

FAQ's - 5/1 MOP

- How is the 5/1 MOP Initial Interest Rate for the Fixed Rate Period calculated?
 - The Initial Interest Rate is comprised of three components:
 1. An *index* based on the 5-year Treasury Bond Yield
 2. A *spread* based on the J. P. Morgan U S. Liquid Index (JULI) value
 3. A *.25% service fee*
 - The three components are combined and then rounded to the nearest .05%. The Initial Interest Rate is the higher of this number or 3.25%. (The minimum 5/1 MOP Initial Interest Rate is 3.25%).
 - Example: 5-Year Treasury Bond Yield (index) of 1.63% *plus* JULI value (spread) of .94% *plus* service fee of .25% *equals* 2.82%, rounded to 2.80%. The 5/1 MOP Initial Interest Rate would be 3.25%.



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- Do you have more information about the JULI values used in the Initial Interest Rate?
 - The JULI was introduced in 2004 to measure the performance of the investment grade dollar denominated corporate bond market.
 - The JULI characteristics are published daily by J.P. Morgan, and include data across several categories, including sector, credit rating, and maturity. The JULI is not available to the public; however, the components of the 5/1 MOP Initial Interest Rate, including the current JULI value, will be posted to the OLP website at <http://www.ucop.edu/loan-programs/> each Friday by 4:00 p.m.



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- Where can I find historical data for the 5-year Treasury Bond Yield?
 - The 5-year Treasury Bond Yield is available on several websites, including www.finance.yahoo.com.



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- What happens to the interest rate at the end of the Fixed Rate Period?
 - At the end of the Fixed Rate Period, the 5/1 MOP interest rate will adjust to the MOP rate in effect at that time (Standard Rate), subject to a 5% rate adjustment cap and a 2.75% minimum interest rate.
 - After the Fixed Rate Period and the first interest rate adjustment, the maximum annual adjustment is 1%, up or down, with a floor of 2.75%. The Standard Rate is calculated as the average rate of return earned by the Short Term Investment Pool (STIP) during the preceding four quarters, plus a service fee of .25%.



FAQ's - 5/1 MOP

➤ Is the Fixed Rate Period renewable?

- The Fixed Rate Period is not renewable.

➤ Will I be able to lock my interest rate?

- The rate is automatically locked at the time of final loan commitment.

➤ When does the rate lock expire?

- The rate lock is good for 30 days.

➤ Is there a fee to lock the rate?

- There is no fee for locking the rate.



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- What will happen if my loan doesn't close before the interest rate lock expires?
 - A revised loan commitment will be issued based on the 5/1 MOP Initial Interest Rate in effect at that time. If the rate has increased, your loan will be reviewed to determine if you qualify at the higher interest rate.

- Does the 5/1 MOP have an interest rate cap?
 - The cap for the 5/1 MOP is 10% above the 5/1 MOP Initial Interest Rate. For example, if the Initial Interest Rate during the Fixed Rate Period is 5.00%, the interest rate cap over the life of the loan is 15.00%.



FAQ's - 5/1 MOP

- What is the maximum loan term of the 5/1 MOP? Is there a minimum loan term?
 - All 5/1 MOP loans have a Fixed Rate Period of five years, after which the loan converts to a Standard MOP loan with a remaining term of up to twenty five years, for a maximum loan term of thirty years. There is a minimum loan term of ten years (5 year Fixed Rate Period plus an additional 5 years).

