

USD Faculty Home Buying Assistance Program Guide

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This guide provides an overview of the Faculty Home Buying Assistance Program (the Program). To learn more about the Program, visit the [Faculty Home Buying Assistance Program webpage](#) or email facultyhomebuying@sandiego.edu.

Subject to the general direction and oversight of the Finance Committee of USD's Board of Trustees and administered under the Vice President for Finance, USD maintains the Program to assist in attracting and retaining highly qualified faculty. 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 the form as a forgivable, second-lien loan funded by the university to be used in conjunction with a borrower's own down payment funds. 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 the selected forgiveness period upon execution of the Promissory Note. 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 (Exhibit A) signed by the Finance Office, authorizing the forgiveness of loan principal and imputed interest over the selected forgiveness period. Principal and imputed interest will be forgiven as long as no default event occurs. Annual forgiveness occurs at the end of each promissory note's anniversary date in accordance with the forgiveness period selected. 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 allowance is also available to borrowers.

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 forgiveness period of the loan. Note that the final year's forgiveness is earned and taxed at the end of the final year, and as such, taxes related to the final 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.

Availability of Forgivable Loans

Program funds are appropriated on a fiscal year basis, effective July 1st of each fiscal year. The number of faculty loans which may be granted in any single year is limited to the availability of

Program funds. Should the number of qualified loan applications exceed the number of loans available, the Provost and Vice President for Academic Affairs and the Vice President for Finance and CFO will employ a system of prioritization, as indicated below. Funds may not be available at the time an applicant becomes eligible and approved; application is no guarantee of approval.

- a. First priority will be given to qualified tenured faculty members. Within this group, priority will be given based on length of time at the University. If the number of applications that have a similar length of service exceeds the total available loans, and that length of service is the priority for loan selection, then the selection from that group will be made by random lottery.
- b. Second priority will be given to tenure-track faculty who have met the 18-month waiting period. Within this group, priority will be given based on length of time at the University. If the number of applications that have a similar length of service exceeds the total available loans, and that length of service is the priority for loan selection, then the selection from that group will be made by random lottery.

Authorization of Program Participation

To be eligible, faculty participants must be expressly authorized to receive Program benefits by the supervising Dean, Finance Office, and the Provost and Vice President for Academic Affairs. Participants must meet other eligibility requirements as outlined below and be qualified through an application process. Application materials can be found [here](#).

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, and down payment funding required. 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 full-time faculty are eligible to participate, upon hire date or (as approved by Vice President/Provost) up to a maximum one month in advance of hire date. Tenure-track full time faculty, who have served the university consecutively, for a period of at least 18 months, are eligible to participate, on their 18 month anniversary hire date. 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 minimum 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 along with required closing costs.

- First Mortgage Procurement The borrower must be able to procure a first mortgage with either a university preferred lender, or a lender of the borrower's choice. The first mortgage may be either a conventional, fixed-rate mortgage or an adjustable rate mortgage with a duration no shorter than forgiveness period selected (i.e. 5/1 ARM with 5 year forgiveness). For other types of first mortgages a borrower may be seeking to utilize, please contact facultyhomebuying@sandiego.edu for advanced approval. 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, approved closing cost allowance 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 final anniversary date 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 final year, assuming no event of default occurs, namely the termination of employment from the university.
 - Upon execution of the promissory note and side letter (Exhibit A), the faculty member must elect the forgiveness period for the forgivable loan; this period cannot be amended once the documents have been executed. The following options of forgiveness terms are available:
 - Tenured Faculty:
 - Two-year forgiveness period
 - Five-year forgiveness period
 - Eight-year forgiveness period
 - Tenure-track Faculty:
 - Five-year forgiveness period
 - Eight-year forgiveness 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."
- Refinance of First Trust Deed. USD will support one subordination during the forgiveness period, for a first trust deed rate refinance only. Additional requests for a first trust deed rate refinance will be reviewed and approved on a case by case basis. Program benefits may only be used for a purchase, and may not be used for a refinance.

Maximum Program Benefit

The maximum program loan benefit available is \$150,000; additionally, the program will provide up to \$5,000 in closing cost credit to be applied towards allowable closing costs. Additionally, the maximum amount of purchase support provided by the university, for any one residence will be the benefit available to one faculty member.

The maximum program benefit, as well as all other program benefits and parameters, will be reviewed by the Finance Committee of the Board of Trustees on an annual basis.

Maximum Household Income

To receive the maximum benefit allowable under the Program, eligible participants will have household income (household income is defined as all individuals who will be qualifying, for primary mortgage and going on title together) less than or equal to 2.5 times the maximum program benefit. Household income will be verified using federal income tax returns and W-2 wage statement for the previous calendar year if a tax return has not been filed for that calendar year.

Eligible participants with household income 2.5 times the maximum loan amount will 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. 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 a San Diego primary residence located within a 75-mile radius, of the University of San Diego's main campus. The participant must be a first time San Diego homebuyer or have not previously owned a San Diego home in any of the last ten years, unless granted an exception for a qualifying life-event. A faculty member will not qualify for this program benefit, if they own an existing home in San Diego County, plan to sell to purchase another home, have owned a home in San Diego County in any of the last ten years, sold a home through a short-sale, or have been foreclosed on a home.

Program benefits may only be used for the purchase of a single family home, apartment, condominium or townhouse. Forgivable loan proceeds may not be used toward the purchase of any other property such as 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 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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