Disclosure Statement

California Housing Finance Agency – UC Shared Appreciation Program

As a condition of providing this Loan, you are required to sign a Promissory Note, Employment Rider and a Deed of Trust. The Deed of Trust will be recorded against your property. The Promissory Note, Employment Rider and Deed of Trust relating to this loan are referred to in this Disclosure Statement as the "Loan Documents."

This Buyer's Disclosure Statement explains the major provisions of the Promissory Note, Employment Rider and the Deed of Trust to make sure that you understand their requirements.

Please read all the Loan Documents yourself and become completely familiar with them.

I. REPAYMENT OF LOAN. Your loan is a “deferred” loan. This means that you do not have to pay it back until the end of the 30-year term of the loan, so long as: (1) you own the home, (2) there is still some amount of principal balance outstanding, (3) you are still employed by the university, and (4) you have not violated any of the terms of the Loan Documents. If, however, you sell or transfer the home, pay off the entire principal balance of your loan, separate or retire from the University, or if you break the terms of the Loan Documents, the loan will become immediately due, and you will have to pay it back. The loan includes the requirement to pay “Shared Appreciation” which is described in the next section.

A. Shared Appreciation. The UC Shared Appreciation Program requires that you repay the amount you borrowed plus a share of the appreciation in the value of your home, up to a maximum of 2.5 times the Original Principal amount. That is why CalHFA has included “Shared Appreciation” in your loan repayment. In general, Shared Appreciation is a percentage of the difference between the original purchase price of your home and the price at which you sell it (or the value of your home at the end of the loan’s 30-year term or when you repay the principal amount of this loan in full). This difference is called the “Appreciation Amount.” The Shared Appreciation you pay represents the benefit you received from the loan. The Shared Appreciation percentage you must pay to CalHFA is calculated by dividing the initial principal amount of the loan (the “Original Principal”) by the original purchase price that you paid for your home. For example, if the loan provided 20% of the original purchase price of your home, when you sell the home, 20% of the appreciation amount is owed to CalHFA as Shared Appreciation.

Example 1

You sell your home after living in it for 3 years. Your loan is for $100,000 (the Original Principal). The original purchase price you paid for the home when you bought it was $500,000.

Shared Appreciation: $100,000 ÷ $500,000 = 20% Shared Appreciation:

This means that you will owe CalHFA 20% of the appreciation on your home, which is the difference between the original purchase price of your home and the price at which you sell it. If, for example, you sell in Year 3 for $700,000, the following would result:

Resale Price	$700,000
Original Purchase Price	minus (−) $500,000
Appreciation Amount	**$200,000**

You must repay CalHFA 20% of this $200,000 Appreciation Amount (0.20 × $200,000), which is equal to $40,000 (the "CalHFA Share of Appreciation"). You, therefore, keep the remaining $160,000 of the Appreciation Amount ($200,000 − $40,000).

Under these assumptions, if you sell your home in Year 3, the total you would owe to CalHFA is the sum of the Original Principal and the CalHFA Share of Appreciation:

Original Principal $100,000
CalHFA Share of Appreciation plus (+) $40,000

Total Amount You Must Pay to Pay Off Your loan $140,000

Example 2

You sell your home after living in it for 13 years. Your loan is for $100,000 (the Original Principal). The original purchase price you paid for the home when you bought it was $625,000.

Shared Appreciation: $100,000 ÷ $625,000 = 16%

This means that you will owe CalHFA 16% of the appreciation on your home, which is the difference between the original purchase of your home and the price at which you sell it. If, for example, you sell your home in Year 13 for $975,000, the following would result:

Resale Price		$975,000
Original Purchase Price	minus (−)	$625,000

Appreciation Amount $350,000

You must repay the CalHFA Share of Appreciation: 16% of this $350,000 Appreciation Amount (0.16 × $350,000), which is equal to $56,000.

Under these assumptions, if you sell your home in Year 13, the total you would owe to CalHFA is the sum of the Original Principal and the CalHFA Share of Appreciation:

Original Principal		$100,000
CalHFA Share of Appreciation	plus (+)	$56,000

Total Amount You Must Pay to Pay Off Your loan $156,000

In cases where you transfer your home by means other than a sale (with the exception of a creditor taking title), or at the end of the 30 year term of the Note, the Appreciation will be calculated by taking the difference between the original purchase price and the Fair Market Value of your home at the time of transfer/at the end of the 30 year term of the Note. The Fair Market Value is determined as set out in the next section (Section II.B.) below.

If there is no increase in the value of your home when the loan is repaid, you will still owe the outstanding principal amount of the loan (i.e., the Original Principal less any partial payments you've made), but Shared Appreciation will not be due at the time of repayment, this is explained in Section III, and illustrated with numbers in Example 4.

The maximum amount of Shared Appreciation that you will owe to CalHFA is 2.5 times your Original Principal. As an example, if the Original Principal loaned to you by CalHFA is $100,000, the most you will ever repay to CalHFA as Shared Appreciation is $250,000. $250,000 is 2.5 times the Original Principal. Therefore, the maximum amount you would owe to CalHFA under your loan, which is the Shared Appreciation plus Original Principal, is $350,000.

Please note that you may owe fees or other costs in addition to your loan, including the valuation costs addressed below under Fair Market Value.

B. Fair Market Value. Under the terms of the Loan Documents, the Fair Market Value will be determined by CalHFA using, at its sole discretion, a licensed real estate appraiser or an Automated Valuation Model. If possible, the valuation will be based on the sales prices of homes similar to yours which are sold in your area during the preceding three-month period. You will pay for the costs of the valuation. For example, if the valuation costs $500, you will be responsible for $500. CalHFA's determination of your home's Fair Market Value is final, and you have no right to challenge it.

Under the terms of the Loan Documents, you agree to allow CalHFA and its authorized representatives the right to enter your home at reasonable times and in a reasonable manner in order to inspect your home to determine its Fair Market Value.

II. PREPAYMENT OF UC SHARED APPRECIATION LOAN FUNDS. You have the right to prepay part or all of the Original Principal of your loan. If you prepay all of the Original Principal of your loan, the Shared Appreciation on your loan will become immediately due based on the Fair Market Value of your home at the time of prepayment which pays off the entire remaining principal balance. Your home's Fair Market Value will be determined by a valuation conducted as set forth in Section II.B below. If you prepay only a part of the loan, the payment that you make will be applied only to principal. You may not prepay any CalHFA Share of Appreciation amount on your loan unless you pay off the entire CalHFA Share of Appreciation amount then-outstanding.

Example 3, below, illustrates this.

EXAMPLE 3

You have a loan in the amount of $100,000 (the Original Principal). The original purchase price of your home was $625,000. As in Example 2, the CalHFA Share of Appreciation is 16% (the result of $100,000 ÷ $625,000). After living in your home for three years, you decide to prepay $75,000 of your loan. CalHFA will apply your payment to principal and so the principal outstanding is no longer equal to the Original Principal but rather it will be $25,000 ($100,000 − $75,000). Thereafter, after living in your home for three more years — for a total of years — you decide to pay the remaining $25,000 principal, thereby paying off the entire remaining principal. You will then be required to also pay the entire CalHFA Share of Appreciation amount based on the Fair Market Value of your home at that time. At the time you pay off the remaining principal — that is, in Year 6 — the Fair Market Value of your home is $800,000 (as determined by CalHFA's valuation). The following would result:

Fair Market Value at time of principal payoff	$800,000
Original Purchase Price	minus (−) $625,000
Appreciation Amount	**$175,000**

You must repay the CalHFA Share of Appreciation: 16% of the $175,000 Appreciation Amount (0.16 × $175,000), which is equal to $28,000. Thus, in addition to the $25,000 principal payment you make in Year 6, you must pay off the entire CalHFA Share of Appreciation at the same time. This means that you must pay CalHFA a total of $53,000 ($28,000 + $25,000). If you cannot pay this entire amount at the time you attempt to prepay the remaining principal of your loan in full, CalHFA may refuse your payment.

III. REPAYMENT OF UC SHARED APPRECIATION LOAN FUNDS IN THE CASE OF DECREASED HOME VALUE.

As a general matter, homes typically increase in value over time. There is no guarantee a home will increase in value over time, however, due to a variety of different factors: an overall downturn of economic conditions, localized disasters, negative changes in neighborhood characteristics, etc. If CalHFA determines that your home's value when you are required, or choose, to payoff your loan is less than what it was when you purchased your home, you will not be required to pay any shared appreciation as part of your payoff. This is because there will have been no appreciation in which CalHFA could share. You will still be required to repay the Original Principal amount of your loan. Example 4, below, illustrates this with numbers.

EXAMPLE 4

You have a loan in the amount of $100,000 (the Original Principal). The original purchase price of your home was $625,000. After living in your home for two years, you decide you want to fully prepay your loan. At this time, due to a decrease in the housing market generally, CalHFA determines that your home's value is $600,000. In other words, your home has depreciated in value since you purchased it. Because here there has been no appreciation in the value of your home, you do not owe any share of appreciation to CalHFA as part of your repayment. That is, you will owe only the Original Principal amount in order to fully pay of your loan: $100,000.

IV. REFINANCING YOUR FIRST MORTGAGE. During the life of your loan, CalHFA will allow you to refinance your first mortgage loan into a single limited cash-out refinance (as defined in the Fannie Mae Selling Guide) without requiring immediate repayment of your Shared Appreciation loan one time, ***and one time only***, so long as you also comply with CalHFA's resubordination policy published at the time of request: https://www.calhfa.ca.gov/homeownership/programs/policy-resubordination-cadfa.pdf. Further, you must be in compliance with any specific UC program guidelines, including employment status.

V. BORROWER SPECIFIC TERMS. I understand that the numbers used in Examples 1–4 above are for illustrative purposes only and do not represent my loan. I agree that my loan term highlights are listed below. I understand and agree that the numbers below are just an overview of my loan and that my rights, obligations, and responsibilities have been fully addressed and disclosed in this Buyer's Disclosure Statement and the Loan Documents, including any late payments, fees, or costs that may be added to my loan. The highlights listed below are not meant to be a complete or exhaustive list of my rights, obligations, and responsibilities.

By my signature below, I certify that I:

1. **Have read and understand the above Buyer's Disclosure Statement;**
2. **Have read and understand the Loan Documents;**
3. **Have taken and understand CalHFA's Shared Appreciation Education Course;**
4. **Have had the opportunity to seek the advice of independent advisers to discuss the legal and financial import of the Loan Documents.**
5. **Have verified the accuracy of the information in the Buyer's Disclosure Statement and Loan Documents**

Borrower name: ____

Property address: ____

Original Principal: ____

Shared Appreciation percentage: ____

Maximum amount owed to CalHFA: ______________________________________

(Original Principal plus Shared Appreciation)

______________________________________ ______________________________________

Signature 1 Signature 2

______________________________________ ______________________________________

Signature 3 Signature 4