Stanford | Faculty Staff Housing

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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.

The maximum MAP loan amount may increase or decrease and the maximum interest rate may increase or decrease. Changes are made on an interim basis in response to current market conditions. The program will be reviewed each year .

Information regarding all of Stanford's housing programs is available at http://fsh.stanford.edu, or by email to 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 townhome that is a for sale dwelling unit suitable for housing one family (the Qualifying Residence). Vacation homes, investment properties, commercial properties, properties zoned as commercial, multiple family dwellings (for example, duplexes and properties zoned for multiple units), Tenant in Common (TIC), and life care facilities are not Qualifying Residences. Personal property purchases such as mobile homes or houseboats are not Qualifying Residences.

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).

TITLE/OCCUPANCY

Beneficial ownership and title to the home may only be in the name of the Eligible Person and his/her spouse or registered domestic partner. No other persons can hold title to the home. The home must remain owner occupied by the Eligible Person. Proof of such ownership and/or occupancy must be provided to the University upon request.

LOAN AMOUNT

The University will lend the lesser of 60% of the purchase price of the Property or 60% of its fair market value (FMV), subject to a maximum loan amount of $700,000. 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 $1,200,000, then the MAP loan amount will be $700,000. However, if the appraised value is $1,100,000, which is $100,000 less than the purchase price of $1,200,000, then the MAP loan amount can only be $660,000. 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. Doing so, however, may effect eligibility for other University loan programs.

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 registered 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% 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 1% 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 $1,200,000, the maximum MAP loan amount is $700,000 and Stanford's Share is 58.3333%. However, if the appraised FMV is $1,100,000 which is $100,000 less than the purchase price of $1,200,000, then the maximum MAP loan amount is $660,000, and Stanford's Share is 55%.

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 $1,200,000 to $1,300,000, 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 $58,333 if the purchase price was equal to the appraised FMV at the time of purchase. 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 and ZIP (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 a copy of the Preliminary Title Report. Other required documents may include an appraisal, disclosures, and pest inspection report. Loan approval, including satisfying Stanford's underwriting guidelines, is necessary before any Stanford loan can be funded. Documents can be sent to fshdocuments@stanford.edu.

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 secured to the property you purchase, the following applies:

   Mortgages used together with University Programs:

   i. cannot be interest only;
   ii. cannot negatively amortize;
   iii. cannot have a term of more than thirty years;
   iv. cannot have a "balloon" feature;
   v. cannot have a prepayment penalty; and
   vi. 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 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 may be 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	Principal Plus Cumulative Deferred Interest (For Compounding)	Interest Due For Period (Principal + Cumulative Deferred Interest x Note Rate of 5%	Current Interest Paid (Principal x Current Interest Rate of 3%)	Deferred Interest Accrued for Period (Interest Due - Interest Paid)	Maximum Cumulative Deferred Interest
1	$ 700,000	$ 700,000	$ 35,000	$ 21,000	$ 14,000	$ 14,000
2	700,000	714,000	35,700	21,000	14,700	28,700
3	700,000	728,700	36,435	21,000	15,435	44,135
4	700,000	744,135	37,207	21,000	16,207	60,342
5	700,000	760,342	38,017	21,000	17,017	77,359
6	700,000	777,359	38,868	21,000	17,868	95,227
7	700,000	795,227	39,761	21,000	18,761	113,988
8	700,000	813,988	40,699	21,000	19,699	133,688
9	700,000	833,688	41,684	21,000	20,684	154,372
10	700,000	854,372	42,719	21,000	21,719	176,090

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

Annual House Price Appreciation Rate Maximum Annual Interest Rate	0% 5%	3% 5%	6% 5%
PURCHASE ASSUMPTIONS			
Purchase Price	$1,200,000	$1,200,000	$ 1,200,000
MAP Principal	$ 700,000	$ 700,000	$ 700,000
Stanford's Share	58.3333%	58.3333%	58.3333%
ADJUSTMENTS TO DUE DATE FAIR MARKET VALUE			
Due Date Fair Market Value	$1,200,000	$1,612,700	$ 2,149,017
Adjustment Improvements	(25,000)	(25,000)	(25,000)
Real Estate Broker's Commission (6%)	(72,000)	(96,762)	(128,941)
Adjusted Due Date Fair Market Value	$1,103,000	$1,490,938	$ 1,995,076
APPRECIATION			
Adjusted Due Date Fair Market Value	$1,103,000	$1,490,938	$ 1,995,076
Purchase Price	(1,200,000)	(1,200,000)	(1,200,000)
Total Adjusted Appreciation	$ 0	$ 290,938	$ 795,076
STANFORD'S SHARE OF APPRECIATION			
a. 58.3333% x Adjusted Appreciation	$ 0	$ 169,714	$ 463,794
b. Maximum Deferred Interest	$ 176,090	$ 176,090	$ 176,090
PAYOFF AMOUNT: DEFERRED INTEREST + PRINCIPAL			
Deferred Interest Due (lesser of a or b above)	$ 0	$ 169,714	$ 176,090
MAP Principal	$ 700,000	$ 700,000	$ 700,000
Total Due	$ 700,000	$ 869,714	$ 876,090

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 $50,000 MADE AT THE END OF YEAR 3

PURCHASE ASSUMPTIONS

Purchase Price	$	1,200,000
MAP Principal	$	700,000
Stanford's Share		58.3333%

PREPAYMENT CALCULATION

Deferred Interest Due, end of Year 3	$	44,135
Plus MAP Principal		700,000
Equals Total Principal + Deferred Interest	$	744,135
Partial Prepayment	$	50,000
Divided by Total Principal + Deferred Interest	$	744,135
Equals the Fraction		6.7192%
MAP Principal	$	700,000
Times the Fraction		x 6.7192%
Equals Amount of Principal Reduction	$	47,034
Total Prepayment	$	50,000
Less Amount of Principal Reduction		47,034
Equals Amount of Deferred Interest Paid	$	2,966

NEW PRINCIPAL AND STANFORD'S SHARE CALCULATION

Beginning Principal Balance	$	700,000
Less Amount of Principal Reduction	$	47,034
Equals New Principal Balance	$	652,966
New Principal Balance	$	652,966
Divided by Purchase Price	$	1,200,000
Equals New Stanford's Share		54.4138%

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).

TAX ASPECTS OF MAP LOAN PROGRAM

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

NOTHING IN THIS DESCRIPTION OF THE MORTGAGE ASSISTANCE PROGRAM 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.

EXHIBIT A

Housing Programs Overview

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 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. 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) a Zero Interest Program (ZIP) loan; (v) other mortgage programs that may be in effect from time to time; (vi) the Housing Allowance Program (HAP); (vii) HAP II; and (viii) campus and other University rentals.

The Programs are divided into two categories: purchase and rental. Qualification for eligibility may be different for each category. Eligible Persons may benefit from either the rental or purchase programs, but not both at the same time. Rental program eligibility is described in the Rental Housing Programs Eligibility Criteria. What is described here is the eligibility criteria for purchase programs. An individual who has defaulted on any Stanford Program will be ineligible for any subsequent Programs.

Information regarding all of Stanford's housing programs is available at http://fsh.stanford.edu, or by email at fshousing@stanford.edu, or by calling 650-725-6893.

Eligible Persons

The following categories of employees, whose expected appointment term satisfies the conditions described in each respective category, are qualified as Eligible Persons for one or more purchase programs.

It is the responsibility of the Eligible Person to notify FSH if his/her eligibility changes, even temporarily. This notice is to be provided to FSH in writing before the Eligible Person's change in employment status occurs. Examples of changes in status which could affect program eligibility can be changes to employment percentage, position or classification. Any financial assistance received after the eligibility has changed must be repaid.

FACULTY

The following categories of Faculty who are employed fifty percent (50%) time or more are qualified as Eligible Persons:

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

The following categories of Staff who are employed one-hundred percent (100%) time are qualified as Eligible Persons:

1. University Staff: Staff assigned to the N99, N11, O and P Grade. Only those assigned to the N99 and N11 Grades are eligible to participate in the Housing Allowance Program (but not HAP II).
2. Current or former presidents of the University, regardless of years of service.
3. Hoover Institution: Senior Fellows

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 can remain in campus homes only if for five years prior to the retirement date, the faculty appointment was active and full time.
4. 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 FOR PURCHASE PROGRAMS

Category	Housing Allowance Program (HAP)	HAP II (for faculty at promotion under limited conditions)	Mortgage Assistance Program (MAP) loan	Deferred Interest Program (DIP) loan	Zero Interest Program (ZIP) loan	On Campus Purchase
I. Faculty						
Faculty members of Academic Council, Tenure Line	Yes, for 1st time buyers*	Yes, at tenure	Yes	Yes, for 1st time buyers*	Yes, for 1st time buyers*	Yes **
Faculty members of Academic Council, Non Tenure	Yes, for 1st time buyers*	Yes, at promotion to continuing term	Yes	Yes, for 1st time buyers*	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, for 1st time buyers*	Yes **
Medical Center Line Professoriate	Yes, for 1st time buyers*	Yes, at promotion to continuing term	Yes	Yes, for 1st time buyers*	Yes, for 1st time buyers*	No
II. Staff						
University N99 and N11 Staff	Yes, for 1st time buyers*	No	Yes	Yes, for 1st time buyers*	Yes, for 1st time buyers*	No
University O and P Staff	No	No	Yes	Yes, for 1st time buyers*	No	No
Hoover Institution Senior Fellows	Yes, for 1st time buyers*	No	Yes	Yes, for 1st time buyers*	Yes, for 1st time buyers*	No

* within the Qualifying Limit

** Only those Eligible Persons whose appointments are 100% and who are working full time (100% FTE) are eligible to purchase a residential leasehold on the campus.

EXHIBIT B

Qualifying Limit