This guide provides an overview of the Faculty Home Buying Assistance Program (the Program). To learn more about the Program, please visit the Finance Office website or email compliance@sandiego.edu.

Objective
The primary objective of the Program is to assist eligible tenure and tenure-track faculty with purchasing a home in the San Diego Area. The Program provides a tangible and flexible benefit to eligible faculty to be used toward the purchase of a qualifying primary residence. Program benefits generally take one of two primary forms: as a forgivable, second-lien loan funded by the university to be used in conjunction with a borrower’s own down payment funds; or as a first mortgage interest rate subsidy to provide temporary assistance with monthly payments. The first mortgage interest rate subsidy effectively lowers the total monthly mortgage payment on a first mortgage for a temporary period of three to five years. The Program serves as a cornerstone to the university’s commitment of recruiting and retaining faculty.

The Forgivable Down Payment Loan
The forgivable second-lien loan is used in conjunction with a borrower’s own down payment funds and is forgiven over five years. Interest is imputed according to the terms of a promissory note signed by the borrower and the university. Each promissory note is accompanied by a side letter signed (Exhibit A) by the Executive Vice President & Provost authorizing the forgiveness of loan principal and imputed interest over the five year term. Principal and imputed interest will be forgiven as long as no default event occurs. Annual forgiveness occurs at the end of each promissory note anniversary at a rate of 20% per year. Forgiveness is not pro-rated, and the no event of default must have occurred as of the promissory note anniversary date in order for annual forgiveness to be granted. Assuming no default event, no payment on the forgivable loan is due by the borrower, thus giving the borrower increased purchasing power afforded by two home loans, yet with an actual repayment due on the first mortgage loan only. In addition, a one-time, closing cost subsidy is also available to borrowers opting for the forgivable loan.

Potential borrowers must be cognizant of the Program’s personal income tax implications. The forgiveness of principal, imputed interest and closing costs are all taxable to the borrower over the five-year term of the loan. Note that the fifth year’s forgiveness is earned and taxed at the end of the fifth year, and as such, taxes related to the fifth year’s benefit may be paid over the subsequent year. Further, participation in the forgivable loan program may result in additional income tax withholdings. Participants are strongly urged to consult with personal tax advisors to evaluate the federal and state tax implications associated with these tax matters.

The First Mortgage Subsidy
The first mortgage subsidy allows the temporary reduction of monthly payments in the early years of a conventional first mortgage. The university is invoiced directly from the first mortgage lender, and subsequently pays a subsidy to the lender to be applied to the borrower’s monthly mortgage interest payments, thus reducing the amount due by the borrower. The
subsidy effectively reduces the interest rate on a borrower’s first mortgage. Use of the subsidy benefit assumes that a borrower has adequate cash down payment funds to satisfy the lender’s down payment requirements. Not all financial institutions will accommodate a first mortgage subsidy, thus it is important for borrowers to discuss this program with their lender. Participation in the subsidy assumes a borrower’s ability to absorb increased monthly mortgage payments once the subsidy expires.

Potential borrowers must be cognizant of the Program’s personal income tax implications. Subsidies applied to first mortgage payments are taxable to the borrower over the term of the Program. Further, participation in the subsidy program may result in additional income tax withholdings. Participants are strongly urged to consult with personal tax advisors to evaluate the federal and state tax implications associated with these tax matters.

**Availability of Forgivable Loans and First Mortgage Subsidy**

Please consult with a member of the Office of Finance to obtain the latest information concerning Program benefit limits and availability, and to begin the application process. Program funds are annually on a fiscal year basis, and are granted to eligible and approved faculty members on a first-come, first-serve basis. Funds may not be available at the time an applicant becomes eligible and approved.

**Authorization of Program Participation**

To be eligible, faculty participants must be expressly authorized to receive Program benefits by the supervising Dean and Executive Vice President & Provost. Participants must meet other eligibility requirements as outlined below and be qualified through an application process.

Receipt of Program benefits is contingent upon the qualified participant’s ability to meet the creditworthiness required by a first mortgage lender in the procurement of a first mortgage loan. A borrower’s inability to obtain and close a first mortgage home loan is not the responsibility of the university.

**Program Eligibility**

Faculty members who meet the eligibility criteria established by the university, and changed from time to time in the university’s sole discretion, are eligible to participate.

**Employment**

Tenured faculty upon hire and tenure-track faculty who have served the university consecutively for a period of at least 18 months are eligible to participate in the Program. Continued participation in the Program is dependent upon continued employment with the university in good standing, in at least the rank of appointment as of initial Program eligibility.

**Participation Conditions**
- **Minimum Down Payment.** The borrower’s cash down payment must be at least five percent (5%) of the property’s purchase price. Lenders may likely require the borrower to have greater than five percent (5%) cash down payment funds.

- **Conventional, Fixed Rate, First Mortgage Procurement** The borrower must be able to procure a conventional, fixed-rate, first mortgage with either a university preferred lender, or a lender of the borrower’s choice. Participation in the Program is contingent upon the final approval and underwriting standards used by the borrower’s first mortgage lender.

- **Promissory Note for Forgivable Down Payment Loan Option.** A promissory note and side letter (Exhibit A) detailing the forgiveness of loan principal and imputed interest will be executed and included in the first mortgage underwriting process. Loan funds will be deposited directly into the escrow account by the university, and one-time, closing cost subsides will either be deposited into escrow or paid directly to the lender. A second lien will be recorded for the principal amount of the loan and a full re-conveyance will be issued by the university at the end of the forgivable loan term. The loan’s maturity date will occur on the earliest of the following events: (a) the fifth anniversary of the loan; (b) 90 days after the borrower ceases to occupy the property as his or her principal residence; (c) 90 days after the borrower ceases to be employed by the university; or (d) one year after the borrower dies or becomes disabled. The Loan’s maturity can be accelerated on the sale of the property or the occurrence of any event of default as described in the promissory note. Outstanding principal is due and payable in the event of acceleration, and payment of this amount is not contingent on the property’s appraised value, sales price, or any other condition. Forgiveness of loan principal and imputed interest will be complete at the end of five years, assuming no event of default occurs, namely the termination of employment from the university.

- **Agreement for First Mortgage Subsidy Option.** All terms and conditions of the subsidy program must be met and agreed to among and between the university, the borrower and the lender prior to subsidy funding. Subsidy funds are paid directly to the lender and applied to the borrower’s first mortgage interest payments for a temporary period.

- **Expenses.** The university does not charge a predetermined origination fee for a loan, but any expense incurred by the university in making the loan must be reimbursed by the borrower at the close of escrow. See information on closing costs within section ‘Promissory Note for Forgivable Down Payment Loan Option’ above.

- **Deed of Trust.** Loans must be secured by a Deed of Trust that is recorded against the property and that is subordinate only to the conventional lender’s first deed.
The university will obtain a lender’s policy of title insurance at the borrower’s expense, to ensure the Deed of Trust creates a valid second-priority lien.

- **Insurance.** Prior to close of escrow, the borrower must obtain hazard insurance for the property in the amount of the full replacement cost of all buildings on the property. Note that the conventional lender may require the borrower to pay the annual premium for the coverage at close of escrow. Also note that California Civil Code §2955.5 states that “No lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.”

**Maximum Program Benefit**

A benchmark home price (the Benchmark) sets the parameters for the amount of Program benefits and requirements. The Benchmark is calculated using average median home prices in San Diego including Central San Diego, East County, North County Inland, North County Coastal, and South County. Average median home prices are based on median resale closing prices on home sales recorded. The Benchmark is calculated semi-annually by the Finance Office in June and December, based on May and November sales recorded.

The maximum program benefit available is equal to 15% of the Benchmark home price as calculated every June and December, plus up to $5,000 for allowable closing costs, not to exceed $100,000 individually at any time. Additionally, the maximum amount of purchase support provided by the university, for any one residence will be the benefit available to one faculty member.

**Maximum Home Price Guideline**

The maximum home price guideline recommended for participation in the Program is equal to 130% of the Benchmark as calculated every June and December.

**Maximum Household Income**

To receive the maximum benefit allowable under the Program, eligible participants will have household income of less than or equal to 40% of the Benchmark as calculated every June and December. Household income will be verified using federal income tax returns.

Eligible participants with household income exceeding 40% of the Benchmark may qualify for reduced benefits. For every one dollar over the maximum income ceiling, a participant will receive a one dollar reduction in benefit, down to a minimum benefit of $5,000 for the forgivable loan option, and down to a minimum benefit of $1,000 for the first mortgage subsidy option. Participants who receive the minimum benefit are also eligible to receive up to $5,000 for allowable closing costs. Faculty members who do not qualify for the minimum benefit described above are ineligible for closing cost assistance.

**Qualifying Properties**
A participant must be purchasing his/her first San Diego home located within a 50-mile radius of the University of San Diego’s main campus. In addition, the home must serve as the faculty’s primary residence.

Program benefits may only be used for the purchase of a single family home, condominium or townhouse. Forgivable loan proceeds and subsidy funds may not be used toward the purchase of any other property such as a duplex, an investment property, a care facility property, a vacation home, a rental property or a timeshare. Program benefits may only be used for a purchase, and may not be used for a refinance. Benefits are not transferable to a home purchase subsequent to the faculty’s first San Diego residence.

**Tax Aspects**

Various facets of the Program give rise to tax consequences, and the borrower is strongly urged to discuss these consequences with a tax adviser. The university makes no representations or assurances as to the Program’s tax implications.

**Note:** THIS GUIDE IS ONLY A SUMMARY OF THE FACULTY HOME BUYING ASSISTANCE PROGRAM, CONSISTING OF LOAN AND SUBSIDY OPTIONS, AND DOES NOT MODIFY IN ANY WAY THE ACTUAL TERMS OF THE PROMISSORY NOTE, THE DEED OF TRUST, OR ANY OTHER DOCUMENT CONNECTED WITH THE LENDING OF FUNDS TO A FACULTY MEMBER BY THE UNIVERSITY OF SAN DIEGO.

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