

University of California Office of the President

Office of Loan Programs
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ANNUAL REPORT

FY 2016-2017

Annual Report on the University of California Housing Assistance Program

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LETTER FROM THE DIRECTOR

Letter from the Director

Strategic Highlights

The Office of Loan Programs (OLP) plans, develops, and administers the University of California Employee Housing Assistance Program (Program) as approved by the Regents of the University of California. The residential lending activities are administered by OLP on behalf of the University of California Home Loan Program Corporation (Corporation). The Corporation was formed in January 2014 to qualify the University of California as a small creditor as defined by lending industry regulations.¹

Program participation is available to full-time University employees who are: (1) members of the Academic Senate or hold equivalent academic titles; (2) Acting Assistant Professors; (3) Senior Management Group employees; (4) UC Hastings College of the Law (UC Hastings) faculty, or (5) Cooperative Extension Specialists and Cooperative Extension Advisors within the Division of Agriculture and Natural Resources (DANR).

This report provides a summary of the Program results for the fiscal year ended June 30, 2017. The Program results include statistics regarding the total dollar amount of loans funded by the Corporation and the outstanding balances of Corporation and non-Corporation loans at year-end. This report also provides summary statistics for loans to Senior Management Group employees.

Operating Highlights

The Program is comprised of the Mortgage Origination Program (MOP) and the Supplemental Home Loan Program (SHLP). MOP loans are first deed-of-trust mortgage loans funded using an allocation from the University's Short-Term Investment Pool (STIP). Allocations are generally approved every two years by the President of the University of California. SHLP loans are funded from campus funds or from a designated centrally-funded allocation.

In November 2016, the Regents approved amendments to the MOP and SHLP programs. These amendments include a reduction of the floor interest rate for new borrowers, establishment of an interest-only SHLP loan product, and streamlined processes and approval procedures. Additionally, in April 2017 the maximum loan amount threshold increased from \$1.43 million to \$1.5 million for both MOP and SHLP loans. All of these changes were completed to increase the attractiveness of the loan programs to assist in the University's recruitment and retention efforts.

¹ The Consumer Financial Protection Bureau has oversight for banks, lenders and other financial institutions. The University of California is subject to the regulations regarding mortgage loan origination and servicing.

LETTER FROM THE DIRECTOR

Financial Highlights

A significant milestone was reached this year as the total amount of MOP loans funded reached \$3.0 billion in May 2017. For the current fiscal year, the Office of Loan Programs funded 250 MOP loans totaling \$161.8 million and 37 SHLP loans totaling \$1.8 million. A total of five MOP loans and one SHLP loan were made to Senior Management Group employees. Two loan portfolio sales were completed resulting in the sale of 175 MOP Loans with an outstanding principal balance of \$93.9 million. The outstanding MOP portfolio balance of all active loans as of June 30, 2017 is \$1.29 billion.

Looking Ahead

As detailed in the body of this report, loan volume is projected to increase in fiscal year 2017-18 in response to increased faculty recruitments and due to the attractive interest rates associated with the loan programs.

Ruth Assily

Director – Office of Loan Programs

June 30, 2017

LOAN VOLUME STATISTICS

Loan Volume Statistics – Mortgage Origination Program

During fiscal year 2016-2017, the total MOP loan volume was comprised of 250 loans with an aggregate dollar amount of \$161.8 million. The table below displays a breakdown of the number and dollar volume of loans by location. The total number of loans funded increased by one loan, with a 1.6% increase in the total dollar volume funded. The loans issued from the Office of the President allocation include 3 loans to DANR employees and one loan to a UC Hastings faculty member.

The MOP features, which include low downpayment requirements, no lender fees, favorable underwriting terms, and no required Private Mortgage Insurance, continue to make the MOP loan an attractive product and a valuable recruitment and retention tool.

Mortgage Origination Program Statistics by Location

LOCATION	NUMBER OF LOANS	\$ AMOUNT OF LOANS	AVERAGE LOAN AMT	RECRUITMENT	RETENTION
Berkeley	27	\$20,150,700	\$746,322	22	5
Davis	38	19,969,050	525,501	35	3
Irvine	20	11,947,500	597,375	16	4
Los Angeles	35	35,577,600	1,016,503	28	7
Merced	10	2,919,700	291,970	10	0
Riverside	31	14,333,300	462,365	29	2
San Diego	34	20,937,150	615,799	33	1
San Francisco	8	7,572,500	946,563	8	0
Santa Barbara	26	15,411,650	592,756	24	2
Santa Cruz	13	7,115,850	547,373	11	2
LBNL	0	0	0	0	0
UCOP²	8	5,835,800	729,475	6	2
Totals/Average	250	\$161,770,800	\$647,083	222	28

² Three loans were issued to Division of Agriculture and Natural Resources employees. Eligibility for Program participation was approved by the Division of Agriculture and Natural Resources Vice President (see Appendix B for information regarding the delegation of authority for non-standard titles). One loan was issued to a UC Hastings employee.

LOAN VOLUME STATISTICS

Loan Volume Statistics – Supplemental Home Loan Program

During the fiscal year, 37 SHLP loans were funded, with an aggregate dollar amount of \$1.8 million. There was a 37% year-to-year increase in the number of loans funded and a 7.6% increase in the dollar volume of loans funded. The increase in loan activity is primarily attributed to the availability of the Centrally-Funded (CF-SHLP) loan product. As shown in the tables below, of the 37 SHLP loans funded, 24 were CF-SHLP loans. The locations that did not fund any SHLP loans during the fiscal year are not included in the tables.

Supplemental Home Loan Program Statistics by Location Campus-Funded Loans

LOCATION	NUMBER OF LOANS	\$ AMOUNT OF LOANS	AVERAGE LOAN AMT	RECRUITMENT	RETENTION
Berkeley	1	\$ 16,350	\$16,350	1	0
Davis	5	121,000	24,200	5	0
Los Angeles	1	195,000	195,000	0	1
San Francisco	5	560,500	112,100	5	0
Santa Cruz	1	55,000	55,000	0	1
Totals/Average	13	\$ 947,850	\$72,912	11	2

Supplemental Home Loan Program Statistics by Location Centrally-Funded Loans

LOCATION	NUMBER OF LOANS	\$ AMOUNT OF LOANS	AVERAGE LOAN AMT	RECRUITMENT	RETENTION
Berkeley	4	\$139,200	\$34,800	4	0
Irvine	3	81,800	27,267	3	0
Los Angeles	5	280,450	56,090	3	2
Riverside	8	173,850	21,731	7	1
San Diego	3	74,450	24,817	3	0
UCOP	1	58,750	58,750	1	0
Totals/Average	24	\$808,500	\$33,688	21	3

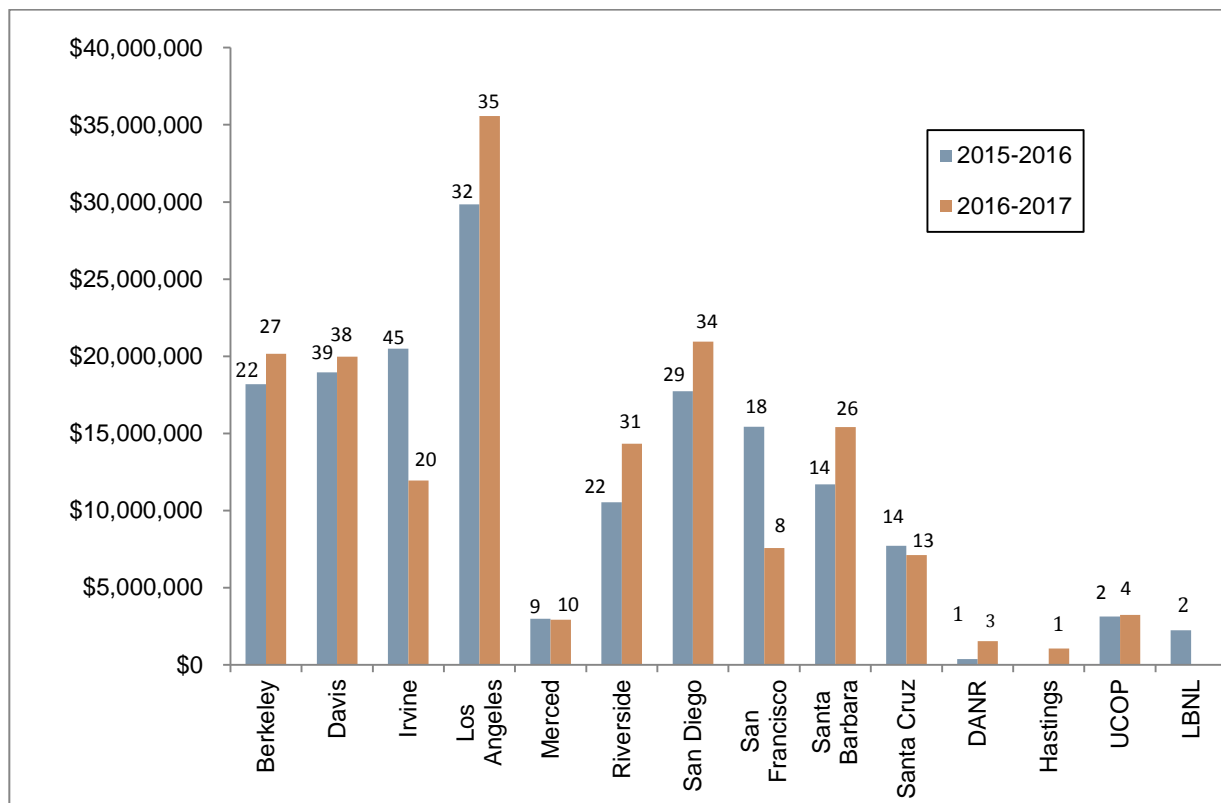
MORTGAGE ORIGINATION PROGRAM ACTIVITY

Mortgage Origination Program - Activity Levels by Location

The table below displays a comparison of the number and dollar amount of MOP loans funded by campus for the past two fiscal years. Although the total programmatic usage remained stable, the distribution of loans by campus has changed. This changing distribution is the result of many factors, including recruitment levels at each campus, MOP allocation funds available, market dynamics in the areas surrounding each campus, and the readiness of applicants to purchase a home near their work location.

Number and Dollar Volume of MOP Loans

Comparison of 2015-2016 and 2016-2017 Totals by Location



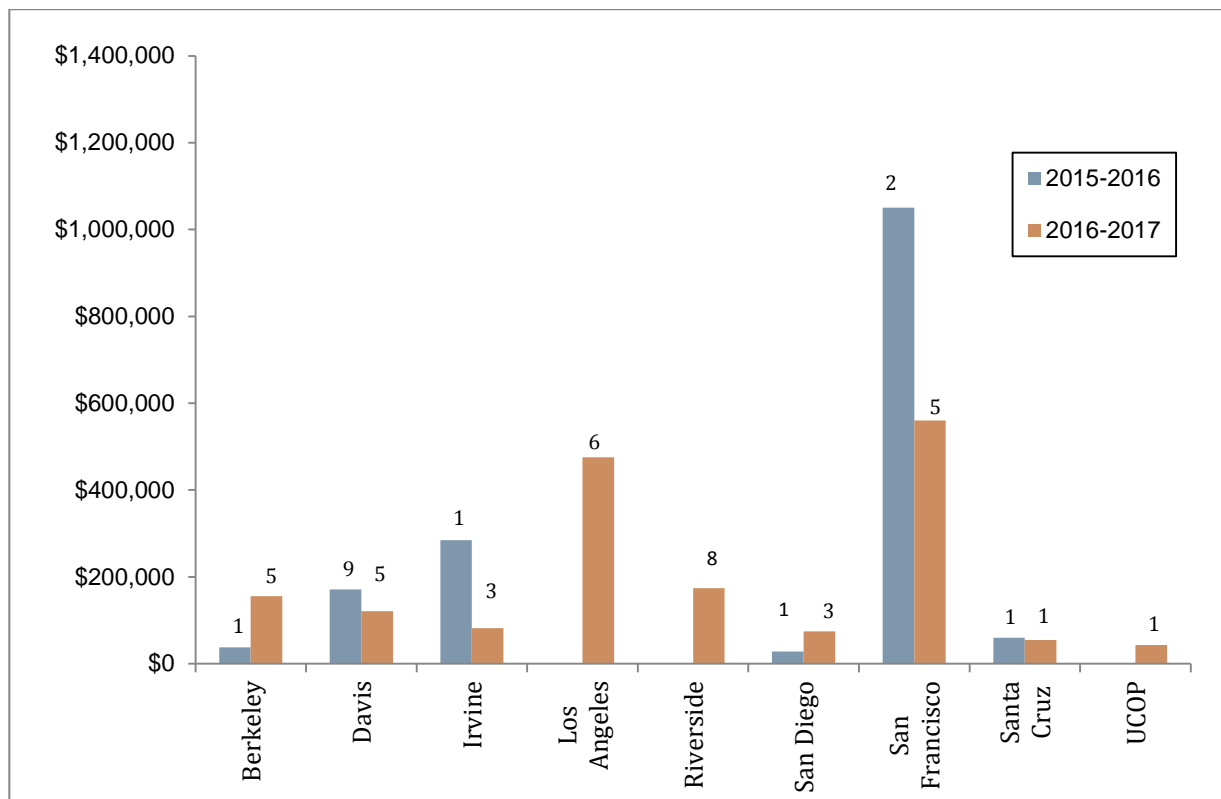
SUPPLEMENTAL HOME LOAN PROGRAM ACTIVITY

Supplemental Home Loan Program - Activity Levels by Location

The loan volume for the Supplemental Home Loan Program increased during the last two fiscal years, primarily due to the availability of the CF-SHLP loan product. The chart below displays a comparison of the loan activity for campuses that issued SHLP loans.

Number and Dollar Volume of SHLP Loans

Comparison of 2015-2016 and 2016-2017 Totals by Location



SENIOR MANAGEMENT GROUP STATISTICS

Senior Management Group Statistics

The majority of MOP and SHLP loans are issued to faculty in support of recruitment and retention, but Senior Management Group employees are also eligible for Program participation. Of the 250 MOP loans funded in 2016-2017, five were issued to Senior Management Group employees. The table below displays the statistics for locations that provided loans to Senior Management Group employees.

MOP Loans to Senior Management Group Employees

LOCATION	NUMBER OF LOANS	\$ AMOUNT OF LOANS	RECRUITMENT	RETENTION
Irvine	1	\$562,900	1	0
Los Angeles	1	1,400,400	1	0
Merced	1	517,500	1	0
UCOP	2	1,475,000	1	1
Totals	5	\$3,955,400	4	1

There was only one SHLP loan to a Senior Management Group employee in 2016-2017. The loan was funded by the Irvine campus for \$31,200.

CUMULATIVE PROGRAM DATA

Loan Portfolio Statistics

Mortgage Origination Program

From Program inception in June 1984 through June 30, 2017, a total of 6,576 MOP loans have been funded, with an aggregate dollar amount of \$3.02 billion. The outstanding portfolio as of June 30, 2017 consists of 2,814 loans with a principal balance of \$1.29 billion. Of these loans, 575 remain as holdings of STIP and have an aggregate principal balance of \$358.9 million. The remainder of the loan portfolio has been sold to outside investors and consists of 2,239 loans with an aggregate principal balance of \$931.3 million.

Supplemental Home Loan Program

From Program inception in March 1993 through June 30, 2017, a total of 1,348 SHLP loans have been funded using campus fund sources, with an aggregate dollar amount of \$128.8 million. From inception of the Centrally-Funded SHLP (CF-SHLP) program in November 2015, a total of 24 CF-SHLP loans have been funded, with an aggregate dollar amount of \$800,500. The outstanding portfolio as of June 30, 2017 of all SHLP loans consists of 264 loans with a principal balance of \$28.2 million. Of these loans, 219 remain as University investments that are held at the campus level and have an aggregate principal balance of \$25.4 million. The remainder of the portfolio has been sold to outside investors and consists of 45 loans with an aggregate principal balance of \$2.8 million.

All MOP and SHLP loans are serviced by the Office of Loan Programs.

Mortgage Origination Program Portfolio Loan Sales

In order to renew STIP liquidity and to make additional funds available for new MOP loans, the University periodically sells pools of loans to outside investors. In fiscal year 2016-2017, the University successfully completed two sales: (1) 78 5/1-MOP loans with an aggregate outstanding balance of \$38.1 million and (2) 97 MOP loans with an

CUMULATIVE PROGRAM DATA

aggregate outstanding balance of \$55.8 million. The bid price for these loan pools exceeded par value, and the excess funds were deposited into the Faculty Housing Program Reserve Fund (Reserve).

Mortgage Origination Program Earnings Analysis

When MOP was established, it was determined that any cumulative shortfalls in earnings and any principal losses to the MOP portfolio would be repaid to STIP from the Reserve. Conversely, any excess MOP earnings would be transferred from STIP to the 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 Reserve.

In fiscal year 2016-2017, a total dollar amount of \$4.5 million in excess MOP earnings was transferred to the Reserve from STIP. There were no MOP or SHLP loan losses during the fiscal year.

APPENDIX A

AVAILABLE LOAN PRODUCTS

A.1 Mortgage Origination Program

The Mortgage Origination Program utilizes an allocation from the University's Short-Term Investment Pool (STIP) to issue first deed-of-trust mortgage loans to eligible participants. MOP loans, also referred to as Standard MOP loans, are 1-year adjustable interest rate loans with loan-to-value ratios of up to 90.0% and repayment periods of up to 30 years. Loans with maturities up to 40 years are available, but offering a loan with a term greater than 30 years requires approval by the Chancellor, Lawrence Berkeley National Laboratory Director or other authorized individual. Each location makes the determination whether to offer loans with terms greater than 30 years.

The MOP interest rate is defined as the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee of one-quarter of one percent (0.25%). MOP has had cumulative allocations of \$3.23 billion through June 2017.

MOP loans funded on or after January 1, 2014 have an interest rate cap of 10.0% above the initial loan interest rate. Effective February 1, 2017, the minimum MOP interest rate is 2.75% for newly-originated loans.

A.2 Graduated Payment Mortgage Origination Program

The Graduated Payment MOP (GP-MOP) is a loan that provides a lower interest rate to the borrower during the initial years of the loan. The initial rate paid by the borrower is a set percentage less than the MOP Rate. This percentage, known as the Interest Rate Differential, changes each year, so that the difference between the Borrower Rate and the Standard Rate gradually decreases. After a pre-determined number of years, the Borrower will pay the Standard MOP rate. The campus reimburses STIP for any shortfall in earnings resulting from the lower interest rate paid by the borrower.

There were no GP-MOP loans funded in fiscal year 2016-2017.

APPENDIX A

AVAILABLE LOAN PRODUCTS

GP-MOP loans funded on or after January 1, 2014 have an interest rate cap of 10% above the initial Borrower Rate. Effective February 1, 2017, the minimum interest rate for newly originated GP-MOP loans is 2.75%.

A.3 5/1 Mortgage Origination Program

The 5/1 Mortgage Origination Program (5/1-MOP) loan is a fully-amortizing mortgage loan that offers a fixed interest rate and payment for the first five years of the loan, after which the loan converts to a Standard MOP loan for the remaining loan term. The minimum interest rate during the fixed rate period for loans funded on or after February 1, 2017 is set at 3.25%, and adjusts to the Standard MOP rate in effect on the date that the sixtieth payment is due. Of the MOP loans funded in fiscal year 2016-2017, 61 5/1-MOP loans were funded, with a total dollar amount of \$37.1 million.

5/1-MOP loans funded on or after January 1, 2014 have an interest rate cap of 10% above the initial interest rate.

A.4 Supplemental Home Loan Program

The Supplemental Home Loan Program (SHLP) primarily provides second deeds of trust for mortgage financing (a limited number of these loans are used to secure a first deed of trust on a property being purchased). SHLP loans are funded from authorized campus sources, or from the centrally-funded pool described in Section A.5. State funds cannot be used as a funding source.

Effective February 1, 2017, the minimum rate that can be offered on a SHLP loan is equal to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee of one-quarter of one percent (0.25%). Campuses have the option to set a higher interest rate depending on campus needs.

APPENDIX A

AVAILABLE LOAN PRODUCTS

A.5 Centrally-Funded Supplemental Home Loan Program

The Centrally-Funded SHLP (CF-SHLP) Program is a loan pool funded from the Faculty Housing Programs Reserve Fund. An initial allocation of \$5.5 million was approved in November 2015.

The CF-SHLP parameters fall within the SHLP guidelines with the following additional restrictions:

- Loans must be in second position.
- The maximum loan amount is \$75,000 and cannot exceed 5% of the purchase price.
- The maximum loan term is 15 years.
- The loans have a fixed interest rate equal to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee of one-quarter of one percent (0.25%).
- Effective February 1, 2017, the minimum interest rate is 2.75%.

APPENDIX B

LOANS REQUIRING ADDITIONAL APPROVAL

Current Program parameters provide for an additional approval process to address unusual recruitment or retention needs. Any position that requires Regents approval for compensation-related matters must also receive Regents approval for loan-related matters. All other requests must be supported by a recommendation by the Chancellor, Lawrence Berkeley National Laboratory Director, Division of Agriculture and Natural Resources Vice President, or Chief Financial Officer – UC Hastings College of the Law.

Listed below is a summary of the categories of loans requiring additional approval:

Maximum Loan Amount

The President, with concurrence of the Chair of the Finance and Capital Strategies Committee, may approve MOP and SHLP loan amounts for greater than the Program maximum loan amount threshold. The maximum loan amount threshold for MOP or SHLP loans is \$1.5 million effective April 1, 2017.

Non-Standard GP-MOP Terms

Effective November 16, 2016, the President delegated the authority to certain University officials to provide them with the ability to approve an initial rate reduction amount greater than 3.0% and/or an annual adjustment to the rate reduction amount outside the standard rate reduction range of 0.25% to 0.50%.

Non-Standard Titles

Effective July 18, 2015, the President executed a Delegation of Authority (DA2587) to certain University officials to provide them with the ability to designate MOP or SHLP participation for University employees with specific non-eligible titles. The President retains the authority to approve MOP or SHLP participation for titles not included in DA2587.

Maximum Loan-to-Value Ratio

The President, with concurrence of the Chair of the Finance and Capital Strategies Committee, may approve an increase to the maximum Loan-to-Value ratio, to no more than 85.0%, for loans in excess of the current maximum loan amount threshold.

In fiscal year 2016-2017, eleven loans were funded that required additional approval. Seven of these loans were utilized for recruitment purposes and four were for retention purposes.

APPENDIX B

LOANS REQUIRING ADDITIONAL APPROVAL

MOP Loans Requiring Additional Approval

Fiscal Year 2016-2017

CATEGORY	NUMBER OF LOANS	\$ AMOUNT OF LOANS	AVERAGE LOAN AMOUNT	RECRUITMENT	RETENTION
Maximum Loan Amount					
Los Angeles	2	\$3,600,000	\$ 1,800,000	1	1
Non-Standard Title					
Davis	1	\$ 750,000	\$ 750,000	1	0
Los Angeles	1	\$ 1,800,000	\$ 1,800,000	1	0
Irvine	2	\$ 1,317,750	\$ 658,875	0	2
ANR	3	\$ 1,542,800	\$ 514,267	2	1
Office of the President	2	\$ 1,765,000	\$ 882,500	2	0

MOP Loans Requiring Additional Approval

Cumulative Statistics: June 1984 – June 2017

CATEGORY	NUMBER OF LOANS	\$ AMOUNT OF LOANS	AVERAGE LOAN AMOUNT	RECRUITMENT	RETENTION
Maximum Loan Amount	12	\$ 19,246,500	\$1,603,875	9	3
Non-Standard GP-MOP Terms	15	\$ 14,897,650	\$ 993,177	10	5
Non-Standard Title	75	\$ 52,984,980	\$ 706,466	59	16
Position Requiring Regents Approval	39	\$ 30,992,300	\$ 794,674	35	4

APPENDIX B

LOANS REQUIRING ADDITIONAL APPROVAL

SHLP Loans Requiring Additional Approval

Fiscal Year 2016 – 2017

CATEGORY	NUMBER OF LOANS	\$ AMOUNT OF LOANS	AVERAGE LOAN AMOUNT	RECRUITMENT	RETENTION
Non-Standard Title					
Office of the President	1	\$ 58,750	N/A	1	0

SHLP Loans Requiring Additional Approval

Cumulative Statistics: June 1984 – June 2017

CATEGORY	NUMBER OF LOANS	\$ AMOUNT OF LOANS	AVERAGE LOAN AMOUNT	RECRUITMENT	RETENTION
Maximum Loan Amount	3	\$ 390,750	\$ 130,250	3	0
Non-Standard Title	45	\$ 14,405,192	\$ 320,115	31	14
Position Requiring Regents Approval	7	\$ 5,081,200	\$ 725,886	7	0

APPENDIX C

UNIVERSITY OF CALIFORNIA HOME LOAN PROGRAM CORPORATION

CUMULATIVE STATISTICS – THROUGH 6/30/2017

The University of California Home Loan Program Corporation (Corporation) was formed to perform the residential lending activities associated with the University's Housing Assistance Programs. The Corporation began issuing loans effective February 1, 2014.

From the establishment of the Corporation in February 2014 through June 30, 2017, 825 MOP loans have been funded with an aggregate dollar amount of \$525.2 million. The outstanding principal balance of Corporation MOP loans is \$339.5 million as of June 30, 2017.

During the same time period, 108 SHLP loans have been funded with an aggregate dollar amount of \$8.7 million. The outstanding principal balance of SHLP loans originated by the Corporation is \$7.3 million as of June 30, 2017.

APPENDIX C

UNIVERSITY OF CALIFORNIA HOME LOAN PROGRAM CORPORATION

CUMULATIVE STATISTICS – THROUGH 6/30/2017

Mortgage Origination Program

Statistics by Location – Corporation Loans

Location	Number of Loans	Dollar Amount of Loans	Average Loan Amount	Recruitment	Retention
Berkeley	101	\$76,791,750	\$760,314	88	13
Davis	121	63,453,900	524,412	96	25
Irvine	118	58,893,750	499,100	103	15
Los Angeles	100	92,610,800	926,108	63	37
Merced	32	9,393,200	293,538	31	1
Riverside	73	34,027,550	466,131	66	7
San Diego	102	64,038,850	627,832	94	8
San Francisco	48	42,536,050	886,168	44	4
Santa Barbara	57	39,370,800	690,716	40	17
Santa Cruz	57	29,066,500	509,939	43	14
LBNL	4	4,335,250	1,083,813	2	2
UCOP*	12	10,669,300	889,108	9	3
Totals/Average	825	\$525,187,700	\$636,591	679	146

**Includes DANR and UC Hastings loans*

APPENDIX C
UNIVERSITY OF CALIFORNIA HOME LOAN
PROGRAM CORPORATION
CUMULATIVE STATISTICS – THROUGH 6/30/2017

Supplemental Home Loan Program
Statistics by Location – Corporation Loans

Location	Number of Loans	Dollar Amount of Loans	Average Loan Amount	Recruitment	Retention
Berkeley	8	\$1,549,850	\$193,731	8	0
Davis	18	386,900	21,494	15	3
Irvine	28	628,350	22,441	28	0
Los Angeles	9	1,363,100	151,456	4	5
Riverside	8	173,850	21,731	7	1
San Diego	11	340,150	30,923	10	1
San Francisco	18	3,928,100	218,228	14	4
Santa Cruz	7	222,400	31,771	6	1
UCOP	1	58,750	58,750	1	0
Totals/Average	108	\$8,651,450	\$80,106	93	15