

Another large factor, 30%, is the **total amount you owe** on all accounts in comparison to the number of accounts you owe money on. Also considered are the types of accounts you owe on (credit card, installment loan, mortgage), the number of accounts with zero balances and the amount still owed on installment loans in comparison to the original loan amount.

How long your accounts have been established, both as an overall figure and average of all your accounts, is a factor representing 15% of your score. This area also considers how long since certain accounts were used.

The amount of **new credit** you may have is about 10% of your score. This includes the number of new accounts you have, recent requests for credit, any possible "rebuilding" of your credit and the length of time since you opened any new accounts.

Finally, the FICO score considers the **type of credit in use**. The amount of each type of account you have open is the remaining 10% used in determining your score.

If you applied for a University Home loan in the last three years, our credit-reporting agency calculated a FICO score based on the Experian credit bureau model. While many mortgage lenders use the FICO score to determine the "pricing" of your loan (interest rate, number of points, amount of fees), the MOP program provides the same interest rate to all borrowers with no points or fees. You may obtain a copy of the credit report produced at the time of your loan application by contacting the Office of Loan Programs. If you would like a current copy of your FICO score, including personalized analysis of the factors used to determine your score, click on www.myfico.com. There is a fee for this service.✦

--Jay Valancy

Question of the Quarter

I would prefer not to have a payroll deduction for my MOP payment. Is this possible?

As stated in the "Program Description and Application Certification" that each borrower signs: "Mortgage payments must be made by payroll deduction while on salary status". Accordingly, unless you are on leave of absence, retired, or separate from the University, your MOP payment will be deducted from your University of California paycheck.

The University is able to offer below market interest rates, liberal underwriting standards and no points and fees for MOP loans because, in part, there are virtually no costs associated with collecting payments on MOP loans. In addition to greatly reducing the staff required to manage the loans, the payroll deduction system reduces the risk of loss to the University.

In the private sector, mortgage companies expend a great deal of time and money attempting to contact borrowers who have not made their payments. This collection process usually does not start until the 15th of the month, allowing only two weeks for the company to contact the borrower and process the payment before reporting to the credit bureau repositories.

The University payroll deduction system, in contrast, allows Office of Loan Programs employees to review mortgage payroll deductions *prior* to the paycheck date. If, for some reason, a borrower has not been paid, there is a full month available to contact the borrower and receive the payment.✦

For more frequently asked questions, please visit the FAQ section of our website.✦

Notes of Appreciation from Borrower Surveys

❖ The staff was excellent in helping me navigate the loan process. They were all very, very courteous, friendly and professional. I enjoyed working with them! Thank you so much for having such a wonderful staff!

❖ I would like to personally thank the OLP for what I consider to be an extremely professionally and efficiently run service. The concept of the MOP is excellent and, importantly, its execution by the OLP staff is exemplary.

❖ Every aspect of the program, including the Web Site, was extremely helpful.

❖ The campus representative was very competent, helpful and friendly. The sales agent at our development was also impressed by the speed of the transaction. And the interest [rate] just makes everything that much nicer!

Interest in Arrears

Almost every first time homebuyer asks, "When will my first payment be due?" or, its' variant' "My escrow is closing in the middle of the month, why isn't my first payment due on the first of next month?"

The answer to both of these questions is the same: interest is paid in arrears. Simply put, the payment you make on the first of each month pays the *interest* for the month just ended and the *principal* for the month ahead.

At the close of escrow, you will be asked to pay interest from the date of funding to the end of the current month (often referred to as "pre-paid" interest). For example, if your loan funds on October 17, you will be asked to pay interest from October 17 through October 31. As this amount is usually lumped together with the escrow/title charges and the much larger downpayment, it is easy to overlook. In the example above, your first payment would be due December 1 and pays the interest for the month of November.

This pattern will continue throughout the life of the loan. For this reason, the maturity date on a typical 30-year loan will always be the first of the month *after* the month of funding. If you held our sample loan to maturity, the final payment would be due November 1. This method of accruing interest is standard for virtually every mortgage loan in this country.✦

--Jay Valancy

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A quarterly on-line newsletter published by the University of California's Office of Loan Programs. The Office of Loan Programs administers 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 of California.

OLP Announcements

- *Office Closed on May 28th for Memorial Day Holiday*

Coming Soon:

- *2001 MOP Brochure Update*
- *OLP Website Additions:*
  - *Consumer Information Page*
  - *Performance Management Page*