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Loyola Marymount University Faculty Housing Assistance Program

Policy Statement – January 2017

Loyola Marymount University (“LMU” or the “University”) presents this Policy Statement (“Statement”) for your information as a potential participant in LMU’s Faculty Housing Assistance Program (the “Program”). This Statement sets forth basic information concerning the Program and describes, in summary form, the benefits received by and obligations of participants in the Program. The Program documents, which will be provided to you if you participate in the Program, include a Promissory Note and Loan Agreement (collectively the “Loan Agreement”) and a Deed of Trust. These Program documents set forth in detail the legal rights and obligations associated with participation in the Program.

IT SHOULD BE EMPHASIZED THAT READING THIS STATEMENT IS NOT A SUBSTITUTE FOR A CAREFUL REVIEW OF THE PROGRAM DOCUMENTS. THE PROGRAM DOCUMENTS ARE THE ACTUAL LEGAL DOCUMENTS THAT SET OUT AND CONTAIN THE RIGHTS AND LIABILITIES OF THE PARTIES AND PROGRAM PARTICIPANTS SHOULD BE SURE TO READ AND UNDERSTAND ALL THE PROGRAM DOCUMENTS BEFORE SIGNING THEM AND PARTICIPATING IN THE PROGRAM.

PURPOSE AND GENERAL DESCRIPTION

Subject to the general direction and oversight of the Finance Committee of LMU's Board of Trustees and administered under the auspices of the Offices of the Provost and the Sr. Vice President and Chief Financial Officer, LMU has initiated and maintains the Program to assist in attracting and retaining highly qualified faculty. The Program is designed to assist the eligible faculty member in making local home ownership more affordable and to encourage the growth of an academic community proximate to the LMU campus.

The Program provides eligible participants with up to \$150,000 in financial assistance for local home ownership. Generally, this financial assistance will take the form of a ten-year forgivable loan secured by a second Trust Deed and contribute up to \$3,000 for non-recurring closing costs. Subject to compliance with the terms of the Loan Agreement, the participating loan will be payment free and interest free over the ten-year period so long as the Borrower remains employed as a full time, tenured or tenure-track LMU faculty member and no disqualifying event or event of default occurs during the term of the loan. Beginning on January 15th following the completion of one year in the Program and continuing thereafter on each succeeding January 15th ("Anniversary Date") through and including the tenth Anniversary Date, ten percent (10%) of the principal balance of the participating loan will be forgiven.

ELIGIBILITY/PRIORITY

All tenured and tenure-track faculty at the University who have completed at least one full academic year are eligible to apply for the Program.

A household of two qualifying faculty members would be eligible only to the same extent as any single qualified faculty member and would not be eligible to receive double housing assistance.

In all instances, the subject faculty member's Dean, the Sr. Vice President & Chief Academic Officer, and the Faculty Housing Committee (Sr. Vice President & Chief Academic Officer, Sr. Vice President & Chief Financial Officer, and a faculty representative) must affirm the Program eligibility of the subject faculty member. Eligibility, as well as continued Program participation, is expressly contingent upon continuous employment as a tenured or tenure-track LMU faculty member. Termination of the faculty member's tenured or tenure-track employment with Loyola Marymount University, for any reason, disqualifies the faculty member from eligibility for or continued participation in the Program.

The number of faculty loans which may be granted in any single year is limited to the availability of Program funds allocated from the associated Endowment payout and other revenue for the faculty housing programs (Westchester and Loyola Law School) and for the Faculty Rental Assistance Program.

Should the number of qualified loan applications exceed the number of loans available the Faculty Housing Committee will employ a system of prioritization, as indicated below. Application is no guarantee of approval.

- a. First priority will be given to qualified tenured faculty members that do not already own a home.
- b. Second priority will be given to tenure-track faculty that have completed their 3rd/4th year review, are in good standing at the University, and do not already own a home. 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.

c. Third priority will be given to tenure-track faculty that have been at the University for at least one full academic year at time of application, are in good standing at the University, and do not already own a home. Within this group, priority will be given by 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.

RESIDENCE QUALIFICATIONS

The Program requires that the associated local residence be a single family home, condominium, townhouse or duplex located within 50 miles of the Westchester campus and be the faculty member's principal residence. The Program is not available for purchase of a vacation home, investment property, a non-principal residence or a residence to replace the faculty member's current residence which is not being sold.

If the eligible faculty member is relocating to the Los Angeles area and owns a principal residence in another region, he/she will be required to conclude the sale of that current principal residence prior to participating in the Program

Participation in the Program is a one time only event. However, if the participating faculty member sells a residence purchased with LMU's Program assistance on which there is an unexpired Program loan and closes the purchase of a qualifying replacement principal residence

within the time frame set forth below, the unexpired portion and term of the original Program loan may be transferred to a corresponding second lien position on the new replacement qualifying principal residence for the remainder of the unexpired term of the Program loan, provided that no terminating event or event of default of the Program loan has otherwise occurred. This replacement transaction must be completed and closed within 90 days of the closing of the sale of the prior qualifying residence. The Program's contribution of up to \$3000 in non-recurring closing costs is a onetime only event and there is no Program contribution to closing costs in connection with the transfer of a Program loan to a replacement property.

If the eligible faculty member purchases and owns 100% of a qualifying duplex the faculty member is precluded from selling any portion of the duplex while it is subject to the Program loan. Sale of any portion of an interest in a qualifying duplex is a Program loan terminating event.

If the eligible faculty member initially jointly purchases a qualifying duplex with a third party, the Program loan must be secured by no less than a Second Trust Deed on the entire duplex property. Additionally, the participating faculty member must furnish LMU annually with proof of insurance and payment of property taxes on the entire qualifying duplex property. The third party is not precluded from selling his/her ownership interest in the duplex during the period of the Program loan; however, the Trust Deed securing the Program loan must continuously occupy no less than a second position on the entire qualifying duplex property.

LOAN PROGRAM

The Program is intended to provide financial assistance toward the purchase of a qualifying principal residence. The financial assistance

provided typically translates into a lower overall monthly mortgage payment for the faculty member, but it does not typically qualify as an initial down payment by mortgage banks. Approved applicants should discuss the Program with their chosen primary mortgage lender to understand how it may fit within the overall underwriting process.

The Program generally provides up to \$150,000 in financial assistance secured by a ten (10) year forgivable promissory note secured by not less than a Second Trust Deed. The Program also provides up to \$3,000 toward non-recurring closing costs including, but not limited to, points or loan origination fees. Subject to continuing compliance with the Program terms, the Program loan will be payment free and interest free as long as the faculty member remains employed as a full time, tenured, or tenure track LMU faculty member and no terminating events or events of default occur.

Beginning on January 15th following the completion of one year in the Program and continuing thereafter on each succeeding January 15th ("Anniversary Date") through and including the tenth Anniversary Date, ten percent (10%) of the principal balance of the participating loan will be forgiven. The faculty member is responsible for all tax consequences associated with the Program loan including, without limitation, annual loan forgiveness and imputed interest.

The eligible faculty member will be required to procure the associated purchase money loan secured with a standard California purchase money 1st Trust Deed from a commercial lender and, except for the Program loan, to independently qualify for and comply with all of the purchase money lender's requirements including, without limitation, qualification, credit and minimum down payment requirements. Participants should be aware that typically if the total down payment,

consisting of the purchaser's contribution and the Program loan, is less than 20% of the purchase price, the participant may be required to purchase Private Mortgage Insurance (PMI).

Participants should be aware of the income tax implications of Program loans. The University's contribution to the Program participant's closing costs and the forgiveness of the Program loan are taxable to the Program participant and may result in additional income tax withholding. YOU ARE URGED TO CONSULT WITH YOUR TAX ADVISOR TO EVALUATE THE FEDERAL AND STATE TAX ISSUES AND RISKS ASSOCIATED WITH RESPECT TO THESE TAXABLE EVENTS.

TERMINATION

In the event that the participating faculty member's qualifying faculty employment terminates for any reason prior to the last Anniversary Date (last forgiveness date), the Program participant's eligibility for and continued participation in Program will also terminate. The Program loan is interest free only until the date of employment termination. From and after termination of qualifying employment interest will be charged and computed on the unpaid/unforgiven principal balance of the Program loan from the date of employment termination through and including the date of full repayment at the rate of 7.0% or the Federal Discount Rate plus 5.0%, whichever is less. The accrued interest plus unpaid/unforgiven principal shall become due and payable upon employment termination and shall, in any event, be fully repaid to the University not more than 180 days after the date of employment termination.

In the event of the qualifying faculty member's ("Borrower's") death prior to the next to the last Anniversary Date (the next to the last forgiveness date), the 10% forgiveness on the Anniversary Date following the date of

death will be granted but continuing participation in the Program will terminate on that same Anniversary Date, and the unpaid/unforgiven loan balance shall become due and payable and shall be paid by the Borrower's estate by not later than the Anniversary Date following the date of death or 180 days from Borrower's death, whichever is later.

If the Borrower is temporarily disabled prior to the next to the last Anniversary Date (the next to the last forgiveness date), forgiveness will be suspended and the term of the Note extended until such time as Borrower is permitted to return to active duty (in his/her qualifying faculty employment) by his/her physician. The forgiveness/extension period will be extended by one year on each Anniversary Date on which the Borrower is unable to fulfill his/her duties or until Borrower is determined to be permanently disabled and unable to fulfill his/her duties. In the event that Borrower first becomes temporarily disabled after the next to the last Anniversary Date and remains so through the tenth Anniversary Date, 10% forgiveness will occur on the Tenth Anniversary Date and the Program loan will terminate as of that Tenth Anniversary Date.

In the event that Borrower is declared permanently disabled prior to the Ninth Anniversary Date, the 10% principal forgiveness will occur on the Anniversary Date following the determination of permanent disability and participation in the Program will concurrently terminate as of that same Anniversary Date and the unpaid/unforgiven Program loan balance shall become due and payable and be repaid to the University not later than 360 days from that terminating Anniversary date.

In the event that Borrower engages in a "cash out" refinancing (i.e. any increase in the first Trust Deed obligation subsequent to the initial acquisition by an amount sufficient to allow the withdrawal of cash in

excess of any required mortgage points and closing costs associated with the initial acquisition of the qualifying property or executes a Third Trust Deed or mortgage obligation secured by the qualifying Property), the unpaid/unforgiven loan balance to the extent of the cash available pursuant to the “cash out” refinancing shall be *immediately* due and payable. Failure to make payment of the Program Loan, when due, in the above circumstance shall constitute a Program terminating event and event of default. It should be noted that this condition precludes Borrower’s eligibility for a Home Equity Line of Credit.

In the event the Borrower voluntarily decides to withdraw from the Program, the unpaid/unforgiven loan balance shall become immediately due and payable concurrent with the Borrower’s withdrawal from the Program.

In the event the Property is sold or title to the Property is transferred out of the employee Borrower’s ownership, participation in the Program will terminate concurrent with the closing of the sale and transfer of the qualifying property and the unpaid/unforgiven Program loan balance shall become immediately due and payable and shall be paid to LMU at the earlier of closing or transfer of title. However, if the participating faculty member sells a qualifying residence purchased with LMU’s Program assistance on which there is an unexpired Program loan and closes the purchase of a qualifying replacement principal residence within the time frame set forth below, the unexpired remaining portion and term of the original Program loan may be transferred to a corresponding second lien position on the new qualifying replacement principal residence for the remainder of the unexpired term of the Program loan provided that no terminating event or event of default of the Program loan has otherwise occurred. This replacement transaction must be completed and closed within 90 days of the closing of the sale of

the prior qualifying residence. The Program's contribution of up to \$3000 in non-recurring closing costs is a onetime only event and there is no Program contribution to closing costs in connection with the transfer of a Program loan to a replacement property.

In the event that the qualifying property ceases to serve as Borrower's principal residence, participation in the Program terminates and the unpaid/unforgiven portion of the Program loan becomes immediately due and payable concurrent with cessation of the qualifying property's service as Borrower's principal residence. .

DEFAULT

The following constitute events of Default under the Program and the remaining unpaid/unforgiven portion of the Program loan becomes immediately due and payable without notice or demand:

- A) Any material misrepresentation Borrower made in connection with obtaining the Program loan;
- B) Borrower purchases a second residential property and uses it as a residence within the meaning of Section 280A(d) of the Internal Revenue Code or any successor provision;
- C) Borrower converts the qualifying property to rental property, this event of default excludes rental use of that portion of a qualifying duplex that is not the primary residence of the Borrower;
- D) Borrower becomes the subject of a bankruptcy, insolvency, or receivership proceeding;
- E) The qualifying property is destroyed by fire, earthquake or other event and insurance proceeds are used for purposes other than restoration of the qualifying property;
- F) A lien is recorded against the qualifying property that takes priority over the purchase money lender's First Trust Deed or the Program loan Second Trust Deed;

- G) Borrower fails to pay timely the loan secured by the First Trust Deed or any other act or event which results in a default under the First Trust Deed or the Program loan Second Trust Deed; or
- H) Borrower's violation or breach of any provision of the Program Loan Documentation.

FURTHER INFORMATION

For further information regarding the Faculty Housing Assistance Program or the Policy Statement, you may contact the Director of Real Estate and Faculty Housing, Loyola Marymount University, One LMU Drive Suite 4900, Los Angeles, CA 90045. Phone 310.338.1998.

Program Approval – This Program was approved on May 4, 2009 by the Loyola Marymount University Board of Trustees Finance Committee and is effective for the fiscal year beginning June 1, 2009.