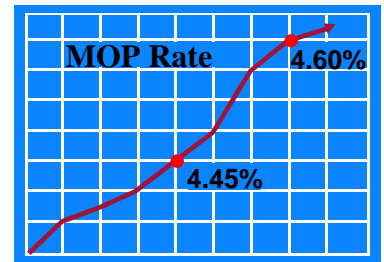




# OLP Net News

## From the Director's Desk

As of November 1<sup>st</sup>, the MOP Standard Rate increased modestly from 4.45% to 4.60%, continuing the quarterly increases since September 2004, when the rate reached its all-time low of 3.60%. While the increases in the Federal Funds rate have leveled off in recent weeks, it is anticipated that the MOP rate index will continue to increase over the next few quarters as it catches up with the STIP rate of return. Even with this upward trend in rates, the MOP interest rate remains competitive with the rates currently available through the conventional market. Coupled with the no lender fee structure and the very favorable underwriting terms, the MOP loan remains a valuable recruitment and retention tool.



The past year has seen a tremendous amount of effort expended responding to the press and various internal and external bodies regarding the policies and procedures of the University's two active loan programs. At the same time new loans are being made and preparations are nearing completion of three major reports covering various aspects of these programs – the annual report of program utilization, a biannual business assessment report that details the financial and customer satisfaction aspects of program delivery, and a survey of the housing needs of newly hired faculty, every five years.

While these reports are not yet completed, I can report that our borrowers are generally very satisfied with the services we collectively provide and that the two programs continue to serve most, if not all, of the needs of our primary customer base. During the past fiscal year, the loan programs remained robust, although the number of loans funded fell below the historic highs of the prior two years. For the 2005-06 year, there were 259 MOP loans funded in an aggregate dollar amount of \$153.6 million for an average loan amount of \$592,999. For SHLP, 49 loans were funded, totaling \$8.1 million at an average size of \$165,796. A total of 257 new Faculty Recruitment Allowances were made during this past fiscal year. There were no new For-Sale housing units constructed, however, the Irvine, Davis, Santa Cruz, and Santa Barbara campuses continue to pursue plans for additional development.

For the first quarter of this new fiscal year, 103 MOP loans have been funded in an aggregate dollar amount of \$57.3 million for an average loan amount of \$556,321, well ahead of last year's pace. Additionally, 9 SHLP loans have been funded in an aggregate dollar amount of \$249,850 for an average loan amount of \$27,761. Also, as of the end of September, a total of 3,746 MOP loans aggregating to \$1.3 billion had been funded or committed since 1984, representing 72.8% of the total of \$1.805 billion allocated to the program.

-- Steve Mathews



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**MOP Interest Rate:**

**4.75%**

**February 2007 – April 2007**

For Historical MOP Rate Information, visit <http://www.ucop.edu/facil/olp/ratecomp.pdf>

To compare our MOP Rate with conventional mortgage rates, visit <http://www.ucop.edu/facil/olp/mopcomp.pdf>

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

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## Real Estate Contract Contingencies

A contingency in a real estate purchase contract is a condition that must be met prior to finalization of the sale. When a contract is subject to one or more contingencies, the date that the condition must be met is included in the contract. Some contingencies must be actively removed by executing an addendum to the purchase contract stating that the condition has been met. Other contingencies will expire unless one of the parties (usually the buyer) states in writing that the contingency has not been met. For example, an inspection contingency may expire within 7 days of the date of the contract unless the buyer notifies the seller in writing that the inspections were unsatisfactory.

When entering into a real estate purchase transaction, both buyer and seller should review the entire purchase contract, particularly the contingency dates, to make sure that they have a clear understanding of the set timeframes and obligations of each party. Once the purchase contract is fully executed, the contract becomes binding. Contingency dates give one party a legal right to withdraw from the transaction if the contingency date isn't met. Below are 3 important contingencies that can be found in most real estate purchase contracts:

### Financing contingency:

In most cases, a buyer will be using financing to purchase the property. If the buyer doesn't qualify for the loan, the financing contingency is the buyer's way to withdraw from the transaction, without incurring any financial loss. Typically, the financing contingency period is 21 days, although the length of this time can vary, depending on the market activity.

### Appraisal contingency:

Generally, the appraisal contingency period is 10-20 days; although this time period is negotiable. The appraisal contingency allows the buyer to withdraw from the transaction if the property doesn't appraise at the purchase price.

### Property inspection contingency:

The buyer uses the inspection contingency period to evaluate the physical condition of the property. This contingency period is generally fairly short (10-14 days) since the buyer may withdraw from the purchase transaction any time prior to the end of this period. The buyer may hire outside professionals to investigate the property, such as a contractor, roof specialist, foundation engineer, etc. Buyers should be present at their inspections in order to ask questions. In addition, the seller will provide copies of all disclosures about the current condition of the property and its history. If the property meets with the buyer's approval, the inspection contingency is then released.

If a buyer or seller has any questions concerning the contingencies in the purchase contract, they should contact their real estate agent or a real estate attorney for additional clarification.

-- Janis Vega

## Question of the Quarter



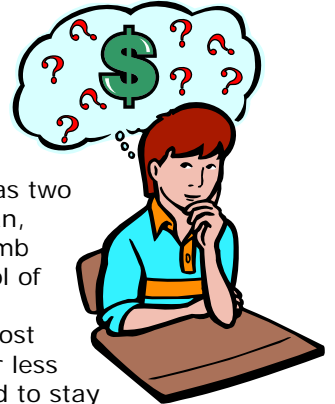
Should I Refinance my Adjustable Rate Loan?

After several years of historically low rates, interest rates have started to increase. While still "low" by historic standards, any increase in interest rates triggers the question: "Is it time for me to refinance my loan?"



The primary advantage of refinancing to a fixed rate mortgage is peace of mind: the amount of your mortgage payment will not change for the life of your loan. The disadvantages are also clear: the cost to refinance and the immediate increase in your monthly payment.

For many years, the generally accepted rule of thumb for refinances was "two points". That is, when the interest rate for the new loan was two points less than your current loan, refinance. While this rule of thumb may still be valid, another school of thought believes you should refinance if you can payoff the cost of the refinance in six months or less (assuming, of course, you intend to stay in the house at least that long and are not taking any "cash out" during the refinance). Cautious mortgage shoppers may also want to consider "no points and no fees" loans which may feature a slightly higher interest rate to offset any upfront costs.



Borrowers may also wish to refinance and take "cash out". In this type of refinance, you borrow more than the amount of your current mortgage and use the excess ("cash out") to payoff (for example) credit cards, home improvements or student loans. Typically, mortgage interest is tax deductible, while other consumer debt is not. This strategy is most useful for those borrowers who payoff as much debt as possible and incur a minimum amount of debt in the future.

If you are considering refinancing, be sure to contact more than one lender, then compare all costs as well as rates, and evaluate your personal situation carefully before proceeding.

-- Jay Valancy

**Do you have a topic you would like to see covered in OLP Net News?  
E-mail us at [olp@ucop.edu](mailto:olp@ucop.edu)**

## For-Sale Housing Update

In September 2006, a change was made to the Office of the President leadership for oversight and implementation of the For-Sale Housing Program. Previously, the responsibility for this program was shared between the Office of Loan Programs (OLP) and the Real Estate Services Group (RESG), both within the Facilities Administration Department at the Office of the President. In recent years, RESG has provided the technical expertise for developing projects, including negotiation of the terms with the third-party developers of these projects and the form and content of the agreements related to project development and management.

To formalize this transition in services and to better serve campus customers, the additional responsibilities related to policy oversight and implementation strategy for the For-Sale housing projects have been formally assigned to RESG. OLP will continue a supportive role in the For-Sale Housing program area, particularly in reviewing lender policy and documentation issues. OLP will also continue to maintain and update the For-Sale Housing database that holds data and provides reporting for each of the projects and the individual housing units.

-- Ruth Assily

### *OLP Announcements*

- ◆ **Property Taxes**
  - 1<sup>st</sup> installment due Nov 1  
(delinquent if not postmarked by 12/10)
- ◆ **Annual 1098 mailing scheduled for late January 2007**
- ◆ **Office Closed for the Holidays**
  - 11/10                      Veteran's Day
  - 11/23 – 24                Thanksgiving
  - 12/25 – 26                Winter Holiday
  - 12/29 – 1/1                New Years



## Notes of Appreciation (from Borrower Surveys)

- ♪ This was one of the most simple and stress-free home loan applications I've ever submitted. The process was facilitated by the very prompt and amiable service provided by [Campus Staff].
- ♪ The whole process and the fact that I could buy a home, made me feel really great about my decision to come to the University of California.
- ♪ Everyone I worked with was fantastic! [Campus and OLP Staff] both were extremely knowledgeable, accessible and patient. They answered every one of my numerous questions, returning voicemail, and replying to e-mail immediately. I could not be happier with their service!
- ♪ [OLP Staff] was very professional, helpful and kind. The MOPQUAL calculator was great for planning, and turned out to be fairly accurate. All in all, a wonderful experience.

### *Credits*

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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.