

## **USF-USFFA Second Mortgage Program Description**

This benefit provides a limited number of second mortgage loans in the amount of \$83,000. The terms for the loan include interest only for seven years at an interest rate of two percentage points below the University's borrowing rate but never less than the Applicable Federal Rate (AFR) as defined by the Internal Revenue Service (IRS). The percentage will be determined at time of loan issuance. Interest is paid back to the University via payroll deduction, and a Second Deed of Trust will secure the loan.

### **Eligibility and Prioritization**

To be eligible for this loan, the USFFA member must meet the following requirements:

- Recipient must qualify for a primary mortgage outside the University and must make the primary lender aware of the second mortgage conditions offered by USF.
- Total value of first and second mortgage should not be greater than 90% of the home's value.
- Recipient must be a first-time Bay Area home-buyer.
- Residence to be purchased must be within a 50-mile radius of the USF main campus.
- Loan cannot be used for multiple-unit tenancy-in-common purchases but may be used for owner-occupied condominium units.
- The purchase contract, property appraisal, and preliminary title report must be reviewed and approved by the University.
- The recipient's first mortgage must be acceptable to the University.
- Recipients must currently be probationary or tenured bargaining unit members. Term faculty will be awarded no more than three mortgages.
- If demand exceeds available slots, priority will be based on seniority. If two or more bargaining unit members have the same bargaining unit employment seniority, a random number assignment will rank all applications of equivalent seniority.

- Seniority will be measured, for USFFA members currently of probationary or tenured status, by the total number of years of full-time bargaining unit employment at USF.

## **2<sup>nd</sup> Mortgage Program General Terms:**

- The loan is intended to supplement the down payment for a Bay Area home. Each loan has a term of seven years unless the maturity date is accelerated by certain “trigger events” described in the promissory note, including termination of employment or sale of the property.
- The loan recipient will pay interest monthly until loan maturity at an interest rate of two percentage points below the University’s borrowing rate but never less than the Applicable Federal Rate (AFR) as defined by the Internal Revenue Service (IRS). The total loan-to-value ratio of the mortgaged property must be 90% or less. All interest payments will fund the overall housing fund. There is no prepayment penalty, and monthly interest obligations will end if the loan is paid off early.
- Principal amount of \$83,000 will be repaid to the USF Housing Subsidy Fund at the end of loan term, as defined in the promissory note. There is no prepayment penalty, and monthly interest obligations will end if the loan is paid off early.
- If a loan recipient decides to terminate their employment at the University during the seven-year loan period, they must repay the loan within six months of giving the University notice. If, on the other hand, the University terminates a loan recipient or does not renew employment of a loan recipient, they will have 12 months to repay the loan, with the possibility of an extension in hardship cases that would be reviewed by the Joint Committee on Housing Subsidies.
- Other “early trigger” termination events are described in the promissory note. Selling the property or no longer using it as a principal residence will trigger the maturity date of the USF loan. Refinancing of the loan held by the first lien lender will not, by itself, trigger repayment of the USF second mortgage loan, and USF will agree to subordinate its loan to the new first lien lender if certain conditions are met.
- If demand exceeds available slots, priority will be based on seniority. If two or more USFFA members have the same bargaining unit employment seniority, a random number assignment will rank all applications of equivalent seniority.

## **Expiration of Mortgage Award**

An offer to buy a property must be made and accepted within six months from the issue date. If unforeseen circumstances do not allow the recipient to use this second

mortgage within this time frame, please direct a letter to the Joint Committee on Housing Subsidies.

### **Procedure**

A USFFA member may complete a Second Mortgage Application Form and submit to Human Resources. Once the application is reviewed and approved based on the number of available slots, Human Resources will notify the applicant and the Office of Finance & Treasury of the administrator's eligibility.

The provisions of this program as set forth above, or policies/procedures of the lenders are not subject to the arbitration procedures of the USFFA collective bargaining agreement. All disputes regarding this program will be resolved by the joint committee. Should the committee be unable to resolve a particular dispute, the matter shall proceed to the formal parties (chief negotiators) who shall have formal authority to resolve all disputes. However, the chief negotiators may not rule on matters beyond their purview; lender policies, etc. Should the chief negotiators be unable to resolve a particular dispute, the matter will return to the negotiating table.

For additional questions, please contact Diane Sweeney in Human Resources at [sweeney@usfca.edu](mailto:sweeney@usfca.edu) or at (415) 422-2440.