Report of Independent Auditors and Financial Statements

The University of California Home Loan Program Corporation (A Component Unit of the University of California)

As of and for the years ended June 30, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors
The University of California Home Loan Program Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of The University of California Home Loan Program Corporation (the "Corporation"), a component unit of The University of California (the "University"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of business-type activity of The University of California Home Loan Program Corporation as of June 30, 2020 and 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Notes 1 and 2 to the financial statements, The University of California Home Loan Program Corporation receives significant financial and operational resources from its parent, The University of California, and is significantly dependent upon the continuing provision of these resources for financial and operational purposes. Our opinion is not modified with respect to this matter.

Moss Adams LLP

San Francisco, California
October 2, 2020

Introduction

The University of California Home Loan Program Corporation (the "Corporation"), a public benefit corporation, was established on January 22, 2014, to assist the University of California (the "University") in performing its governmental and educational functions, including, but not limited to, undertaking the various activities and functions performed by the University's Office of Loan Programs ("OLP"). The Corporation is a nonprofit corporation formed in California and is governed by the University. The University is administered by The Regents of the University of California ("The Regents"). As part of the University, the assets, liabilities, revenues and expenses and changes in net position of the Corporation are included in the University's financial statements. The Corporation is governed by a five-person Board of Directors, which consist of five officers of the University or their designees.

OLP plans, develops, and administers the University Employee Housing Assistance Program ("Program") components for members of the Academic Senate, members of the Senior Management Group, and other designated classes of employees, as approved by The Regents in June 1984 and amended from time to time. The housing and loan-related operations of OLP are self-supporting, utilizing service fee revenues and Faculty Housing Program Reserve Fund earnings.

The main Program components are the Mortgage Origination Program ("MOP") and the Supplemental Home Loan Program ("SHLP"). MOP provides first deed of trust mortgage loans. SHLP primarily provides secondary financing, using authorized campus fund sources. In limited cases, SHLP provides primary mortgage loan financing.

In January 2013, the Consumer Financial Protection Bureau ("CFPB") issued new lending regulations that implement certain provisions of the Dodd-Frank Act. The new CFPB regulations became effective on January 10, 2014.

In January 2014, The Regents approved the transfer of the residential lending activities of OLP to the Corporation, excluding loans previously extended by OLP and current cash reserves. The Corporation was formed to qualify OLP as a Small Creditor with respect to the CFPB Ability-to-Repay rule. Funding began under the Corporation effective February 1, 2014.

The Corporation is staffed entirely by employees of the University assigned to the Corporation pursuant to a services agreement executed between The Regents and the Corporation. As consideration for these services, the Corporation will transfer to the University the administrative fees collected under the Program.

Pursuant to a master note agreement ("Master Note"), the University provides the Corporation with funding sufficient to enable the Corporation to extend loans pursuant to the terms and policies of the Program. The Corporation transfers the loan payments received to the University on a monthly basis.

Overview of the Financial Statements

The following discussion and analysis presents an overview of the financial performance of the Corporation for the years ended June 30, 2020 and 2019, with selected comparative information for the year ended June 30, 2018. The financial statements, notes, and this discussion and analysis were prepared by and are the responsibility of management. Unless otherwise indicated, periods (2020, 2019, and 2018) in this discussion refer to the fiscal years ended June 30, 2020, 2019, and 2018.

Using This Report

This report consists of financial statements prepared in accordance with the pronouncements of the Governmental Accounting Standards Board. These statements focus on the financial condition of the Corporation, changes in net position, and cash flows, taken as a whole.

One of the most important questions asked about a not-for-profit governmental organization's finances is whether it is better off or worse off as a result of the year's activities. The key to understanding this question is the Corporation's statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows. These statements present financial information in a form similar to that used by private sector companies. The Corporation's net position (the difference between assets and liabilities) is one indicator of the Corporation's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the Corporation's financial health when considered with other nonfinancial information.

The statement of net position includes all assets and liabilities. The statement of revenues, expenses, and changes in net position reports activities as either operating or nonoperating, with interest earned from loans issued and loan servicing fees reported as operating revenues and interest expense on advances from the University, administrative fee, and other expenses as operating expenses, respectively, and investment income as nonoperating revenues or expenses. These statements are prepared using the accrual basis of accounting.

Another way to assess the financial health of the Corporation is to look at the statement of cash flows. The primary purpose is to provide relevant information about the cash receipts and cash payments of an entity. The statement of cash flows helps users assess an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

Statements of Net Position

The Corporation's assets, liabilities, and net position at June 30, 2020, 2019, and 2018, are summarized as follows:

	2020	2019	2018
ASSETS			
Cash and cash equivalents	$ 20,399,083	$ 14,041,664	$ 12,600,712
Mortgages receivable, net	904,543,667	769,934,155	501,968,649
Total assets	$ 924,942,750	$ 783,975,819	$ 514,569,361
LIABILITIES			
Payable to the University	$ 905,354,667	$ 770,684,155	$ 502,718,649
NET POSITION			
Unrestricted	$ 19,588,083	$ 13,291,664	$ 11,850,712

The Corporation's assets totaled $925.0 million at June 30, 2020, compared to $784.0 million at June 30, 2019. The increase of $141.0 million is due to new mortgage loans issued of $199.9 million and an increase in cash and cash equivalents of $6.4 million, offset by loan repayments of $65.2 million and an increase in the allowance for uncollectible amounts of $0.1 million.

The Corporation's liabilities totaled $905.4 million at June 30, 2020, compared to $770.7 million at June 30, 2019. The increase of $134.7 million represents additional funds, net of loan repayments, transferred by the University to the Corporation to allow the Corporation to make qualifying loans.

The Corporation's assets totaled $784.0 million at June 30, 2019, compared to $514.6 million at June 30, 2018. The increase of $269.4 million is due to new mortgage loans issued of $304.3 million and an increase in cash and cash equivalents of $1.4 million, offset by loan repayments of $36.3 million.

The Corporation's liabilities totaled $770.7 million at June 30, 2019, compared to $502.7 million at June 30, 2018. The increase of $268.0 million represents additional funds, net of loan repayment, transferred by the University to the Corporation to allow the Corporation to make qualifying loans.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position for the years ended June 30 are summarized as follows:

	2020	2019	2018
OPERATING REVENUES			
Interest and fees earned from loans issued	$ 24,925,780	$ 18,714,621	$ 12,236,779
Total operating revenues	24,925,780	18,714,621	12,236,779
OPERATING EXPENSES			
Interest expense on advances from the University	16,384,369	15,657,742	7,798,829
Administrative fees	2,134,815	1,587,702	1,007,110
Provision for uncollectible amounts	61,000	-	-
Other expenses	49,177	28,225	17,853
Total operating expenses	18,629,361	17,273,669	8,823,792
Operating income	6,296,419	1,440,952	3,412,987
Increase in net position	6,296,419	1,440,952	3,412,987
NET POSITION			
Beginning of year	13,291,664	11,850,712	8,437,725
End of year	$ 19,588,083	$ 13,291,664	$ 11,850,712

The Corporation's operating income totaled $6.3 million for the year ended June 30, 2020, compared to $1.4 million for the year ended June 30, 2019. The increase of $4.9 million is due to the increase of the loan portfolio and a decrease in the cost of funding, which resulted in an increase in the interest and fees earned from loans issued in excess of interest expense. Advances payable to the University bear interest at the short-term investment pool ("STIP") rate, which decreased from 2.16% at June 30, 2019, to 0.91% at June 30, 2020.

The Corporation's operating income totaled $1.4 million for the year ended June 30, 2019, compared to $3.4 million for the year ended June 30, 2018. The decrease of $2.0 million is due to the rising interest rate environment and the related increase in the cost of funding mortgage loans, relative to the yields earned on mortgage loans. Advances payable to the University bear interest at the short-term investment pool ("STIP") rate, which increased from 2.02% at June 30, 2018, to 2.16% at June 30, 2019.

Factors Impacting Future Periods

The Corporation faces several factors which directly or indirectly affect its financial position and operations. State and federal regulations relating to residential lending activities could change. In addition, the lending marketplace is competitive and the Corporation's ability to service and transfer loans may change.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The virus has continued to spread, and any related adverse public health developments have adversely affected workforces, customers, economies, and financial markets globally. It has also disrupted the normal operations of many businesses and organizations, including the Corporation. As of June 30, 2020, management noted minimal impact on the Corporation and the Corporation's borrowers due to COVID-19. During the year, the Corporation granted 3 month payment forbearance to seven employees. As of June 30, 2020, three borrowers remained in their forbearance period, and as of the date of these financials all borrowers are no longer under forbearance agreements. The Corporation will continue to monitor the situation closely, but given the uncertainty and volatility of the situation, management cannot currently estimate its potential future impact.

Management is not aware of any factors within management's control that would have a significant impact on future periods.

Financial Statements

The University of California Home Loan Program Corporation
(A Component Unit of the University of California)
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 20,399,083	$ 14,041,664
Mortgages receivable, net	904,543,667	769,934,155
Total assets	$ 924,942,750	$ 783,975,819
LIABILITIES		
Payable to the University	$ 905,354,667	$ 770,684,155
NET POSITION		
Unrestricted	$ 19,588,083	$ 13,291,664

See accompanying notes.

The University of California Home Loan Program Corporation
(A Component Unit of the University of California)
Statements of Revenues, Expenses, and Changes In Net Position
Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Interest and fees earned from loans issued	$ 24,925,780	$ 18,714,621
Total operating revenues	24,925,780	18,714,621
OPERATING EXPENSES		
Interest expense on advances from the University	16,384,369	15,657,742
Administrative fee	2,134,815	1,587,702
Provision for uncollectible amounts	61,000	-
Other expenses	49,177	28,225
Total operating expenses	18,629,361	17,273,669
Operating income	6,296,419	1,440,952
Increase in net position	6,296,419	1,440,952
NET POSITION		
Beginning of year	13,291,664	11,850,712
End of year	$ 19,588,083	$ 13,291,664

See accompanying notes.

The University of California Home Loan Program Corporation
(A Component Unit of the University of California)
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of loans from employees	$ 65,218,186	$ 36,368,515
Loans issued to employees	(199,888,698)	(304,334,020)
Advances received from the University	199,888,698	304,334,020
Advances repayment to the University	(65,218,186)	(36,368,515)
Interest received from employees	22,790,965	17,126,919
Interest paid to the University	(16,384,369)	(15,657,742)
Payments for other expenses	(49,177)	(28,225)
Payments for administrative expenses	(2,134,815)	(1,587,702)
Other receipts	2,134,815	1,587,702
Net cash provided by operating activities	6,357,419	1,440,952
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, beginning of year	14,041,664	12,600,712
Cash and cash equivalents, end of year	$ 20,399,083	$ 14,041,664
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 6,296,419	$ 1,440,952
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Provision for uncollectible amounts	61,000	-
CHANGE IN ASSETS AND LIABILITIES		
Mortgages receivable, net	(134,670,512)	(267,965,506)
Payable to the University	134,670,512	267,965,506
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,357,419	$ 1,440,952

See accompanying notes.

NOTE 1 – ORGANIZATION

The University of California Home Loan Program Corporation (the "Corporation"), a component unit of the University of California (the "University"), provides residential lending services to the University. The University is administered by The Regents of the University of California ("The Regents"). As part of the University, the assets, liabilities, revenues, and expenses, and changes in net position of the Corporation are included in the University's financial statements. The Corporation is a nonprofit public benefit corporation formed on January 22, 2014, to assist the University in performing its governmental and educational functions, including but not limited to, undertaking the various activities and functions performed by the University of California's Office of Loan Programs ("OLP"). The Corporation was formed to qualify OLP as a Small Creditor with respect to the Consumer Financial Protection Bureau's (the "CFPB") Ability-to-Repay rule. Funding began under the Corporation effective February 1, 2014. The Small Creditor Exemption applies to lenders that originate less than 2,000 loans per year and have less than $2 billion in assets.

The Small Creditor Exemption extends Qualified Mortgage status to loans with a debt-to-income ratio that exceeds 43%, and provides Qualified Mortgage status for loans that are underwritten at less than the maximum projected interest rate in the first five years of the loan.Loans that are originated using the Small Creditor Exemption must be retained by the Corporation for at least 3 years.The Corporation is governed by a five-person Board of Directors ("Board"), which consists of five officers of the University.

The OLP plans, develops, and administers the University Employee Housing Assistance Program (the "Program") components for members of the Academic Senate, members of the Senior Management Group, and other designated classes of employees, as approved by The Regents in June 1984 and amended from time to time. Effective February 1, 2016, UC Hastings College of the Law ("UC Hastings") faculty are eligible for Program participation.

The main Program components are the Mortgage Origination Program ("MOP") and the Supplemental Home Loan Program ("SHLP"). MOP provides first deed of trust mortgage loans. SHLP primarily provides secondary financing, using authorized campus funding sources. In limited cases, SHLP provides primary mortgage loan financing.

Master note agreement – Pursuant to a master note agreement ("Master Note") dated February 1, 2014, the University advances the Corporation with funding sufficient to enable the Corporation to extend loans pursuant to the terms and policies of the Program ("Advances"). The interest on the outstanding amount of the Advances is calculated and paid on the same basis as other Advances or loans made from the short-term investment pool ("STIP"), as adjusted by the University from time to time. The STIP rate as of June 30, 2020 and 2019, was 0.91% and 2.16%, respectively. The principal amount of the Advances is paid with principal payments on the qualifying program loans when such amounts are received by the Corporation. Advances may remain outstanding for as long as the corresponding qualifying program loan is outstanding. The interest rate on qualifying program loans is not the same as the interest rate on the Advances and the sole source of repayment on the advances is the principal and interest payments received relating to qualifying program loans, together with any reserves accumulated by the Corporation. The Corporation retains any excess interest payments relating to qualified program loans and not needed to repay Advances and will use such amounts to make up any shortfall caused by payment defaults on qualifying program loans or differences between the interest rates on the Advances and the qualifying program loans.

Each qualifying program loan that is intended to qualify for the small creditor exemption shall be held by the Corporation for a period of at least three years following the origination of such qualifying program loan by the Corporation, or for such other period that is determined by the Corporation to be a qualifying period for purposes of meeting the small creditor exemption. The qualifying period for qualifying program loans that are not intended to qualify for the small creditor exemption shall be determined by the Corporation and the University from time to time. Commencing on any date following the qualifying period, the Corporation may, at its option, transfer a qualifying program loan at its carrying value to The Regents in exchange for an immediate decrease in the outstanding amount of the advances by the outstanding principal amount of the transferred loan. During the years ended June 30, 2020 and 2019, no loans were transferred from the Corporation to The Regents.

Services agreement – The Corporation is staffed entirely by employees of the University assigned to the Corporation pursuant to a services agreement executed between the University and the Corporation. The University also provides all labor, materials, equipment, facilities, furnishings, and software necessary or appropriate to operate the Program. These services include licensing of certain intellectual property of the University to the Corporation, and the provision of certain accounting, back office or administrative services provided by the University. In exchange and full payment for these services, the Corporation pays the University all the administrative fees collected under the Program. The administrative fee is a flat 0.25% of the outstanding loan balance, which is collected as part of the monthly borrower payments and remitted to the University. Fees collected by the Corporation are included in interest and fees earned from loans issued in the statements of revenues, expenses, and changes in net position.

COVID-19 pandemic – In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The virus has continued to spread, and any related adverse public health developments have adversely affected workforces, customers, economies, and financial markets globally. It has also disrupted the normal operations of many businesses and organizations, including the Corporation. As of June 30, 2020, management noted minimal impact on the Corporation and the Corporation's borrowers due to COVID-19. During the year, the Corporation granted 3 month payment forbearance to seven employees. As of June 30, 2020, three borrowers remained in their forbearance period, and as of the date of these financials all borrowers are no longer under forbearance agreements. The Corporation will continue to monitor the situation closely, but given the uncertainty and volatility of the situation, management cannot currently estimate its potential future impact.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), including all applicable statements of the Governmental Accounting Standards Board ("GASB"), using the economic resources measurement focus and the accrual basis of accounting as specified by the GASB requirements for a special purpose entity engaged solely in business-type activities.

Basis of Preparation

Revenue and expenses – Operating revenues of the Corporation include interest earned from loans issued and receipts of administrative loan fees. Interest and fees are recognized as revenue when earned according to the terms of the mortgage loan.

Operating expenses incurred in conducting the programs and services of the Corporation are presented in the statement of revenues, expenses, and changes in net position as operating activities.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates and disclosures.

Cash and cash equivalents – All University operating entities maximize the returns on their cash balances by investing in the University of California's STIP. The Regents is responsible for managing the University's STIP and establishing the investment policy, which is carried out by the Chief Investment Officer of The Regents. All of the Corporation's cash is deposited into STIP and all the Corporation's deposits into STIP are considered demand deposits. Unrealized gains and losses associated with the fluctuation in the fair value of the investments included in STIP (and predominately held to maturity) are not recorded by each operating entity but are absorbed by the University, as the manager of the pool. None of these amounts are insured by the Federal Deposit Insurance Corporation. To date, the Corporation has not experienced any losses on these accounts.

Additional information on cash and investments can be obtained from the 2019-2020 annual report of the University.

Mortgages receivable and allowance for uncollectible amounts – Mortgages receivable consists of amounts owed by University or UC Hastings employees to the Corporation and are stated at the principal amounts outstanding, net of any allowance for loan losses.

The allowance for uncollectible amounts is established through a provision charged to operating expenses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing mortgage receivables, based on the evaluations of the collectibility and prior loss experience of mortgage receivables. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, any specific problem mortgage receivables, and current and anticipated economic conditions that may affect the borrowers' ability to repay the obligation. Mortgage receivables are charged off to the allowance as they are deemed uncollectible.

Payable to the University – Payable to the University consists of outstanding amounts of Advances transferred to the Corporation for the sole purpose of allowing the Corporation to make qualifying program loans made from the University as defined in the Master Note Agreement (Note 1).

Net Position

Net position is required to be classified for accounting and reporting purposes in the following categories:

Restricted – Represents the portion of net position resulting from transactions with purpose restrictions until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable – Net position subject to externally imposed restrictions that must be retained in perpetuity by the Corporation.

Expendable – Net position whose use by the Corporation are subject to externally imposed restrictions that can be fulfilled by actions of the Corporation pursuant to those restrictions or that expire by the passage of time.

Unrestricted – Classifies the portion of net position that is neither restricted nor reserved. Unrestricted net position may be designated for specific purposes by the Board.

Income taxes – The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701d of the Revenue and Taxation Code of California and is generally not subject to federal or state income taxes. However, the Corporation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

NOTE 3 – MORTGAGES RECEIVABLE

Mortgages receivable at June 30, 2020 and 2019, were as follows:

	Mortgage Origination Program	Graduated Payment Mortgage Origination Program	5/1 Mortgage Origination Program	Supplemental Home Loan Program	Centrally Funded Supplemental Home Loan Program	Total
At June 30, 2020						
Mortgages receivable	$ 724,204,972	$ 1,890,653	$ 162,029,667	$ 13,465,448	$ 3,763,927	$ 905,354,667
Allowance for uncollectible amounts	(648,729)	(1,694)	(145,143)	(12,062)	(3,372)	(811,000)
Mortgages receivable, net	$ 723,556,243	$ 1,888,959	$ 161,884,524	$ 13,453,386	$ 3,760,555	$ 904,543,667
At June 30, 2019						
Mortgages receivable	$ 684,977,095	$ 1,919,064	$ 67,143,010	$ 13,814,467	$ 2,830,519	$ 770,684,155
Allowance for uncollectible amounts	(745,000)	-	-	(5,000)	-	(750,000)
Mortgages receivable, net	$ 684,232,095	$ 1,919,064	$ 67,143,010	$ 13,809,467	$ 2,830,519	$ 769,934,155

Mortgage Origination Program – MOP loans are first deed-of-trust loans issued to eligible employees. The eligible population for participation in MOP is limited to full-time University appointees who are members of the Academic Senate or who hold equivalent academic titles, acting assistant professors, senior management group employees, and UC Hastings faculty members.

MOP loans are structured as adjustable interest rate loans with loan-to-value ratios of up to 90.0% and repayment periods of up to 30 years. Campuses have the option to offer 40-year loans if the Chancellor completes a request that includes acceptance of the risk for making loans with features of a nonqualified mortgage, as defined by the Consumer Financial Protection Bureau. The standard MOP interest rate is indexed to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee of 0.25%. MOP loans are subject to a minimum interest rate of 3.25%, effective August 1, 2019. Prior to the new effective rate, MOP loans were subject to a minimum interest rate of 2.75% effective February 1, 2017.

The Corporation funded 111 and 392 MOP loans with an aggregate dollar amount of $93,232,500 and $293,143,330 during the years ended June 30, 2020 and 2019, respectively.

Graduated Payment Mortgage Origination Program – The Graduated Payment Mortgage Origination Program ("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 pre-determined amount less than the standard MOP rate, with a minimum interest rate of 3.25% effective August 1, 2019. The amount of the borrower's rate reduction (interest rate differential) becomes smaller each year for a set number of years (rate differential period). During the rate differential period, the University reimburses STIP for any shortfall in earnings that result from the lower borrower rate. The interest rate for new GP-MOP loans was 3.25% for the year ended June 30, 2020. Since the interest rate differential on these loans is currently zero, the campuses were not required to reimburse STIP for any shortfalls during the reporting periods.

The Corporation funded 0 and 1 GP-MOP loans with an aggregate dollar amount of $0 and $459,600 for the years ended June 30, 2020 and 2019, respectively.

5/1 Mortgage Origination Program – The 5/1 Mortgage Origination Program loan is a fully-amortizing mortgage loan that offers an initial fixed interest rate and payment for the first five years of the loan, after which the loan converts to a one-year adjustable rate mortgage ("standard MOP") for the remaining loan term. The maximum overall loan term is 30 years. The interest rate in effect during the fixed-rate period of the loan is comprised of the following three components: the 5-year Treasury Bond Yield, the J.P. Morgan U.S. Liquid Index ("JULI"), and a 0.25% service fee. The rate to be used for new loans is updated weekly and once a commitment is made to a borrower, the rate is locked for 30 days. Effective February 1, 2017, the minimum interest rate is 3.25%.

The Corporation funded 143 and 3 5/1 MOP loans with an aggregate dollar amount of $104,844,200 and $2,614,050 for the years ended June 30, 2020 and 2019, respectively.

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 generally funded from campus resources. State funds cannot be used as a funding source. SHLP loan interest rates ranged from 1.50% to 3.00% and 1.70% to 4.35% during the years ended June 30, 2020 and 2019, respectively.

The Corporation funded 6 and 20 SHLP loans with an aggregate dollar amount of $491,150 and $6,708,700 for the years ended June 30, 2020 and 2019, respectively.

Centrally-funded SHLP Program – The Centrally-funded SHLP Loan Program ("CF-SHLP") is a loan pool funded from the University's Faculty Housing Programs Reserve Fund. An initial allocation of $5.5 million was approved in November 2015 and an additional allocation of $5 million was approved July 1, 2019. The CF-SHLP loans must be in second position, with a maximum loan amount of $75,000. Effective February 1, 2017, the minimum interest rate is 2.75%.

The Corporation funded 39 and 47 CF-SHLP loans with an aggregate dollar amount of $1,290,675 and $1,408,340 for the years ended June 30, 2020 and 2019, respectively.

Interest-Only SHLP Program – The Interest-Only SHLP Loan Program offers a 5-, 7-, or 10-year interest only period, which converts to a fully amortizing loan with an overall term of 20, 30, or 40 years respective to the interest-only period. This program was introduced in February 2017. In order for a campus to offer an IO-SHLP, the Chancellor is required to acknowledge acceptance of the risk associated with making nonqualified mortgage as defined by the CFPB. No loans were funded for the years ended June 30, 2020 and 2019.

Future receipts under mortgage loan agreements for each of the five fiscal years subsequent to June 30, 2020, and thereafter are as follows:

	Mortgage Origination Program	Graduated Payment Mortgage Origination Program	5/1 Mortgage Origination Program	Supplemental Home Loan Program	Centrally Funded Supplemental Home Loan Program	Total
2021	$ 15,222,252	$ 39,740	$ 3,138,730	$ 655,176	$ 183,138	$ 19,239,036
2022	15,678,920	40,932	3,248,586	683,676	191,105	19,843,219
2023	16,149,287	42,160	3,362,287	713,416	199,418	20,466,568
2024	16,633,766	43,425	3,479,967	744,450	208,092	21,109,700
2025	17,132,779	44,728	3,601,765	776,834	217,144	21,773,250
2026-2030	93,689,057	244,590	19,990,346	4,421,426	1,235,898	119,581,317
2031-2035	108,611,295	283,547	23,742,260	5,470,470	1,529,132	139,636,704
2036-2040	125,910,259	328,709	28,198,357	-	-	154,437,325
2041-2045	145,964,498	381,064	33,490,802	-	-	179,836,364
2046-2050	169,212,859	441,758	39,776,567	-	-	209,431,184
	$ 724,204,972	$ 1,890,653	$ 162,029,667	$ 13,465,448	$ 3,763,927	$ 905,354,667

NOTE 4 – RELATED-PARTY TRANSACTIONS

As of June 30, 2020 and 2019, two officers of the Corporation had outstanding loans with balances of $1.3 million and $1.4 million in 2020 and both $1.5 million in 2019, respectively.

During the years ended June 30, 2020 and 2019, no loans were transferred from the Corporation to The Regents.

MOSSADAMS