



In parallel, there was a major revamp of the former Short-Term Housing Program in 1993, which was renamed the Supplemental Home Loan Program (or affectionately known as SHLP). SHLP loans have the same underwriting characteristics of MOP loans and the same maximum term, but the program provides additional flexibility to the campuses (who fund these loans from non-state fund sources available to the chancellor) to design different repayment terms.

As reported previously, the past year has seen a tremendous amount of effort expended responding to press and various internal and external bodies regarding the policies and procedures of the University's two active loan programs, as they relate to the examination of the University's overall approach to compensation. At the same time, work is continuing on finalizing a report on the most recent five year survey of the housing needs of newly hired faculty (the first such survey was completed in the late 1970's). The Regents have received three separate reports on the program policies for the MOP and SHLP loans, as well as their utilization levels, and the need for several categories of non-standard loans that require approval decisions at higher than the level of the program administrators. In May 2007, the Regents approved several modifications to MOP policies to clarify decision-making authority, comply with the newly adopted Regents' compensation policy, and to authorize a new Interest-Only MOP loan product.

While this work is never completed, I feel that I have made my contributions and that it is time to move along in my life. My plans at the moment are not lofty. I am looking forward to having some time to contemplate what comes next, as well as getting in a little traveling and enjoying the wonderful garden back at home (especially during the summer months!).

To all of you who have been colleagues and collaborators over the years, I want to say thank you for your ideas, support, and creative challenges, all of which has made these programs better. The same is true of the many borrowers who emailed or responded to surveys and asked questions or submitted suggestions for improvements. Collectively, we have all ensured that these program products and services have remained relevant and supportive of the University's primary missions over the past two decades.

Thanks again!

-- Steve Mathews

***OLP Announcement***  
◆ **Office Closed on July 4 for Independence Day Holiday**

## Note of Appreciation (from Borrower Surveys)

- ♪ Although I am a full professor with a good salary, there is no way that we could have purchased a home near campus without a MOP loan. Without a MOP loan we may not have chosen to come to [campus], even if [campus] made a great career and salary offer.
- ♪ I feel that the UC MOP program is excellent. It was key to attracting me to [campus]. [OLP staff] handled my MOP loan and did a superb job. Everyone involved in the loan process-realtor, escrow officers, et al.-all said [OLP staff] was one of the very best loan officers they had ever worked with. I personally found her to be cheerful, courteous, highly competent and always helpful.
- ♪ I am extremely satisfied with the University loan service. The rate is excellent as well as the service. All information has been laid out nicely and the staff worked extremely efficiently with the loan application. Thank you very much for all the help and I could not be happier!
- ♪ The UC loan enabled us to buy a wonderful house so that we will stay in California. Without the program we would have been forced to consider relocation and separation from UC. [OLP staff] was simply wonderful in guiding us and our loan. It was a great experience and we are deeply grateful.

## Question of the Quarter



If I send in additional principal payments (curtailments), will it shorten the term of my MOP Loan?

Because MOP loans are adjustable rate loans, making curtailments to your loan will not necessarily shorten the term of your loan. Your mortgage payments are deducted once a month from your payroll check and can only be in the amount of the scheduled monthly mortgage payment. However, you may make a curtailment at any time to reduce the principal of the loan. Reducing the principal of the loan will result in paying less interest and more principal on subsequent payments until the anniversary date of the loan.



When your interest rate adjusts each year, your monthly payment is recalculated based on the outstanding principal balance, interest rate in effect at the time, and the remaining term of the loan. The payment will then remain the same for one year at a time. Therefore, if significant principal curtailments are made over the course of a year, it could result in a much smaller monthly payment for the following year, but it will not shorten the term of your loan. If you continue to make curtailments each year, eventually your principal balance will become low enough that you may wish to pay off the balance.



-- Luann Ford

# Introducing the Interest-Only Mortgage Origination Program Loan (IO-MOP)

At the May 2007 Regents meeting, The Regents approved the first interest-only loan product under the Mortgage Origination Program (MOP) providing applicants with an alternative option to the Standard MOP loan. The new Interest-Only Mortgage Origination Program loan (also known as "IO-MOP") will allow for a temporary interest-only repayment period for up to 10 years, followed by a fully-amortizing period of not less than 30 years.

With an IO-MOP loan, the borrower is only required to pay interest-only monthly payments during the Interest-Only period (IO-Period). The interest-only payments will be calculated using the interest-only rate (IO-MOP Rate) which is equal to the Standard Rate, plus an additional fee component of .25% and is adjusted annually on the Anniversary Date of the promissory note. As with a Standard MOP loan, the annual interest rate change has a maximum adjustment amount of 1%, up or down. 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. 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.

For example, assume the current Standard Rate for MOP is 5.00%. The initial IO-MOP Rate will be 5.25% (5.00% plus the .25% additional fee component). For a \$500,000 MOP loan with a 5-year IO-Period and a 35-year loan term, the IO-MOP payment would be \$2,187 compared to a standard MOP payment of \$2,523 (a difference in payment of \$336).

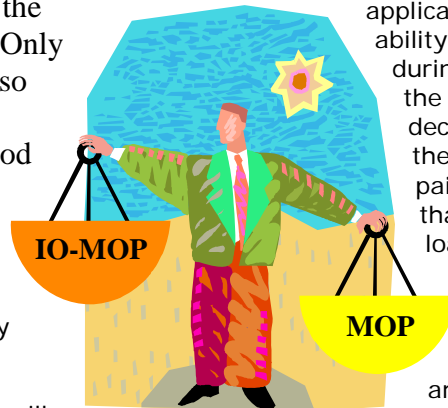
Why would an applicant opt to go with an IO-MOP loan versus a Standard MOP loan? The main reason would be the lower initial interest-only monthly payments in the early years of the loan. The initial lower payments may allow an applicant to qualify for a higher loan than if they went with a Standard MOP. It may also provide an applicant with greater purchasing power since the required income level for an IO-MOP loan is lower. In the above example, the minimum monthly income for a \$500,000 IO-MOP loan is \$5,468, whereas for a Standard MOP loan, the monthly income required is \$6,307.

Before deciding on whether to choose an IO-MOP or a Standard MOP loan, applicants should consider the following: 1) once the IO-MOP period ends, the monthly loan payments could increase substantially, and applicants should feel comfortable with their ability to afford these higher payments, 2) during the IO-Period, the principal balance of the loan will not change, and in a flat or declining market, equity will not accumulate in the property; 3) the total amount of interest paid over the life of the loan will be higher than for a fully amortizing Standard MOP loan.

Please note that unlike some other Interest-Only loans in the conventional lending market, there is no negative amortization with IO-MOP loans.

At the time an application is submitted, applicants will be required to sign an IO-MOP Advisory Notice confirming their request for an IO-MOP loan and the selected IO-Period. The Office of Loan Programs will start processing IO-MOP loan requests beginning July 1, 2007.

-- Sally Hopkins



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