Stanford | Faculty Staff Housing

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Reduced Interest Program

Summary Description

The Reduced Interest Program (RIP) is a secured nonamortizing interest only mortgage loan. A RIP loan is not part of the required cash down payment. RIP is to be used for a purchase, not to refinance existing mortgage loans. The interest rate is set each year and is currently zero percent.

Additions and changes to Stanford's housing purchase programs are made in response to current market conditions. All programs will be reviewed each year.

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

ELIGIBILITY

RIP has limited eligibility for some Eligible Persons, as defined in Exhibit A to this brochure. Eligible Faculty who are employed 50% time or more and Eligible Staff who are employed 100% time who use the maximum amount of the Mortgage Assistance Program (MAP) loan and the maximum amount of the Deferred Interest Program (DIP) loan to purchase a Qualifying Residence located within the area described in Exhibit B to this brochure (Qualifying Area) that will be occupied by the Eligible Person may apply for a RIP loan.

QUALIFYING RESIDENCE

A RIP loan may be used to purchase a single family home, condominium, or town home 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 RIP loan (the Property) must be located within the Qualifying Area.

TITLE/OCCUPANCY

Beneficial ownership and title to the home may only be in the name of the Eligible Person and his/her spouse or 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 make a RIP loan for a purchase based on the lesser of the purchase price of the Property or its fair market value (FMV), subject to a maximum loan amount of $300,000. Stanford requires an appraisal of the Property by a licensed appraiser to establish its FMV. If the appraised value is less than the purchase price, the borrower must make up the difference by adding to the required down payment.

Several conditions can lower the amount an Eligible Person can borrow:

1. If the total amount of the MAP loan, the DIP loan, the RIP loan, and the required down payment when deducted from the purchase price equals less than $300,000; or
2. If a conventional loan is required, the amount of the conventional loan must equal at least $50,000; or
3. If the FMV is less than the purchase price.

LOAN TERM

The loan term for a RIP loan is thirty years.

The RIP loan is due on the earliest of the following dates: (i) thirty years after the loan date, (ii) when the Property is sold, (iii) when the Property ceases to be the Principal Residence of the Eligible Person, (iv) when the borrower ceases to be an Eligible Person as defined by the University, including, but not limited to retirement, voluntary or involuntary termination or death, (v) upon demand of the University or (vi) upon occurrence of other circumstances set forth in the Promissory Note (Note). The date on which the RIP loan is due is called the Due Date.

The surviving spouse or domestic partner of the Eligible Person may not retain a RIP loan.

INTEREST PAYMENTS

RIP loans have low or no current interest payments. Since the current interest rate is zero, there are no monthly payments.

CONDITIONS OF THE LOAN

RIP 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 preapproval process takes fifteen working days.

   Faculty Staff Housing needs an up-to-date loan application, including MAP, 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 a copy of the Preliminary Title Report. Other required documents may include an appraisal, disclosures, and a pest inspection report. Loan approval, including satisfying Stanford's underwriting guidelines, is necessary before any Stanford loan can be funded. Documents can be sent via email to: secure-fshdocuments@lists.stanford.edu.

3. Loan Origination Fees

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

4. Secured Instrument

   The RIP loan is secured by a Deed of Trust. A Deed of Trust is the document that records a lien against the Property for the principal 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, casualty, and liability 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 more than 15%. FSH will notify the borrower(s) of the amount of earthquake insurance that is required when the property appraisal is completed. Liability coverage must be at least $500,000. Your insurance carrier will send the certificates 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, borrower's should expect to pay additional costs at or before the close of escrow. There will 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.

REPAYMENT OF PRINCIPAL

Upon the Due Date, the outstanding principal balance is absolutely due and payable and is not contingent upon the sale price or fair market value of the house, or any other factor.

SUBSEQUENT PURCHASE

Qualified borrowers may use a RIP loan for a subsequent purchase subject to the terms and limits of the RIP program at the time of the second purchase. Other restrictions may apply. The new loan is subject to a loan origination fee and other closing costs. Only one RIP loan can be outstanding at a time.

TAX ASPECTS OF THE RIP LOAN

RIP loans can be in one of two forms, a RIP Loan or a RIP Employee Relocation Loan. For borrowers holding a RIP loan with an interest rate of zero, the University is deemed, for income tax purposes, to have paid the borrower additional compensation which is then returned to the University as mortgage interest. For borrowers who itemize deductions, these two items may offset each other for income, but not FICA (Social Security) tax purposes. Compensation/interest will be imputed on the outstanding loan principal at the Applicable Federal Rate (which is based on U.S. Treasury Bill rates). This deemed compensation/interest will be reported as taxable income each year on Form W-2 and is subject to FICA tax withholding. The amount will also be reported to you on an IRS Form 1098 statement of mortgage interest paid by you. Some borrowers will qualify for a RIP Employee Relocation Loan if they have recently moved to the Stanford area and can make certain representations. Such loans are described in Section 1.7872-5T of the regulations that interpret the Internal Revenue Code. RIP Employee Relocation Loans have no imputed income or interest.

The tax treatment of RIP loans is subject to change.

Housing Programs are established on an annual basis, subject to discontinuation or modification at any time. Persons who have a RIP at the time of such discontinuation or modification may keep the RIP for the remainder of the term, subject to their continuing eligibility.

EXHIBIT A

Housing Purchase Programs Eligibility Criteria

HOUSING PROGRAMS OVERVIEW

Stanford University's housing programs (Programs) are made available to employees in a specific and limited number of professional employment categories. For each Program there are specific eligibility criteria. Someone who is an Eligible Person may be qualified to participate in all of the programs, or only some of the programs.

The Programs are divided into two categories:

PURCHASE PROGRAMS

The Purchase Programs include: mortgage loans, a monthly housing allowance, and the option to purchase a long-term residential leasehold on-campus or off-campus. The loans are available for purchase only, not to refinance existing mortgage loans. Detailed descriptions, including the eligibility criteria, are available for each Program.

RENTAL PROGRAM

The Rental Program includes: on-campus and off-campus rental properties. The Rental Program, including the eligibility criteria, is described in the Rental Housing Programs Eligibility Criteria.

Eligibility and qualification for the Purchase Programs is different and separate from the Rental Program. Eligible Persons may participate in either the rental or the purchase Programs, but not both at the same time. 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 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. Staff: University Staff and Staff at SLAC National Accelerator Laboratory (SLAC) assigned to the N99, N11, O and P Grades. 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

CLINICIAN EDUCATORS

The following categories of Clinician Educators whose initial appointment or promotion within the Clinician Educator line began on or after July 1, 2004 and who are employed seventy-five percent (75%) time or more and who are appointed for a term of three years or more with the possibility of reappointment and who are considered benefits eligible Stanford University employees are qualified as Eligible Persons:

1. Clinical Assistant Professor
2. Clinical Associate Professor
3. Clinical Professor

Retirees

1. Retirees, as defined by the University, are not eligible for the University's Housing Purchase Programs.
2. Retirees who are not current Lessees of an on or off-campus home are not eligible to purchase a leasehold property on or off-campus.
3. Retirees can remain in an on-campus home with an unrestricted ground lease only if the retiree qualifies as an Official Retiree, as defined by Stanford, (i.e. required years of service plus age) and only if for five years prior to the retirement date, the faculty appointment was active and full time. Other restrictions apply for a restricted ground lease.
4. Retirees who own an on-campus residence with an unrestricted ground lease 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)	Mortgage Assistance Program (MAP) loan	Deferred Interest Program (DIP) loan	Reduced Interest Program (RIP) loan	Zero Interest Program (ZIP) loan	Residential Ground Lease (1)
I. Faculty						
Faculty members of Academic Council, Tenure Line	✓	✓	✓	✓	✓	✓
Faculty members of Academic Council, Non Tenure	✓	✓	✓	✓	✓	✓
Senior Fellow members of Academic Council at Special Policy Centers and Institutes	✓	✓	✓	✓	✓	✓
Medical Center Line Professoriate	✓	✓	✓	✓	✓	
II. Staff						
University N99 and N11 Staff	✓	✓	✓	✓	✓	
University O and P Staff		✓	✓			
SLAC N99 and N11 Staff	✓	✓	✓	✓	✓	
SLAC O and P Staff		✓	✓			
Hoover Institution Senior Fellows	✓	✓	✓	✓	✓	

Category	Clinician Educator (CE-HAS) (2)	Clinician Educator Deferred Interest Program (CE-DIP) (2)	Clinician Educator Reduced Interest Program (CE-RIP) (2)	Clinician Educator Zero Interest Program (CE-ZIP) (2)
I. Clinician Educators				
Clinical Assistant Professor	✓	✓	✓	✓
Clinical Associate Professor	✓	✓	✓	✓
Clinical Professor	✓	✓	✓	✓

1. Only those Eligible Persons whose Academic Council appointments are 100% and who are working full time (100% FTE) are eligible to purchase a residential leasehold. Other restrictions may apply to the Restricted Residential Ground Leases.
2. Are employed 75% time or greater

✓ denotes eligibility for the program

Note: All Programs must be used within the Qualifying Area

EXHIBIT B

Qualifying Area