# COLUMBIA UNIVERSITY
## IN THE CITY OF NEW YORK

HOUSING ASSISTANCE PROGRAM (HAP2)
Effective July 1, 2014

Shared Appreciation Second Mortgage (SASM)
As of May 15, 2014

1. Eligibility
   a. Eligibility is limited to tenured faculty members[1] seeking to renovate and/or purchase a primary residence within commuting distance of the University. Faculty must be recommended by their dean to participate in the program. All loans under the Program are subject to the approval of the Provost and University's Chief Financial Officer.

2. Details
   a. Term of loan is up to 30 years
   b. Only available where the borrower will obtain a first mortgage from a commercial lender
   c. Only available for the purchase and/or renovation of a primary residence within commuting distance of the University
   d. University SASM will be secured by second mortgage on the property, or in the case of a co-op, a second security interest in the proprietary lease and shares associated with the apartment
   e. All loans must be in compliance with the first mortgage
   f. Mortgage tax and other closing costs are the responsibility of the borrower
   g. Sum of bank mortgage and University SASM may not exceed 90% of purchase price
   h. Interest is paid monthly at the long-term monthly Applicable Federal Rate (AFR) in effect at the time the loan is made
   i. Principal payments may be deferred until the end of the loan
   j. Mortgage interest expense may be tax deductible
   k. When the loan comes due, outstanding principal will be payable along with additional interest that is equal to the lesser of:
      i. the difference between the cumulative interest paid and the University's pro-rata share of the actual appreciation in the property, net of capital improvements (but not less than zero); and
      ii. the maximum rate allowed by law.
   l. The loan will come due upon the earliest of:
      i. the stated maturity of the loan;
      ii. the sale of the property;
      iii. up to six months after the property ceases to be the primary residence of the borrower; and
      iv. up to six months after the borrower's full-time employment at the University has terminated (including by reason of retirement, voluntary or involuntary termination, or death).
   m. Refinancing of a previously purchased property is not available, nor is refinancing of the University SASM

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[1] Morningside campus only, excluding the Law School.

n. Title search and appraisals conducted by first mortgage lender are to be provided to the University. An engineering report is not conducted or required by the University, but should be taken under the advice of an attorney. The borrower will be required to maintain property insurance. Additional actions and documentation, including a credit check, may be required.

o. The University SASM may be repaid in full early without a penalty

3. Notes
   a. Faculty are encouraged to consult with their own financial and tax advisors
   b. This sheet summarizes the general terms of the Program; specific terms are governed by the individual loan documents

4. Shared Appreciation Second Mortgage Examples with Three Sales Prices

    a. Example 1: All principal payments deferred; interest paid monthly

        Assumptions:
                $300k SASM mortgage for 30 years
                AFR (for monthly payments) 3.31%
                    Monthly Interest Payment: $827.50 = $300k x .0331 / 12
                    Annual Interest Total = $9,930
                Full purchase price was $750k
                    $100k down payment; $350k bank mortgage; $300k University SASM
                    Leverage Check: $350k+$300k=$650k; and $650k/$750k=87% which is < 90%
                Property sold after 10 years

Example 1:     Assumes all principal payments are deferred
                    (All dollars in thousands)

| Calculation of Additional Interest on Shared Appreciation Mortgage Due at Sale | | Assume Sales Price $900k | Assume Sales Price $1,200k | Assume Sales Price $600k |
|---|---|---|---|---|
| Sales Price | | 900 | 1,200 | 600 |
| Purchase Price | | 750 | 750 | 750 |
| Capital Renovation | | 50 | 50 | 50 |
| Effective Purchase Price | | 800 | 800 | 800 |
| Net Appreciation/ Gain (Loss) on Sale | | 100 | 400 | (200) |
| CU Pro-Rata Share | 300/750= 40% | 40 | 160 | Zero CU doesn't share in loss |
| 10 Years Interest Paid | 9.93 x 10 = 99.3 | 99 | 99 | 99 |
| Additional Interest Due at Sale | | Zero because 99 > 40 | 61 | Zero |
| Total Due to University at Sale* | | 300 | 361 | 300 |

* Equals original mortgage amount plus additional interest due at sale

4. Shared Appreciation Second Mortgage Examples with Three Sales Prices (cont'd)

    b. Example 2: Principal and interest paid monthly

        Assumptions:
            $300k SASM mortgage for 30 years
            AFR (for monthly payments) 3.31%
                Monthly Total Payment Fixed = $1,315.52
                        1st monthly payment = $488.02 principal + $827.50 interest
                        Subsequent payments increase principal and decrease interest
                        Total interest payments
                              Year 1 = $9,840.33
                              10 years = $88,556.14
                        Total principal payments
                              Year 1 = $5,945.89
                              10 years = $69,306.07
             Full purchase price was $750k
                $100k down payment; $350k bank mortgage; $300k University SASM
                Leverage Check: $350k+$300k=$650k; and $650k/$750k=87% which is < 90%
            Property sold after 10 years

Example 2: Assumes principal and interest payments are made monthly
(All dollars in thousands)

| Calculation of Additional Interest on Shared Appreciation Mortgage Due at Sale | | Assume Sales Price $900k | Assume Sales Price $1,200k | Assume Sales Price $600k |
|---|---|---|---|---|
| Sales Price | | 900 | 1,200 | 600 |
| Purchase Price | | 750 | 750 | 750 |
| Capital Renovation | | 50 | 50 | 50 |
| Effective Purchase Price | | 800 | 800 | 800 |
| Net Appreciation/ Gain (Loss) on Sale | | 100 | 400 | (200) |
| CU Pro-Rata Share | 300/750 = 40% | 40 | 160 | Zero CU doesn't share in loss |
| 10 Years Interest Paid | | 89 | 89 | 89 |
| Additional Interest Due at Sale | | Zero because 89 > 40 | 71 | Zero |
| Principal outstanding after 10 Years* | | 231 | 231 | 231 |
| Total Due to University at Sale** | | 231 | 302 | 231 |

*Assumes 12 full principal payments made per year
**Equals original mortgage amount less principal payments plus additional interest due at sale