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# Mortgage Assistance Program

## *Summary Description*

The Mortgage Assistance Program (MAP) loan is an interest only, nonamortizing loan that has a low, fixed Current Interest rate and Deferred Interest that is payable at the time of sale, prepayment or refinancing. MAP is to be used for a purchase, not to refinance existing mortgage loans. The MAP borrower is able to purchase a more costly home than if he/she used only a conventional mortgage. Current Interest payable on the MAP loan is lower than a market interest rate on a conventional mortgage; and no principal payments are made during the term of the loan.

Information for all of Stanford's housing programs is available at <http://fsh.stanford.edu>, or by email at [fshousing@stanford.edu](mailto:fshousing@stanford.edu), or by calling 650-725-6893.

## **ELIGIBILITY**

Eligible Persons, as defined in Exhibit A to this brochure, who are buying a home in the local community that will be owner occupied may apply for a MAP loan.

## **QUALIFYING RESIDENCE**

A MAP loan may be used to purchase a single family home, condominium, or any other dwelling unit suitable for housing one family (the Qualifying Residence). Vacation homes, investment properties, multiple family dwellings (for example, duplexes), and life care facilities are not Qualifying Residences.

NOTHING IN THIS DOCUMENT SHOULD BE CONSTRUED AS AN OFFER OR COMMITMENT OF ANY KIND. PROGRAMS AND ELIGIBILITY REQUIREMENTS ARE SUBJECT TO CHANGE OR DISCONTINUATION WITHOUT NOTICE AT STANFORD UNIVERSITY'S SOLE DISCRETION.

The Eligible Person must occupy the Qualifying Residence as his/her principal residence. The home purchase financed by the MAP loan (the Property) must be located within the area described in Exhibit B to this brochure (Qualifying Limit).

#### LOAN AMOUNT

The University will lend the lesser of 50% of the purchase price of the Property or 50% of its fair market value (FMV), subject to a maximum loan amount of \$600,000. Stanford requires an appraisal by a licensed appraiser to establish the fair market value. For example, if the appraised value equals the purchase price of \$750,000, then the MAP loan amount will be \$375,000. However, if the appraised value is \$700,000, which is \$50,000 less than the purchase price of \$750,000, then the MAP loan amount can only be \$350,000. If the appraised value is less than the purchase price, the borrower must make up the difference by adding to the required down payment. Some MAP borrowers may prefer to borrow less than the maximum amount.

#### LOAN TERM

The MAP loan is due on the earliest of the following dates: (i) when the Property is sold; (ii) when the Property ceases to be the Principal Residence of the Eligible Person; (iii) when the borrower ceases to be an Eligible Person; or (iv) upon the occurrence of other circumstances set forth in the Promissory Note (Note). The date on which the MAP loan is due is called the Due Date.

A borrower who (i) is an Official Retiree from Stanford, (ii) is receiving benefits from the Stanford University Long Term Disability Plan, or (iii) is the surviving spouse or domestic partner of the Eligible Person, may retain his/her MAP loan so long as none of the Due Date circumstances set forth in the Note occur.

#### CURRENT AND DEFERRED INTEREST PAYMENTS

MAP loans have Current and Deferred Interest. Current Interest at a rate of 3.5% per annum on the outstanding principal is payable in arrears on the first day of each month. At the borrower's option, Current Interest may be paid by payroll deduction twice each month. Deferred Interest depends on the purchase price of the home, the duration of the loan, the Due Date Fair Market Value, the improvements that have been made and other factors that affect the value of all real property. Since these factors vary for each home, a borrower will not know the final amount of interest he/she will pay over the life of the loan until the loan is fully discharged.

Deferred Interest is payable on the Due Date (and on the date of any Prepayment) in an amount equal to the lesser of (i) Stanford's Share of Appreciation, or (ii) an amount of interest which, when added to Current Interest previously paid to Stanford, would result in a return to Stanford on the Outstanding Principal from time to time equal to the Applicable Federal Rate plus 2% per annum, compounded annually. See Table 1 for an example of this calculation.

Stanford's Share is a fraction, the numerator of which is the Outstanding Principal, and the denominator of which is the Purchase Price of the Property. For example, if the appraised FMV equals the purchase price of \$750,000, the maximum MAP loan amount is \$375,000

and Stanford's Share is 50%. However, if the appraised FMV is \$700,000 which is \$50,000 less than the purchase price of \$750,000, then the maximum MAP loan amount is \$350,000, and Stanford's Share is 46.66667%.

The Due Date Fair Market Value is the sales price of the Property or the appraisal value if there is no bona fide sale.

Appreciation is the difference between the adjusted Due Date Fair Market Value and the Purchase Price. For example, if the house price increases from \$750,000 to \$850,000, and there are no adjustments, appreciation is equal to \$100,000.

Stanford's Share of Appreciation is calculated by multiplying the fraction that is Stanford's Share by the adjusted appreciation. Absent adjustments in the above example, Stanford's Share of Appreciation is \$50,000. See Table 2 for examples of this calculation.

#### CONDITIONS OF THE LOAN

MAP is governed by the following conditions:

1. Minimum Down Payment

The standard down payment is 10% of the purchase price.

2. Loan Approval

We recommend that borrowers obtain preapproval for Stanford loan programs. Preapproval will expedite final loan approval once the purchase offer has been accepted. The University's loan approval process is similar to that of a residential mortgage lender. The loan preapproval process takes fifteen working days.

Faculty Staff Housing needs an up-to-date loan application, including DIP (if applicable) and conventional loan amounts and terms immediately after a purchase offer has been accepted. It is also important to provide a copy of the fully executed purchase contract and other required documents such as the appraisal, disclosures, and pest inspection report.

Loan approval, including satisfying Stanford's underwriting guidelines, is necessary before any Stanford loan can be funded.

3. Loan Origination Fees

A loan origination fee equal to 1% of the principal amount of the MAP loan is collected at the close of escrow. Such fees are often referred to as points.

4. Secured Instrument

The MAP loan is secured by a Deed of Trust. A Deed of Trust is the document that records a lien against the Property for the amount of the loan.

## 5. Other Financing

If the financing of your purchase includes a mortgage loan from a residential mortgage lender to be recorded as a First Mortgage, the following applies:

First Mortgages used together with University Programs:

1. cannot be interest only;
2. cannot negatively amortize;
3. cannot have a term of more than thirty years;
4. cannot have a “balloon” feature; and
5. if the loan is an adjustable rate mortgage (ARM), the transaction will be underwritten by Stanford using the monthly payment required on the thirteenth month.

## 6. Casualty and Earthquake Insurance

Evidence of earthquake and casualty insurance with Stanford named as mortgagee must be provided to the title company before the close of escrow. Casualty insurance needs to be in the amount of the full replacement cost of the buildings and improvements on the Property. Earthquake insurance needs to be in the amount equal to the value of the buildings and improvements on the Property with a deductible not greater than fifteen percent. FSH will notify the MAP borrower(s) of the amount of earthquake insurance that is required when the property appraisal is completed. Your insurance carrier will send the certificate of insurance to the title company. If borrowers use a lender in addition to Stanford, they need to verify if the insurance premium will be collected at the close of escrow.

Effective July 1, 2000, lenders on new loans secured by real property must disclose that Civil Code §2955.5 prohibits lenders from requiring borrowers to provide hazard insurance (fire insurance) for more than the replacement cost of the improvements on the property.

### FUNDS NEEDED AT CLOSE OF ESCROW

In addition to points on the mortgages, borrowers should expect to pay additional costs at or before the close of escrow including Current Interest prorated from the date of the close of escrow through the last day of the month in which the closing occurs. There will also be fees for loan processing, the credit report, appraisal, title insurance, prepaid hazard insurance, and some portion of the escrow fees. The title company will provide the total amount of these costs and when they are due.

### APPRAISAL AT PAYOFF

An appraisal is required whenever all or part of the MAP loan is repaid unless there is a bona fide sale. This includes partial prepayments or refinancing. The appraisal must be ordered by Stanford although it is paid for by the borrower. For purposes of determining Deferred Interest, Stanford cannot use an appraisal ordered by another lender or the borrower. The appraisal process is described fully in the Note.

**REPAYMENT OF PRINCIPAL**

Upon the Due Date, the Original Principal and Current Interest are absolutely due and payable and are not contingent upon the sale price or fair market value of the house, or any other factor.

**ADJUSTMENTS TO DUE DATE FAIR MARKET VALUE AT PAYOFF**

Under certain defined circumstances, the amount due on the Due Date may be subject to certain adjustments, resulting in a reduction of the amount of Deferred Interest payable by the borrower. These adjustments are available only if there has been appreciation in the Property.

**Adjustment Improvements**

An Adjustment Improvement is an improvement made to the Property during the life of the loan (excluding repairs and improvements constructed with insurance proceeds) that meets all of the following criteria: (i) as defined by Internal Revenue Service regulations, the improvement on the Due Date constitutes a capital improvement, the cost of which is properly added to a homeowner's adjusted basis in the Property for capital gains tax purposes; (ii) it is not in violation of any applicable zoning and building codes; (iii) all required building permits have been obtained; (iv) it is completed prior to determining the Due Date Fair Market Value; and (v) it remains, as determined in the sole discretion of Stanford, a part of the Property on the Due Date.

At the time of loan discharge, a borrower may request that an Adjustment Improvement be applied as a reduction against the Due Date Fair Market Value. To qualify for the credit, the borrower must submit a statement from an independent Certified Public Accountant (CPA). The statement sets forth the following: the date, description, and cost of the improvements; and a statement that, in the CPA's opinion, those items constitute capital improvements for federal income tax purposes and that the costs can properly be added to the homeowner's adjusted basis in the Property for purposes of calculating capital gains. More specific information regarding Adjustment Improvements, including a CPA Certification Form, is available at FSH.

The actual cost of the improvements as certified by the CPA will be subtracted from the Due Date Fair Market Value for purposes of calculating Stanford's Share of Appreciation. No adjustment of actual cost will be made to account for inflation or labor performed by the borrower. See Table 2 for examples of this calculation.

**Real Estate Broker's Commission**

At the time of sale, any bona fide real estate broker's commission actually paid at the time of sale (but in no event greater than 6% of the sale price at payoff) will be subtracted from the Due Date Fair Market Value before Stanford's Share of Appreciation is calculated.

**TABLE 1 ANNUAL MAXIMUM DEFERRED INTEREST CALCULATION**

YEAR	PRINCIPAL	MAXIMUM MAP NOTE RATE	MAXIMUM RATE X PRINCIPAL	CURRENT INTEREST ANNUAL	MAXIMUM DEFERRED INTEREST	MAXIMUM CUMULATIVE DEFERRED INTEREST
1	\$ 375,000	X 8.5%	= \$ 31,875	- \$ 13,125	= \$ 18,750	\$ 18,750
2	393,750	X 8.5%	= 33,469	- 13,125	= 20,344	39,094
3	414,094	X 8.5%	= 35,198	- 13,125	= 22,073	61,167
4	436,167	X 8.5%	= 37,074	- 13,125	= 23,949	85,116
5	460,116	X 8.5%	= 39,110	- 13,125	= 25,985	111,101
6	486,101	X 8.5%	= 41,319	- 13,125	= 28,194	139,294
7	514,294	X 8.5%	= 43,715	- 13,125	= 30,590	169,884
8	544,884	X 8.5%	= 46,315	- 13,125	= 33,190	203,074
9	578,074	X 8.5%	= 49,136	- 13,125	= 36,011	239,086
10	614,086	X 8.5%	= 52,197	- 13,125	= 39,072	278,158

**TABLE 2 PRINCIPAL AND DEFERRED INTEREST DUE, PAYOFF IN YEAR 10**

Annual House Price Appreciation Rate	0.0%	5.0%	8.5%
Maximum Annual Interest Rate	8.5%	8.5%	8.5%
<b>PURCHASE ASSUMPTIONS</b>			
Purchase Price	\$ 750,000	\$ 750,000	\$ 750,000
MAP Principal	\$ 375,000	\$ 375,000	\$ 375,000
Stanford's Share	50%	50%	50%
<b>ADJUSTMENTS TO DUE DATE FAIR MARKET VALUE</b>			
Due Date Fair Market Value	\$ 750,000	\$ 1,221,671	\$ 1,695,738
Adjustment Improvements	(25,000)	(25,000)	(25,000)
Real Estate Broker's Commission	(45,000)	(73,300)	(101,744)
Adjusted Due Date Fair Market Value	\$ 680,000	\$ 1,123,371	\$ 1,568,993
<b>APPRECIATION</b>			
Adjusted Due Date Fair Market Value	\$ 680,000	\$ 1,123,371	\$ 1,568,993
Purchase Price	(750,000)	(750,000)	(750,000)
Total Adjusted Appreciation	\$ 0	\$ 373,371	\$ 818,993
<b>STANFORD'S SHARE OF APPRECIATION</b>			
a. 50% x Adjusted Appreciation	\$ 0	\$ 186,685	\$ 409,497
b. Maximum Deferred Interest	\$ 278,158	\$ 278,158	\$ 278,158
<b>PAYOFF AMOUNT: DEFERRED INTEREST + PRINCIPAL</b>			
Deferred Interest Due (lesser of a or b above)	\$ 0	\$ 186,685	\$ 278,158
MAP Principal	\$ 375,000	\$ 375,000	\$ 375,000
Total Due	\$ 375,000	\$ 561,685	\$ 653,158

## PARTIAL PREPAYMENTS OF PRINCIPAL AND DEFERRED INTEREST

A borrower may elect to make one or more partial prepayments of principal and Deferred Interest during the term of the loan. Doing so may have beneficial tax and cash flow consequences for the borrower. The following procedure must be followed in connection with such partial prepayments: (i) The minimum amount of a partial prepayment is \$25,000; (ii) the borrower must notify Stanford in writing that he/she is making a partial prepayment and setting forth the amount; (iii) the appraisal process is as set forth in the Note.

The prepayment amount is applied to both principal and outstanding Deferred Interest. The following applies: the amount of principal reduction equals the original principal (adjusted for any prior prepayments) multiplied by a fraction, the numerator of which is the prepayment amount and the denominator of which is the total amount of principal and Deferred Interest outstanding. The remaining amount of the prepayment is applied to reduce the outstanding Deferred Interest. Following the prepayment, the outstanding principal balance of the MAP loan will have been reduced, resulting in a lower monthly Current Interest payment. See Table 3 for an example of this calculation.

TABLE 3 PARTIAL PREPAYMENT OF \$30,000 MADE AT THE END OF YEAR 3

<u>Purchase Assumptions</u>	
Purchase Price	\$ 750,000
MAP Principal	\$ 375,000
Stanford's Share	50%
<u>Prepayment Calculation</u>	
Deferred Interest Due, end of Year 3	\$ 61,167
Plus MAP Principal	<u>375,000</u>
Equals Total Principal + Deferred Interest	\$ 436,167
Partial Prepayment	\$ 30,000
Divided by Total Principal + Deferred Interest	\$ 436,167
Equals the Fraction	6.878%
MAP Principal	\$ 375,000
Times the Fraction	x 6.878%
Equals Amount of Principal Reduction	\$ 25,792
Total Prepayment	\$ 30,000
Less Amount of Principal Reduction	<u>25,792</u>
Equals Amount of Deferred Interest Paid	\$ 4,208
<u>New Principal and Stanford's Share Calculation</u>	
Beginning Principal Balance	\$ 375,000
Less Amount of Principal Reduction	<u>25,792</u>
Equals New Principal Balance	\$ 349,208
New Principal Balance	\$ 349,208
Divided by Purchase Price	\$ 750,000
Equals New Stanford's Share	46.56107%



The borrower will not receive a refund of any Deferred Interest paid as part of a prepayment even if the Property subsequently declines in value (thereby resulting in a lower Deferred Interest obligation at the Due Date).

**T A X   A S P E C T S   O F   M A P   L O A N   P R O G R A M**

Various aspects of MAP raise tax issues that a borrower may wish to discuss with his/her tax adviser.

NOTHING IN THIS DESCRIPTION OF MAP SHOULD BE CONSTRUED AS AN OFFER OR COMMITMENT OF ANY KIND TO MAKE A PARTICULAR LOAN, OR AS SUBSTITUTING FOR OR SUPERSEDING THE FORMAL PROGRAM DOCUMENTS. MAP IS SUBJECT TO CHANGE OR DISCONTINUATION WITHOUT NOTICE AT STANFORD UNIVERSITY'S SOLE DISCRETION.

**E X H I B I T A***Housing Programs Eligibility Criteria*

Stanford University's housing programs (Programs) are made available to employees in a specific and limited number of professional employment categories. To qualify for any Stanford Program, individuals must meet the applicable criteria for an Eligible Person. Notwithstanding these criteria, however, eligibility depends on individual circumstances. That is, someone who is an Eligible Person according to the criteria listed below may nonetheless not be qualified to participate in one or more of the Programs, or may be qualified to participate only to a limited extent. Current information is available in the brochure that describes each Program. Stanford University housing programs include: (i) the option to purchase as his or her principal residence, a long-term residential leasehold on the campus; (ii) a Mortgage Assistance Program (MAP) loan; (iii) a Deferred Interest Program (DIP) loan; (iv) other mortgage programs that may be in effect from time to time; (v) the Housing Allowance Program (HAP); (vi) HAP II; and (vii) campus rentals. Loans are available for purchase only, not to refinance existing mortgage loans. An individual who has defaulted on a Stanford loan will be ineligible for any subsequent University housing program.

Information for all of Stanford's housing programs is available at <http://fsh.stanford.edu>, or by email at [fshousing@stanford.edu](mailto:fshousing@stanford.edu), or by calling 650-725-6893.

*Eligible Persons*

The following categories of employees, who are employed fifty percent (50%) time or more, and whose expected appointment term satisfies the conditions described in each respective category, are qualified as Eligible Persons for one or more Programs.

**FACULTY**

1. Members of the Academic Council who have received tenure, have continuing terms of appointment, or have term appointments of three years or more with the possibility of reappointment. Assistant Professors appointed subject to receiving their Ph.D. qualify as Eligible Persons although they are not members of the Academic Council.
2. Members of the Medical Center Professoriate whose initial appointment is three years or more with the possibility of reappointment.
3. Senior Fellow members of the Academic Council at Special Policy Centers and Institutes whose initial appointment is three years or more with the possibility of reappointment.

**STAFF**

1. University Staff: Senior Exempt Staff assigned to the N11 and 1M5 Grade who have continuing terms of appointment. Only those assigned to the N11 Grade are eligible to participate in the Housing Allowance Program (but not HAP II) and to purchase on the campus.
2. Current or former presidents of the University, regardless of years of service.

3. Stanford Linear Accelerator Staff (SLAC Staff): Certain staff as designated by SLAC Human Resources.
4. Hoover Institution: Senior Fellows

#### EXCEPTIONS

Specific Exception: On the basis of a specific exception granted by the President, the Provost, or the Cabinet (or its predecessor bodies). Specific exceptions may be granted for particular Programs.

#### *Retirees*

1. Retirees, as defined by the University, are not eligible for the University's Housing Programs.
2. Retirees who do not own on the campus are not eligible to purchase on the campus, regardless of whether or not the retiree has ever owned a campus residence.
3. Retirees who own a campus residence may only downsize to a condominium at Pearce Mitchell or Peter Coutts.

SUMMARY OF ELIGIBLE JOB CATEGORIES BY PROGRAM TYPE

Category	Housing Allowance Program (HAP)	HAP II (for faculty at promotion under limited conditions)	Mortgage Assistance Program (MAP) loan	Deferred Interest Program (DIP) loan	On Campus Purchase
<b>I. Faculty</b>					
Faculty members of Academic Council, Tenure Line	Yes, for 1st time buyers*	Yes, at tenure	Yes	Yes, for 1st time buyers*	Yes
Faculty members of Academic Council, NonTenure	Yes, for 1st time buyers*	Yes, at promotion to continuing term	Yes	Yes, for 1st time buyers*	Yes
Senior Fellow members of Academic Council at Special Policy Centers and Institutes	Yes, for 1st time buyers*	Yes, at promotion to continuing term	Yes	Yes, for 1st time buyers*	Yes
Medical Center Line Professoriate	Yes, for 1st time buyers*	Yes, at promotion to Associate Professor (MCL)	Yes	Yes, for 1st time buyers*	Yes
<b>II. Staff</b>					
University N11 Staff	Yes, for 1st time buyers*	No	Yes	Yes, for 1st time buyers*	Yes
University & SLAC Staff: 1M5	No	No	Yes	Yes, for 1st time buyers*	No
SLAC: Certain staff as designated by SLAC Human Resources	Yes, for 1st time buyers*	No	Yes	Yes, for 1st time buyers*	Yes
Hoover Institution Senior Fellows	Yes, for 1st time buyers*	No	Yes	Yes, for 1st time buyers*	Yes

\*within the Qualifying Limit.

**EXHIBIT B**  
QUALIFYING LIMIT

