OFFICE OF LOAN PROGRAMS

2005-06
Business Assessment Report

Office of the President
Senior Vice President - Business and Finance
Office of Loan Programs
1111 Franklin Street, 6th Floor
Oakland, CA 94607-5200

EXECUTIVE SUMMARY

2005-2006
Business Assessment Report

OFFICE OF LOAN PROGRAMS

EXECUTIVE SUMMARY
OFFICE OF LOAN PROGRAMS
2005-2006 BUSINESS ASSESSMENT REPORT

This bi-annual Business Assessment Report provides an overview of the business operations of the Office of Loan Programs (Office). The program data for this report includes updates to the historical production and performance results for the two fiscal years since the prior report, as well as in-depth analysis of actual cost and production statistics for the University of California's (University) mortgage lending activities for the 2005-06 fiscal year.

This report provides an overview of the design and delivery of the University Housing Programs and addresses five areas of performance:

- 2005-06 Program Accomplishments
- Customer Relations Management
- Business Climate and Performance Management
- Optimizing Human Resources; and
- Financial Results and Industry Benchmarks

<u>2005-06 Program Accomplishments</u>

During the 2005-06 fiscal year, the Office funded 259 new Mortgage Origination Program (MOP) loans with an aggregate original loan amount of $153.6 million. The Supplemental Home Loan Program, which does not have a central source of funding, provided loans to 49 borrowers for a total of $8.1 million in assistance. The Faculty Recruitment Allowance Program (formerly known as the Salary Differential Housing Allowance Program), which provides downpayment assistance to faculty, was utilized to provide $12.3 million in assistance. As of June 30, 2006, the average combined servicing portfolio, consisting of MOP loans, bond-financed loans, and campus second deed-of-trust loans, was valued at $714.4 million.

In various combinations, the housing program components continue to meet the needs of many newly recruited faculty and senior level staff (approximately 20% of MOP funds are used for retention purposes). During 2005-06, the number of MOP loans funded for faculty recruitment purposes equaled approximately 41% of the number of newly hired faculty members. Historically, this annual service level has ranged from 10.0% to a high of 52.6% in fiscal year 2004-05. Prior to the most recent MOP allocation, a level of service of 35% - 50% was used to allocate funds for attracting key faculty and senior staff, while ensuring on-going availability of funding for new loans within the resource allocation limits of the program. Starting with the 2002-04 allocation of MOP funds, the University increased the targeted level of service to 60% of new recruits. This higher level of service was also used in planning for the 2005-07 allocation of funds equaling $465 million. As housing costs in California continue to escalate and the projected level of recruitments remains high to keep pace with increasing enrollments of students, the availability of housing programs has become even more critical. With normally lower than market-rate interest, easier qualifying standards, lower down payment requirements, and no fees, MOP loans continue to be a strong recruitment tool for the University.

Customer Relations Management

One method for assessing the quality of product and service delivery and the overall performance of the Office is through the use of surveys of direct customers and staff partners at each campus. The following four surveys are conducted to collect data and assess performance:

- Customer Needs Survey – periodic survey of all faculty hired in the most recent 4-year period to collect demographic and housing availability and cost impact information to guide program design and implementation strategies (most recently completed in 2006);
- Customer Satisfaction Survey (Origination) – survey of new loan recipients immediately following loan closing designed to assess the effectiveness of program and specific product delivery by OP and campus staff, written materials, and support systems;
- Customer Satisfaction Survey (Servicing) – survey of borrowers who have had a University loan for one year or more to assess the effectiveness of all aspects of loan servicing and related communications (most recently completed in January 2004); and
- Leadership and Management Survey – survey of campus staff representatives to assess effectiveness of operational support, communications, and training of campus staff working with the Office to deliver the products and services (most recently completed in December 2004).

The results of these surveys and comments from survey respondents are included as Appendices B, C and D of the report. For the past nine fiscal years (1997-98 through 2005-06), respondents to the Origination Survey have given high marks to the Program operations. When asked the question, "Taking everything into consideration, how satisfied have you been with your experience obtaining a University home loan", 96% of the responses were in either the Extremely Satisfied or Very Satisfied category.

In addition to quantifying performance, the written comments by the various customers have resulted in many changes to processes, program requirements, forms, and methods of communication over the past several years. Some of these changes include the development of:

1) A pre-qualification letter and certificate that can be issued within 24 hours of receipt of a complete loan application;

2) A loan application checklist that clearly defines required documentation;

3) A website that includes answers to Frequently Asked Questions, a quarterly newsletter with topics of interest, and interest rate information;

4) On-line resources for Home Loan Coordinators, including program manuals, loan qualification and resource management programs, and a loan application module; and

5) A secure website that allows existing borrowers to view, print and email their loan information such as loan balance, interest rate, monthly payment amount and interest paid for the current and prior calendar year.

Business Climate and Performance

This report also examines trends that affect the demand for University Housing Programs, and discusses Office performance based on internal goal setting and performance measurement. Primary past indicators of demand have included:

- Changing levels of faculty recruitment;
- Supply and price shifts in the residential real estate market;
- Fluctuations in market interest rates; and
- Relative advantages of University financial product features compared to conventional products and programs offered by competing educational institutions.

Future trends impacting demand include:

- Projected enrollment growth through at least 2011;
- Faculty replacement needs based upon retirement and other turnover factors;
- Projected under-supply of new private sector housing leading to continued upward pressure on housing prices in California.

In order to meet the projected demand and to provide outstanding service to customers, the Office strives to continually assess and improve its product and service delivery systems by:

- Updating its Strategic Plan and annual Action Plan;
- Establishing measurable performance goals designed to improve product and service delivery;
- Tracking performance results;
- Modifying processes and procedures as needed to improve performance; and
- Development of new programs.

Optimizing Human Resources

To attract and retain a highly motivated and well-trained staff, the Office focuses on two key elements:

- Work Environment – Encourages a team and success-oriented environment. Provides challenging work responsibilities and encourages the sharing of ideas by all staff members.
- Staff Development - Provides opportunities for career growth through internal and external training programs or courses, and encourages personal education and growth.

Financial Results and Industry Benchmarks

Internal Measurement - The operational budget for the Office is supported by loan servicing fees and earnings of the Housing Programs Reserve Fund (Reserve). The financial performance of the Reserve is an indicator of the financial health of the overall program. Since the inception of MOP, the Reserve fund balance has grown from $9.3 million in July 1984 to $29.4 million as of June 30, 2006. The overall positive performance of the Reserve has provided adequate resources for meeting the business goals of the various University loan programs.

Another measurement of success is the loan portfolio performance. While there have been moderate losses under the loan programs (total MOP losses have been $1.041 million out of $1.254 billion in lending as of June 30, 2006), the overall delinquency and foreclosure activity has always remained well below industry averages. Even during the recession of the early 1990's, these delinquency and foreclosure rates were approximately 30% of the industry average experienced in California. There have been no losses to the MOP program during the last eight fiscal years.

External Measurement - Another key measurement tool is the comparison of loan production and servicing productivity measures with comparable institutions in the mortgage industry. The Mortgage Bankers Association annually collects and analyzes data to track income, expense, and productivity trends of the lending industry. For fiscal years 1994-95 through 2005-06, Office performance has been compared to industry standards (See Appendix F of the full report for a comparison of the data showing the trends for the past 6 years). Industry statistics represent data from groups of firms closest in size to the University's programs, reflecting the specialty nature and intensity of services provided under the University's programs. The comparisons, shown in the table below, are with benchmark data for the most recent year available (2004). Those items with a Comp Type of **L** are ones where lower values are better, while those items with a Comp Type of **H** are ones where higher values are better.

Loan Production Benchmarks				
			Industry Benchmarks – 2004 Data	
	UC 2005-06	**Comp Type**	**< 1,000 Loans/Year**	**$125 - $499 million Loans/Year**
Per Loan Staffing Costs	$1,375	**L**	$2,190	$1,872
Total Expenses/Loan	$1,795	**L**	$3,524	$2,796
Ave Loans/Origination Employee	57	**H**	39	38
Average Loans/Underwriter	72	**H**	67	65
Loan Servicing Benchmarks				
			Industry Benchmarks – 2004 Data	
	UC 2005-06	**Comp Type**	**500 to 4,999 Loans**	**$.5 billion to $1.49 billion portfolio**
Per Loan Staffing Costs	$147	**L**	$109	$78
Total Expenses/Loan	$179	**L**	$172	$130
Fee Income/Loan (with fees)	$779	**H**	$332	$259
Average Loans/Servicing Employee	506	**H**	404	571
Net Servicing Income/Loan	$599	**H**	$160	$129

Generally, the Office production benchmark results have met or exceeded industry standards. In the servicing area, University staffing costs exceed industry costs due to the economies of scale that large servicers are able to realize. Additionally, Office staff devote extra time in the provision of information and services that are beyond a normal lender's services to its customers. However, the University's servicing fee income per loan is considerably higher than industry benchmarks, which is attributable to the higher average loan amount of the loans that the Office is servicing. Even with the higher personnel and total servicing expenses, the University's net servicing income exceeds industry benchmarks.

Conclusion

The continued high levels of customer satisfaction are the result of a long-term commitment to process improvement and adjustments to product design and delivery mechanisms. The reader is encouraged to examine the full report to gain a better understanding of the levels of quality and efficiency of product and service delivery. The compilation of this report, coupled with the Office Strategic Planning process, works to ensure that required resources and planning efforts are maintained for successful implementation of these programs.

TABLE OF CONTENTS

2005-2006
Business Assessment Report

OFFICE OF LOAN PROGRAMS

UNIVERSITY OF CALIFORNIA OFFICE OF LOAN PROGRAMS

2005-2006 BUSINESS ASSESSMENT REPORT

Table of Contents

UNIVERSITY OF CALIFORNIA OFFICE OF LOAN PROGRAMS

2005-2006 BUSINESS ASSESSMENT REPORT

I. Business Overview

The University of California

The University of California (University) is one of the largest and most acclaimed institutions of higher learning in the world. As a public land grant institution, the University's three-part mission consists of teaching, research, and public service. The University was founded in 1868 and currently consists of ten campuses, five medical schools and teaching hospitals, a statewide Division of Agriculture and Natural Resources, and two National Laboratories managed for the Federal Department of Energy. Given this diversity of mission and divisions, the University has program and service presence in all 58 counties in California as well as in Washington, D.C., and Mexico City, Mexico. As of fiscal year 2005-06, the University had over 207,000 graduate and undergraduate students, over 121,000 employees (full-time equivalents), including over 10,400 academic senate members and annual expenditures of $18.6 billion. A 26-member Board of Regents governs the University and its chief executive officer is the President of the University located in the headquarters office in Oakland, California. The University derives its mission and governance authority from the provisions of Article IX, section 9 of the State Constitution. Funding for its many programs and services comes from State and Federal sources as well as student fees and private contracts and donations.

Office of Loan Programs

The Office of Loan Programs (Office) is an auxiliary enterprise activity located within the Office of the President. The Regents established the Office in July 1984 to develop and manage a comprehensive set of housing programs and services for members of the University's Academic Senate, its senior managers, and other designated classes of employees. This was done in recognition of the importance of affordable housing access to the long-term faculty renewal needs of the institution.

The Office provides the full range of lending services, including marketing, communications, policy formulation, loan processing, approval, funding, and loan servicing and accounting. The Office currently has 13 employees who support these lending functions as well as policy oversight for the campus-based for-sale housing program. The 2005-06 administrative budget was $1.37 million, with the annual program commitments for loans averaging $158.3 million for the past two fiscal years. As of June 30, 2006, the aggregate dollar amount of all loan portfolios being serviced by the Office was $714.5 million. The service fee revenues from these loans produced $1.61 million in 2005-06, which for the first time in Program history exceeded the budgeted administrative expenditures. The excess revenues are held in the Faculty Housing Programs Reserve Fund established by The Regents in 1984 to pay administrative and certain program-related costs for the operations of this enterprise program.

Major Products and Services

With the establishment of the Mortgage Origination Program in July 1984, the University made a major long-term commitment to a system-wide program to provide housing assistance as an integral part of its recruitment and retention efforts. As a result of this new focus, many of the program components as well as the individual program policies and funding levels have changed significantly since the programs began in the late 1970's. However, the guiding principle has remained the same, to provide financial and programmatic tools to assist in the recruitment and retention of key faculty members and other designated employees in order to maintain the University's position of preeminence in the academic community. It was recognized that due to the projected growth in student enrollment and the aging of the then-existing faculty, there would be an extraordinary need for renewal and expansion of the faculty at all of the campuses. The University also faced significant competition from other nationally-recognized public and private institutions of higher education for many academic and senior administrative positions. Finally, the programs must be designed to ameliorate the significant differential between the higher housing costs at and near the University's campuses and laboratories when compared to costs of housing at comparable institutions across the country. These issues remain very relevant to the University today and continue to drive the need for the institutional resources for these programs.

The major program components for which the Office has both policy and operational responsibility include the Mortgage Origination Program (MOP), a first deed-of-trust lending program, and the Supplemental Home Loan Program (SHLP), which provides primary and secondary financing to assist in home purchases. In May 2002, a new program component was added, known as the Graduated Payment option to the Mortgage Origination Program (GP-MOP). In addition to the direct administration of the above-referenced programs, the Office provides on-going policy support and reporting responsibility relating to for-sale housing developments built on University-owned land at six campuses, and provides the servicing and accounting functions for the remaining loans in three tax-exempt bond-financed single family loan portfolios. The Office also manages a relationship with a major conventional lender to provide favorable financing terms to all University employees for purchase and refinancing of personal residences. There is also coordination between the Office and the Division of Academic Affairs on the Faculty Recruitment Allowance Program - a grant program for housing-related or other expenses. Below is a brief description of these program components.

Mortgage Origination Program (MOP): This program was authorized by The Regents in July 1984 and utilizes funds from the unrestricted portion of the University's Short-Term Investment Pool (STIP) to make first deed-of-trust loans to eligible employees (primarily full-time University appointees who are members of the Academic Senate or are members of the Senior Management Group). The President, with the approval of the Board of Regents, is authorized to make exceptions to the eligibility requirements based upon the essential recruitment and retention needs and goals of the University. MOP provides up to 40-year variable interest rate loans at up to 90% of the property value, with the interest rate (Standard Rate) indexed to the most recently available four-quarter average rate of return of STIP, plus a servicing fee of one-quarter of one percent. The maximum annual adjustment, upward or downward, of the Standard Rate for a loan is one percent.

MOP offers several advantages to borrowers over conventional lending programs, including no origination points or lender fees and more liberal underwriting rules. Monthly mortgage payments may be as high as 40% of gross income as compared to a 33% - 38% ratio for all monthly housing expenses used by most conventional lenders. The program charges no fees to the applicants for processing the loans. Also, for loans of $795,500 or less, the participant has the option to finance a portion or all of the usual and customary closing costs, as well as designated recurring costs such as first-year insurance premiums, in which case the loan may be approved at up to 92% of value. There is no requirement for mortgage insurance (generally, loans available through conventional lenders require mortgage insurance when the loan amount is in excess of 80% of the value of the home). This saves borrowers up to 0.5% of their loan balance annually.

The program has had cumulative allocations of $1.805 billion through June 2007. As of June 30, 2006, a total of 3,652 loans in an aggregate amount of $1.25 billion had been made. As of June 30, 2006, the total servicing portfolio consisted of 1,844 loans totaling $683.1 million. Of these loans, 468 were University-owned with an aggregate University-owned portfolio principal balance of $246.5 million. All program operations, including application processing, approval, funding, and servicing of these loans are completed by the Office staff.

Graduated Payment Mortgage Origination Program (GP-MOP): This program was introduced in May 2002. The GP-MOP provides a lower interest rate (Borrower Rate) during the initial years of the loan (Rate Differential Period). The difference between the Borrower Rate and the Standard Rate is funded from a campus fund source to insure that STIP earns the same rate of return on a GP-MOP loan as on a MOP loan. The campus has the option to reduce the Standard Rate by up to 3.0%, subject to a minimum Borrower Rate of 3.0%. The reduction in the interest rate is known as the Interest Rate Differential. The Interest Rate Differential declines each year by a fixed amount between 0.25 and 0.50 until the MOP Standard Rate is reached. This provision results in a lower initial monthly payment, thereby expanding the range of purchase prices affordable to those prospective borrowers who expect their income to rise in subsequent years. At the end of the Rate Differential Period, the GP-MOP component ceases and the loan interest rate is adjusted in the same manner as a Standard MOP loan. As of June 30, 2006, a total of 75 GP-MOP loans in an aggregate amount of $46.3 million had been made.

Supplemental Home Loan Program (SHLP): This program provides primary and secondary mortgage financing under a more flexible structure than MOP. Each campus is authorized to allocate unrestricted funds available to the Chancellor to provide home loans to further assist in the recruitment and retention process. Campuses have flexibility in determining the type of loan to be made including the term, interest rate, and method of repayment. When the program was formalized in March 1993, it replaced the previously existing Short-Term Housing Loan Program, and the underwriting and eligibility guidelines were modified to be consistent with those used by the Mortgage Origination Program.

As of June 30, 2006, a total of 925 SHLP loans, in an aggregate amount of $88.4 million, had been made. The lending activities, including application processing, approval, and funding of these loans are completed directly by the Office for all campuses.

Tax-Exempt Mortgage Revenue Bonds: In 1979, 1985, and 1987, the University issued tax-exempt bonds to provide fixed rate mortgages for first time homebuyers. Due to its constitutional authority, the University was able to access the capital markets directly for the sale of long-term bonds, subject to federal laws and regulations, to provide 30-year mortgages for first time homebuyers. These three bond issues were used to supplement other University programs and to provide fixed rate loans.

A total of 527 loans in an aggregate amount of $59.7 million were made under these three bond issues. All three bond issues have been retired, and the Office continues to service the remaining loans made under these programs.

For-Sale Housing Developments: The Berkeley, Davis, Irvine, Los Angeles, Santa Barbara, and Santa Cruz campuses have developed for-sale housing on University land. The housing units consisting of single-family detached, condominium, and townhouse units, are sold to qualified buyers subject to a ground lease. The development process, removal of marketing risk, and the ground rent structure assist in providing housing at sales prices below those of conventional market units. All units have resale restrictions limiting sales prices to adjustments based on changes in either the consumer price index or the faculty salary index. Campuses also retain a first right of refusal to buy the units at the formula price or to refer the seller to a priority list of other qualified University related buyers. These mechanisms retain the units in these developments as long-term affordable housing resources for the recruitment and retention of key faculty and other University employees.

As of June 30, 2006 there were 1,156 completed units at these 6 campuses. The Office provides support to the development effort of new For-Sale housing projects on the campuses and provides on-going policy support for lending-related issues.

Affinity Lending Agreements:

World Savings - Between March 2002 and October 2005, The University maintained an agreement with World Savings to provide a variety of mortgage loan products to supplement the University's housing assistance programs. World Savings provided a variety of mortgage loan products, including first and second deed-of-trust mortgage loans with reduced fees, to all University employees. A total of 214 loans, including purchase money loans, refinances of existing debt and equity lines, in an aggregate amount of $36.7 million were made to University employees under this program.

Wells Fargo- In October 2004, the University entered into an affinity lending agreement with Wells Fargo Home Mortgage. As of June 30, 2006, 117 loans totaling $32,170,371 had been funded under this program.

Faculty Recruitment Allowance Program (formerly the Salary Differential Allowance Program): This program was authorized in 1982 and is funded from appropriate campus resources designated by the Chancellors. The program authorizes the granting of allowances to assist with downpayments, mortgage payments, and other costs. The assistance may be paid in one lump sum or over a period not to exceed ten years in equal, unequal, or declining balance amounts. The maximum assistance amount is indexed based upon salary increases for faculty and currently is $54,400.

As of June 30, 2006, a total of 2,760 recruitment allowances in an aggregate amount of $80.3 million had been made.

Office of Loan Programs Mission and Goals

Within the overall framework of the University's mission and organizational structure, the Office has been charged with providing the above described products and services. Some of those products and services are provided in their entirety by the Office, some in collaboration with other operational and policy units at the campuses and/or other system-wide offices, and in some cases the Office serves primarily in a policy-making and reporting capacity. Policy coordination in all functional areas takes place at multiple levels of the institution, involving the Board of Regents, senior management for the business and academic divisions of the University, committees of the faculty senate, and campus administrative and academic staff. These groups represent the major internal customer base for these products and services, with the individual faculty borrowers and home purchasers representing the direct customers. Given the combination of the types of services and products being provided and the high level of sensitivity of the customer base, the Office has engaged in on-going strategic planning, goal setting, and performance-based management for a number of years. Summarized below are the Office Mission Statement and key policy drivers.

Mission Statement: To design, deliver and manage housing assistance programs for the recruitment and retention of faculty and senior managers in support of the education, research, public service, and patient care missions of the University by continually improving and implementing products and service delivery processes and maintaining a superior level of customer satisfaction.

Several studies in the late 1970's and early 1980's defined the housing issues facing campuses in their recruitment and retention efforts. These studies pointed to the following key policy factors as drivers for the design of proposed University housing assistance programs:

- Provision of a predictable source of mortgage financing for recruitment and retention of key faculty members and senior managers at each campus and laboratory;

- Provision of financing at short-term rates with qualification standards more liberal than those provided by conventional lenders, coupled with reduced down-payment requirements and no points or origination fees; utilization of existing University land and acquisition of additional land, where feasible, to develop for-sale and/or rental housing units to create long-term affordable housing in proximity to work within a broad range of design and pricing;

- Continuation of supplements to University and conventional financing via the Supplemental Home Loan Program and Salary Differential Housing Allowance Program; and

- Development of programs of a one-time or short-term nature that supplement and/or complement existing University programs.

The balance of this report will focus on the effectiveness and performance of the Office in the delivery of the products and services to its customers and in achieving the goals set forth by its mission and charge.

II. 2005-06 Program Accomplishments

In fiscal year 2004-05, the number of MOP loans funded represented an all time high of 346 loans totaling $163.0 million, followed by 259 loans totaling $153.6 million in fiscal year 2005-06. The combined number of loans funded during these two fiscal years represented a 19.8% increase over the two prior fiscal years. The dollar amount of loans made increased by 45.5% between these two time periods, evidence of the rapid home price increases near University campuses.

In fiscal year 2004-05, the number of SHLP loans also represented an all time high, with 66 loans funded totaling $5.8 million. During 2005-06, the number of SHLP loans decreased by 34.7%, from 66 to 49, but the total amount funded increased from $5.8 million to $8.1 million (39.7%). The average SHLP loan amount increased from $87,557 to $165,796. The number of Faculty Recruitment Allowances decreased by 27.6%, from 328 to 257, while the dollar amount remained almost the same ($12.4 million in 2004-05 as compared to $12.3 million in 2005-06). The continued strong utilization of these programs demonstrates the on-going demand for housing assistance in recruiting and retaining faculty and senior staff.

Beginning in fiscal year 2002-03, the University began implementation of a program for periodic sales of MOP and SHLP loans to increase program liquidity. Between July 2002 and June 2005, 2,095 MOP loans, totaling $707.1 million and 156 SHLP loans, totaling $15.3 million, were sold to seven different investors. The University has retained the servicing for these loans, so there will be no changes in the quality of customer service to the borrowers. The following table displays a summary of the magnitude of use of housing related financial assistance programs during the 2005-06 fiscal year.

Program	**Number of Loans Or Assistance**	**Dollar Value of Assistance**	**Average Amount**
Mortgage Origination Program	259	$ 153,586,700	$ 592,999
Supplemental Home Loan Program	49	8,124,000	165,796
Faculty Recruitment Allowance Program	257	12,294,361	47,838
Wells Fargo Bank Home Loan Program	56	15,361,185	274,307
Totals	621	$ 189,366,246	N/A

The Office continues to provide high levels of customer service by utilizing tools that have been designed to streamline the loan application process:

- The Office website provides information about available programs and assists in educating potential applicants about the home buying process.
- A web-based on-line loan application is available to applicants.
- Pre-approval certificates are issued within 24 hours of receipt of a complete loan application.
- A MOP-qualification calculator is available on-line to assist applicants and campus staff in determining whether an applicant has sufficient resources to qualify for a MOP loan.
- A GP-MOP resource allocation tool is available to assist campus staff in projecting the costs to the campus associated with issuing a GP-MOP.
- In 2005-06, a new feature, known as "View My Loan", was added to the Office website. This secure web interface allows existing borrowers to view, print and email their current loan information, such as loan balance, interest rate, monthly payment amount and interest paid for the current and prior calendar year.

III. Customer Relations Management

In order to adequately assess the Program content and levels of service being provided to the multiple customer groups served by the Office, multiple surveys are utilized to gather data and feedback from the internal and direct customers described earlier. The four separate surveys that have been developed to collect this information from these groups are:

- Customer Needs Survey – periodic survey of all faculty hired in the most recent 4-year period to collect demographic and housing availability and cost impact information to guide program design and implementation strategies (most recent survey covering the fiscal years from 2002-03 to 2005-06);

- Customer Satisfaction Survey (Origination) – survey of new loan recipients immediately following the individual loan closing, designed to assess the effectiveness of program and specific product delivery by Office and campus staff, written materials, and support systems;

- Customer Satisfaction Survey (Servicing) – survey of borrowers who have had a University loan for one year or more, used to assess the effectiveness of all aspects of loan servicing and related communications. This survey is generally completed every two years. It was most recently completed in January 2004 for the year ending 2003 (2003 Servicing Survey). The January 2006 survey was postponed to reduce the number of surveys mailed out. There is overlap between the recipients of the Servicing survey and the New Hire survey.

- Leadership and Management Survey – survey of campus home loan staff, used to assess effectiveness of operational support, communications, and training of campus staff working with the Office to deliver the products and services (most recently completed in December 2004).

The tabulated survey results are distributed to all program staff at the campuses and in the Office to provide direct customer feedback on their perceptions of the collective strengths and weaknesses of the Office and the campus personnel. In addition to the numerical rankings of the standard questions, each survey form provides an opportunity for respondents to add written comments regarding their experience with the program and its procedures. Again, a summary of these comments is distributed to all staff to encourage discussion about how the business interactions are perceived by the customer. Appendices B and C include a representative sample of comments from the 2004-05 and 2005-06 Origination Surveys and the 2004 Servicing Survey.

Many changes to processes, program requirements, and forms have been made as a result of the feedback received via these mechanisms. Given the wide dispersion of program customers, not only throughout California, but also throughout the country (historically, over 60% of newly recruited faculty come from outside the state), the Office has expanded its electronic communication capabilities to meet the needs of customers who are oftentimes not at their campus during much of the time the loan application and closing process is taking place.

Less formal consultations and networking with the internal customer groups are also used over time to adjust or fine-tune resource allocation formulas, methods of communication and distribution of information, and to improve product delivery processes.

Customer Needs Surveys

A survey of recently recruited faculty is conducted periodically in order to gain an in-depth understanding of the prior housing situation, and the current needs and preferences of new faculty hires. The first survey was conducted in 1978, with subsequent surveys in 1981, 1988, 1995, 2001, and 2006. These surveys are sent to all newly-hired faculty for the most recent four academic years. Many of the survey questions have remained the same to enable trend analysis regarding the household and housing demographics of this important recruitment population group. In addition to demographic information, these surveys measure the impact of program availability and characteristics on the decision to accept an offer of University employment.

A comparison of responses to the four most recent surveys (1988, 1995, 2001 and 2006) provides insights into the changes occurring with the recently-hired faculty population over time. Between 1988 and 2006, the average age of the respondents has increased slightly from 39 to 41.5 years old. Over time, there has been a significant increase in dual-wage-earner households. This data is very useful in predicting changes in loan size and in providing information impacting for-sale housing project design and pricing decisions.

From 1988 to 1995, the percentage of new faculty who had previously owned a home dropped from 49% to 40%. This percentage increased to 43% in 2001 and to 44% in 2006, which is still lower than the 1988 result. In contrast, at the time of the 2006 survey, 74.5% of the respondents owned a home, which is significantly greater than the overall California average of 57%. In 2006, 73% of survey respondents indicated that the housing market in their prior location was better than the market near their University work location. Additionally, in 2006, the average distance that the 2006 respondents were living from campus was 13.4 miles, or more than 2 1/2 times greater than the 4.8 miles on average for survey respondents in 1988. However, those respondents receiving University housing assistance tended to live closer to their work location (averaging 11.5 miles in 2006, which is still an increase over 2001, when it was 10.1 miles). Overall, the survey data indicates that 2001 and 2006 survey respondents brought fewer assets from the sale of a prior home, relocated to a more expensive area, and had to move further from the campus to find affordable housing than respondents to the earlier surveys.

A vast majority of respondents indicated that the existence of housing assistance programs influenced their decision to accept a University employment offer and would play an important role in whether they continue to work at the University in the future. The percentage of respondents receiving assistance grew from 39% in 1988 to 65% in 2006. In the 1995 and 2001 surveys, over 65% of those who received housing assistance indicated that the offer of housing assistance was Very Important or Somewhat Important in their decision to accept the position. This percentage increased to 75.5% of respondents in the 2006 survey. In 2006, 44.3% of respondents who received housing assistance indicated they definitely would not have or probably would not have accepted the University’s employment offer if they had not received housing assistance.

Even more dramatic is the change in the responses from those newly hired faculty who did not receive any initial assistance. These respondents were asked if they had ever considered leaving the University because of the cost of housing. In 2001, 39.6% of respondents who did not receive housing assistance indicated that they had considered leaving the University, and of those respondents, 37% indicated that if housing assistance were available, they would definitely remain at the University. In 2006, 44% of respondents who did not receive housing assistance indicated that they had considered leaving the University because of the cost of housing, and of those respondents, 49% stated that they would definitely remain at the University if housing assistance were available.

The survey data indicates that the availability of University housing assistance has allowed many respondents to enter the housing market, but that there is additional need for housing assistance in the areas of both recruitment and retention.

Customer Satisfaction Survey - Loan Origination

Beginning in fiscal year 1995-96, the Office initiated a customer satisfaction survey of all new borrowers. This survey is sent to each borrower following loan closing and is designed to solicit levels of satisfaction with the knowledge and professionalism of staff (at the campuses and at the Office), clarity of the program requirements and written materials, and the timeliness of the services delivered. While the Office processes and funds all MOP and SHLP loans, the initial introduction to the programs is most often made by a campus representative in the Home Loan Coordinator's office. The campus staff, Office loan processor, and underwriter form a team to bring each application to completion on a time-line dictated by a purchase contract between the borrower and the seller. As there is no formal line of authority between the Office staff and the campus staff, the success of this process and the programs depends a great deal upon the establishment of trust and collegiality as all work toward a common set of goals.

Overall, the results of the survey have been very positive and indicate that there is a high level of satisfaction with the service provided by the staff at the campuses and at the Office. Appendix A contains four charts displaying a summary of the results of this survey for fiscal years 2001-02 through 2005-06, followed by representative written comments provided by borrowers for the two most recent fiscal years. The quantitative portion of the survey measures each respondent's level of satisfaction on a 5-point scale ranging from Not At All Satisfied (1) to Extremely Satisfied (5).

Chart 1 displays the results for Question 1, which asks the borrowers to rank their level of satisfaction with multiple characteristics of their interactions with the campus representatives. The average responses range from 4.2 to 4.8, indicating a generally high level of satisfaction. Levels of satisfaction in each of the areas increased during the most recent fiscal year. Chart 2 displays the results for Question 2, regarding the borrowers' interactions with the Office staff (Office Representative). These results also indicate an increase in satisfaction during the most recent fiscal year. In 2005-06, the average scores for each attribute at both the campus and the Office ranged from 4.6 to 4.9. This high level of satisfaction reflects the commitment of Office and campus personnel to provide excellent customer service.

Customer satisfaction with the completeness and clarity of the written materials, and the timeliness of the services delivered is also measured. As can be seen from the data in Chart 3, these scores have remained stable over the five years included in the chart, with an increase in the most recent fiscal year.

Chart 4 displays the overall satisfaction ranking, which again shows a high level of customer satisfaction, with an increase in the overall score in the most recent fiscal year.

The survey also provides space for written comments (see Appendix A for representative comments for the most recent two years). Changes to procedures that have been implemented in response to Origination Survey comments include:

- Development and on-going updating of a Frequently Asked Questions section on the Office website that contains information about hazard insurance and property tax payments, and other information helpful to a new borrower;
- More extensive use of e-mail with applicants to improve the communication process;
- Elimination of required 45-day escrows;
- Reduced documentation requirements to expedite loan processing;
- "Things You May Need to Know Letter" sent to borrowers when loan application is received to provide additional communication about the loan process;
- Development of an on-line loan application;
- Reduced documentation requirements for loan applicants with high credit scores;
- Fewer required property repairs for loan applicants with larger downpayments;
- Creation of articles in on-line newsletter in direct response to borrower policy questions;
- Development of pre-approval procedures to assist applicants in negotiating a successful real estate purchase contract;
- Development of an on-line MOP-qualification tool for use by all borrowers and potential borrowers; and
- Implementation of a new website section entitled "How to Receive a Home Loan" that provides step-by-step information concerning the loan process.

Customer Satisfaction Survey - Loan Servicing

In 1997 (data collected for calendar year 1996), the Office initiated a second customer satisfaction survey sent to all borrowers whose loans had been closed and serviced by the Office for at least one year (Servicing Survey). This survey was conducted annually from 1997 through 2000, and is now conducted bi-annually. The most recent survey was conducted in 2004 for calendar year 2003 data (2003 Survey). The Servicing Survey is designed to solicit levels of satisfaction with the professionalism and knowledge of the Office staff, clarity of the written materials and information provided throughout the year, and the ability of the Office to assist borrowers in the event of special needs or circumstances that may occur relating to their loan and/or property (i.e., financial problems, natural disaster or fire damage, or a change in family or employment circumstances). Unlike the loan origination process, nearly all of the servicing interactions occur directly between the borrower and the Office staff. Some of the communication is routine, such as communicating annual changes in interest rates for each loan and providing the annual mortgage interest statements for tax purposes. Other contacts occur under more stressful conditions, oftentimes dealing with changes in family or employment circumstances or some type of physical disaster situation. Some interactions are simply requests for information or financial analysis to aid borrowers in determining a potential course of action regarding accelerated pay down or refinancing of their loan.

The quantitative portion of the Servicing Survey requests that borrowers rate their level of satisfaction with the Office staff in the following seven areas: Professionalism, Knowledge, Courteous and Helpful [manner], Responsiveness to Requests, Accessibility, Problem Resolution, and their Overall Experience with Office staff. Chart 1 in Appendix B indicates the average level of satisfaction with Office staff in each area for each of the most recent five years of the survey. (The rating is based on a 5-point scale, where 5 is Extremely Satisfied and 1 is Not At All Satisfied). The average responses indicate a high level of satisfaction, ranging from 4.3 to 4.6. The most recent survey displays either an increase in or the same level of customer satisfaction in all areas.

Chart 2 provides the results of the survey for the time period 1997 through 2001 concerning the level of satisfaction with annual mailings that are sent to each borrower. The mailings are the annual Mortgage Interest Statement (IRS Form 1098), an annual rate change letter that provides each borrower with their new interest rate and monthly payment, and a loan history statement summarizing activity received as of the end of June and again at the end of December. The satisfaction for these mailings ranged from 4.3 to 4.5 for the four years of the survey displayed in the Chart.

In 2003, the survey question regarding the mailings was expanded to provide respondents with the opportunity to rank their level of satisfaction with each individual mailing. The resulting scores are displayed in Chart 3, and range from 4.3 to 4.4 for each of the mailings.

The survey also provides space for written comments, which are reviewed and acted upon when appropriate to improve customer service levels. Examples of changes that have been implemented in response to survey comments include:

- A welcome letter is now sent to borrowers within one week of loan closing to provide information concerning loan servicing;
- A semi-annual payment history statement is sent to each borrower to provide current information on payments and loan balances;
- The format of the 1098 Mortgage Interest Statement and the annual rate change letter was changed to provide clearer information;
- Interest rate information (both rate history and how the rate is calculated) is available on the Office website;
- The servicing survey is now administered every two years, instead of annually; and,
- The Office developed the View My Loan section on the Office website, which is a secure on-line site for borrowers to view information on their loan such as loan balance, interest paid-to-date and next payment due.

Leadership and Management Survey

In March 1999, May 2002, and December 2004 a survey was sent to the staff in the Home Loan Coordinator's Office at each campus to solicit feedback regarding how well the Office and its staff are meeting the expectations of the housing representatives in the delivery of services to this group of internal customers. The 1999 Survey was sent to twelve campus representatives, and the 2002 and 2004 Surveys were sent to ten campus representatives. All surveys had a 100% response rate.

The quantitative portion of the survey included questions concerning the level of customer service provided by the Office, the frequency and content of Home Loan Coordinator meetings, and the effectiveness of policies and procedures. An average score was derived to measure the level of agreement that respondents had with each statement. The score was derived using the five-point scale of responses (5 is Strongly Agree and 1 is Strongly Disagree).

Appendix C contains 12 charts that summarize the results of the survey. Chart 1 compares the responses from the three surveys regarding nine attributes of the Office staff. For all three surveys, the Office staff received high marks across the board with perfect scores in accessibility in all three years. In 2002 and 2004, the staff received perfect scores regarding resolving eligibility issues, as well as meeting the needs of the respondents (See Chart 1).

Chart 2 compares the responses from the three surveys concerning training, systems and communications, and indicates that the Office improved in each category. The respondents also indicated a desire for additional training. The Office continued to receive strong marks for its systems development and efforts to keep everyone well informed.

Chart 3 indicates that the Home Loan Coordinators agree that the web resources provide sufficient information regarding the loan programs, prequalification procedures, and strongly agree that the website provides adequate information concerning submitting applications. As can be seen from a comparison of Charts 4, 5, and 6 the utilization of the web resources increased substantially between 1999 and 2002. In 2004, two respondents indicated that they access the website daily, with an additional six utilizing the site 2-3 times a week. Charts 7, 8 and 9 indicate that the usage of the MOP-Qual on-line qualification tool to prequalify borrowers has also increased in each of the survey years.

Charts 10 - 12 indicate that a majority of the respondents were either "extremely satisfied" or "very satisfied" with the overall performance of the Office. In 2004, nine of the ten respondents were "extremely satisfied" with the overall performance of the Office, and one respondent was "very satisfied".

As with the other customer surveys, space was provided for written comments. In response to comments from the surveys, the Office implemented the following:

- Additional on-line resources for Home Loan Coordinators, including Program manuals and the on-line loan application;
- Training concerning what on-line resources are available;
- Availability of a PowerPoint Presentation to be used as a training tool for the campuses;
- A total revision of the MOP brochure that more fully outlines the advantages of MOP as compared to conventional loan products; and
- Increased communication through the use of e-mail.

In response to suggestions by some of the Home Loan Coordinators, the Office is now posting several reports on the Office website that were previously mailed to the Home Loan Coordinators: 1) MOP Allocation and Paid off Loans reports are now posted monthly on the website instead of being mailed quarterly; 2) New Loans funded in the current month is a new report and is updated weekly; 3) Resale Indices report is posted monthly. These on-line reports provide the campuses with the information more quickly and efficiently.

In addition to these structured surveys, the Office works with three major internal constituencies to insure that program design and delivery issues are addressed in a way that best serves the recruitment and retention needs of the campuses. These groups are the system-wide Council of Academic Vice Chancellors, the Academic Senate's Welfare Committee, and the Campus and Laboratory Home Loan Coordinators. Each of these groups brings a vital perspective to the program as they either represent the direct customers (borrowers and purchasers) or are the University staff most responsible for the recruitment and retention process, including resource allocation decisions, at each campus and interface directly with many of the potential program participants. Much of the work with these groups has been through establishing regular communication links, including correspondence and electronic communications such as e-mail and on-line distribution of program information and documents. The Office Director also meets with these groups periodically to discuss issues of common concern, including resource allocation and operational policies and procedures. There is also a formal system-wide meeting of the campus Home Loan Coordinators every 18 to 24 months to bring together all campus and Office staff to discuss issues, work jointly on program improvements, provide training, and provide a mechanism for improving cross-institutional communications. The last Home Loan Coordinators meeting was held in October 2005.

IV. Business Climate and Performance Measurement

Business Climate

The products and services of the Office are provided within the overall framework of the University's operational environment, which offers both strengths and constraints for this type of enterprise activity. The University's substantial financial resources provide a strong foundation for the program, including access to program funds for lending activities and access to capital markets as needed to raise funds for lending and construction activities associated with the production of new housing developments. On the other hand, the sheer size of the University can inhibit certain types of innovation that would be available to a smaller privately owned enterprise. The institutional size can increase decision-making time and add to operational and overhead costs. The governmental nature of the personnel and budget processes is not always easily adaptable to the changing internal and external business factors that influence the demand for the products and services offered by the Office. Summarized below are some of the more important factors impacting demand for program products and services.

- Faculty Recruitment Levels: Over the 22 years of the Mortgage Origination Program, a correlation can be observed between overall recruitment levels of new faculty and program demand. Charts 1 and 2 in Appendix D, respectively, display a comparison between appointment levels and MOP lending levels over this time period. During the first 12 years of the program, the average number of MOP loans as a percentage of the number of new hires was 24.6%. During the past ten years, this percentage has increased to 49.9% . This is an indication that the need for housing assistance for the recruitment of new faculty is becoming even more critical. The allocation of lending authority overall and its distribution to the campuses is partly based upon projected levels of recruitment at each campus. The use of funds also has had some relationship to the number of existing faculty, as approximately 20% of all lending activity has been for retention of existing faculty.

- Residential Market Shifts: Changes in median home prices also impact the demand for products and services, with rapidly increasing prices oftentimes pushing up demand by those wanting to buy before prices get too high. Conversely, the rapid deflation in home prices in California in the early 1990's led to a dramatic downturn in program usage. Beginning in the late 1990's, the recovery in the residential real estate market and increases of faculty salaries has resulted in a dramatic increase in program usage.

  The continued significantly higher median home prices around the University's campuses, as compared to many institutions with which it competes for faculty, has been a factor impacting recruitment for more than 20 years. Chart 3 in Appendix D reflects data since 1984 and displays the gap between California and the rest of the country as well as the relatively higher cost of housing near the University's campuses within California. Chart 4 displays a comparison between the University's campuses and the comparison eight institutions, which represent some of its main competitors.

- Interest Rate Fluctuations: Prevailing mortgage market interest rates and terms also have an effect on program demand, particularly for borrowers who have more financial resources. Chart 5 in Appendix D displays the MOP rate by quarter for the last 10 years compared to average rates for conventional fixed-rate and variable rate mortgages. Over the life of the program, the MOP rate has generally been lower than those available in the conventional market. The most recent exception was between 2001 and 2003, when conventional variable rate loans were either equal to or lower than MOP. Even in times of lower utilization, MOP has proven to be of benefit to the more junior faculty who still have difficulty qualifying for conventional mortgages, due to limited financial resources, increasing levels of student loan debt, and the more conservative underwriting standards of the conventional market.

- Product Features: A brief comparison between MOP loan characteristics and conventional loans is essential to understanding on-going benefits and demand associated with the program. MOP provides loans of up to 85% or 90% of the value of the house (depending on loan size) without requiring mortgage insurance, while conventional loans in excess of 80% of value require such insurance. The cost of mortgage insurance can add up to 0.5% to the mortgage rate, and is not tax deductible. No points or application fees are charged on MOP loans. MOP allows borrowers to commit up to 40% of their gross household income to the principal and interest payment, while most conventional financing limits borrowers to a range of 33% to 38% of income for principal, interest, property taxes, and hazard insurance payments.

  As an example of the impact of this underwriting policy, an Assistant Professor with an annual household income of $64,000 could afford to purchase a house valued at up to $441,500 utilizing a standard MOP loan, but would be limited to a purchase price of approximately $295,000 utilizing a conventional loan (assuming both loans had an interest rate of 5.0%, a 90% loan-to-value ratio, and a 30-year loan term). This one parameter makes a significant difference in the price of housing that is affordable to the University's faculty, even when the program and private loan interest rates are identical. In addition, a vast majority of the University's loans exceed conforming secondary market size limits (as of June 30, 2006 this limit was $417,000) and thus would be classified as jumbo loans carrying a rate premium of 0.375% to 0.5%.

  In November 2001, the Mortgage Origination Program began offering loans with terms of up to 40 years, allowing the above Assistant Professor to afford a $491,600 purchase price, representing an increase in purchasing power of approximately 11%. In May 2002, the introduction of the GP-MOP product provided a means for campuses to significantly increase affordability. The GP-MOP loan option provides for a lower interest rate (Borrower Rate) during the initial years of the loan, normally from six to twelve years (Rate Differential Period). The Borrower Rate can start at up to 3.0% below the Standard MOP Rate with a floor of 3.0%. The lower initial monthly payments expand the range of purchase prices affordable to prospective borrowers who expect their income to rise in subsequent years. As an example, the same Assistant Professor described above could afford a $562,200 purchase price using a 30-year GP-MOP loan starting at 3.0%, which is a 27% increase over the standard MOP product. The maximum term for a GP-MOP loan is

35 years, which would provide the same Assistant Professor with the ability to purchase a $615,900 property.

Each of these product features provides a product that is oftentimes superior for many faculty borrowers in a wide range of market conditions.

Future Trends Impacting Demand

The faculty recruitment levels, residential market shifts, and interest rate fluctuations described above have historically worked to both create and sustain the need for the housing assistance programs designed and managed by the Office. The University is projecting student enrollment growth of over 60,000 during the decade ending in 2010 that will result in a sustained increase in the number of faculty of approximately 3.0% per year. Together with the historical separation rate of faculty (due to death, retirement and leaving for other work) of nearly 3%, the level of faculty recruitment should remain high.

In 2002-03, the number of new faculty hires was 519. This increased by 14 % to 591 new hires in 2003-04, followed by a decrease of 9% in 2004-05 (542 hires) and an additional decrease of 17% in 2005-06 (462 hires).

Following four years of increasing record numbers of home sales in California, and housing prices that have continued to increase in value, the projections for the housing market in the coming year are more modest. The current market outlook for California projects a flattening or moderated reduction in housing prices, accompanied by a reduction in the total number of home sales. However, given that housing prices throughout the country are facing similar market trends, the gap between California housing prices and much of the remainder of the country will continue. Short-term borrowing rates have risen over the past eighteen months, but are expected to stabilize during the next calendar year. The increase in market rates has made the MOP rate more desirable, as the MOP rate increases at a slower rate than market rates, and is currently lower than adjustable rate loans available through conventional lenders

Given these market conditions, MOP and the for-sale housing program will continue to serve a very critical recruitment and retention need as the University competes with other prestigious institutions across the country for the top faculty. While there may continue to be cyclical variations in annual demand for products and services, the overall trend should be continued high demand in the absence of any sustained economic downturns.

Process Performance Measures

Given the above-described program mission and the internal and external business climate, the Office strives to continually assess and improve its product and service delivery systems. A key mechanism for this on-going assessment is the Office Strategic Plan, which sets forth major goals as well as specific performance measures to gauge its success. The Strategic Plan also contains an annual Action Plan with several annual project goals designed to continue innovation relating to program design, service delivery, and systems and technology improvements.
The current Strategic Plan goals are as follows:

- To provide timely, accurate and cost-effective mortgage products and services in compliance with University policy and governmental regulations;

- To research and evaluate new mortgage product alternatives and provide analysis of proposed programs;

- To evaluate mortgage industry processes and related technological changes and applicable legislation to continually improve services;

- To provide staff training and development opportunities;

- To provide initial training and on-going program support for campus lending representatives;

- To provide loan-related policy analysis and reporting for campus For-Sale Housing developments;

- To perform periodic surveys and audits to assess overall success; and

- To provide status and accountability reports to management.

Performance Results

In fiscal year 1998-99, the Office began measuring the performance of the goals that were established in the Strategic Plan. The Office measures 12 specific performance standards associated with these goals. Each goal represents a process that needs to be completed within a particular time frame (usually number of business days). For example, one goal is to enter all new loans into the computerized origination system within two business days of receipt of the loan application. This enables the Office personnel to provide faster loan pre-approvals and commitments to borrowers. A second goal is to activate a new loan on the computerized servicing system within one business day of loan funding, then to send a welcome letter, customer satisfaction survey and loan servicing information sheet to the borrower. Four charts in Appendix E display the results of performance measurements for indicators key to meeting customer service goals: 1) providing a pre-approval within one business day of receipt of request; 2) entering a new loan on the origination system within two business days of receipt of loan application; 3) activating a new loan on the computerized servicing system within one business day of receipt from origination; and 4) performing a customer satisfaction survey within 10 days of loan funding.

Chart 1, issuing pre-approvals within one business day, shows that the goal was met 96.3% in 2004-05 and increased in 2005-06 to 98.8%.

Chart 2, entering a new loan on the origination system within two business days, shows that the goal was met 99.7% of the time in fiscal year 2004-05 and 100% of the time in 2005-06.

Chart 3, activating a new loan on the computerized servicing system within one business day, was met 97.1% of the time in 2004-05 and 97.3% of the time in 2005-06.

Chart 4, sending a customer satisfaction survey within ten days of loan funding was met 98.6% of the time in 2004-05 and 99.2% of the time in 2005-06.

All of the results demonstrate a high level of achievement and dedication to meeting the Office goals. Performance measurement has been successful in providing business focus and has resulted in the ability to measure impacts of changes to procedures, and to re-evaluate goals, as well as involving Office staff very directly in improving operations.

The other goals that are measured track key operational and/or regulatory requirements to enable on-going evaluation of business processes and procedures. Based upon quarterly results, staff teams have initiated changes designed to improve the effectiveness and quality of services.

Process for Continued Examination

The Office employs a multi-faceted approach of process improvement to insure a meaningful evolution of its core business operations. The Office measures and evaluates its delivery of products and services within the framework of the Office Strategic Plan. An annual action plan is developed to address major actions necessary to improve performance shortfalls or to respond to issues raised in the customer satisfaction surveys. The action items are also based upon external factors affecting the Office's work environment, such as changes in technology and business practices in the lending industry itself. These factors are tracked by attending industry conferences and maintaining subscriptions to several lending industry publications and journals. Feedback from internal and direct customers plays a significant role in the examination of how the Office is meeting their needs and oftentimes leads to changes in the business operations of the Office. As will be discussed in Section VI of this report, the Office also measures its program performance, productivity, and costs against several industry benchmarks to complete its business evaluation.

V. Optimizing Human Resources

A key ingredient necessary for successful delivery of the financial products and services of the Office is a highly motivated and well-trained staff. Over the years, many of the staff members recruited to the Office have come with private or public sector lending and financial planning experience and training. The Office has also been successful in retaining many employees for a long period. This retention history has provided stability to program delivery and reflects a high degree of dedication to the goals of the Office and the bigger University institutional goals as well. Two important factors leading to maximization of the human resources of the Office are maintenance of a stimulating and challenging work environment and adequate staff training and support to keep pace with business climate changes over time.

Work Environment

The Office is structured in two focused work teams: Origination and Servicing. Some employees have responsibilities in each area, but the Manager of Loan Origination and the Manager of Loan Servicing oversee their particular areas of focus to provide continuity and flexibility to respond to differing workloads in loan processing and servicing throughout the year. All levels of staff have a variety of work assignments which provide a challenging, and therefore meaningful, component of each staff member's area of work responsibility. Each member of the Office staff is encouraged to suggest new ways of accomplishing Office goals in a more efficient and customer friendly manner. As part of each employee's annual evaluation, they must develop, in consultation with their supervisor, several substantial personal or team goals that will support the Office and Business and Finance Division goals. This process and focus have given each Office staff member personal ownership and pride in the products and services of the Office.

Staff Development

To support the Office team members and the campus Home Loan Coordinator staff in this process of innovation and process improvement, two of the Office's eight strategic planning goals focus on staff development and training. Associated with these two goals are eight objectives designed to foster continued learning by all University staff involved in the programs of the Office and to insure timely distribution of current program information, manuals, and forms to new and long-term employees. One of the objectives is designed to foster communications between program staff at all locations and thus maintain a high level of cross-functional team commitment to excellence. Office team members are encouraged to attend at least two program-related training programs or courses each year and support is given to Office team members desiring to continue their personal education in areas of knowledge relating to their work.

VI. Financial Results and Industry Benchmarks

There are several internal and external indicators that are useful in assessing how effectively and efficiently the above described products and services are being delivered. In reviewing the financial and productivity factors summarized below, it is useful to keep in mind the high level of customer satisfaction that has been achieved over a multiple year period and the degree of time and staff energy invested in process improvement efforts.

Program Revenues and Reserves

The operations budget for the Office is supported by earnings of the Housing Programs Reserve Fund (Reserve). The major sources of earnings for the Reserve are from investments of the corpus of the Reserve, loan servicing fees charged on all Program loans since 1991, and any net positive earnings of the MOP loan portfolio compared to the STIP rate of return. This last calculation is based upon a monthly comparison of the MOP loan portfolio rate of return to the rate of return of STIP. This calculation results in transfers to STIP from the Reserve if the MOP portfolio under-performs STIP and retention of the excess earnings in the Reserve in months in which MOP out-performs STIP. The 2005-06 annual operating budget of the Office was approximately $1.37 million, compared to $1.61 million dollars earned through fee income from loans being serviced. Of the total budget, $120,000 is budgeted for transaction expenses on behalf of borrowers (costs normally borne by borrowers in the conventional lending environment) or for costs of administering real property temporarily owned by the University as the result of a default on a loan obligation. In addition to covering expenses relating to Program operations and maintaining a neutral STIP earning relationship for the funds used for MOP loans, the Reserve also must repay to STIP any losses of principal due to deterioration of market value of the property securing the loans.

Two Charts in Appendix F display Reserve fund performance since inception of MOP in July 1984. Chart 1 displays the growth of the Reserve fund balance from $9.3 million in June 1984 to $29.4 million in June 2006. This growth of over $20.1 million represents the net earnings of the programs, after accounting for all program operation and loan loss expenses, as well as the MOP portfolio rate of return comparison discussed above. Chart 2 displays the ratio of Reserve fund earnings (net of any earnings of the loan portfolio as compared to STIP) to total expenses for the most recent seven-year period. Over those seven years, the ratio has ranged from 1.6 to 2.0.

The results displayed in these two charts indicate that the Reserve mechanism established to provide working capital for the home loan programs has worked well over the past 22 years. The net earnings have fluctuated based upon predictable cycles of events, while the overall performance has been positive, resulting in a continued healthy Reserve balance necessary to support the business goals of the various University loan programs as they grew in size.

Loan Delinquencies and Losses

One key set of mortgage industry indicators regarding loan portfolio performance is delinquency and foreclosure activity as a percentage of total loans being serviced. Charts 3 through 6 in Appendix F display four of these measures for the MOP portfolio compared to the aggregate industry statistics for California lenders. A quick glance at all four charts shows that the University has maintained a much lower level of delinquency and foreclosure activity in all measured intervals than the general industry experience. The industry data displayed represent two categories of data: (1) Calif-All includes all lenders in California: conventional (non-governmental loans) as well as FHA and VA loans; and (2) Calif-Conv and Calif-Conv Prime include only conventional lenders. These statistics serve to validate the MOP loan parameters and administrative processes as being adequate for protection of the University funds being used for this important program purpose.

Industry Cost and Productivity Benchmarks

This final section presents the results of tracking nine key mortgage industry cost and productivity benchmarks from fiscal year 2000-01 through fiscal year 2005-06. The results shown in Appendix F (Charts 7 – 15) are based upon the University's actual cost, revenue, and production statistics for its mortgage lending activities for each fiscal year compared to similar results for surveyed conventional lenders. The Mortgage Bankers Association annually analyzes major trends in income, expenses, and productivity of the lending industry across the nation. The data used is derived from this survey during the past six calendar years. During the most recent fiscal year (2005-06), the Office funded 259 new MOP loans plus 49 SHLP loans, with an aggregate original loan amount of $161.7 million. For the fiscal year ending June 30, 2006 the average combined servicing portfolio, consisting of MOP loans, bond-financed loans, and campus-funded SHLP loans, was 2,077 loans valued at $714.5 million.

The comparisons displayed in the charts use benchmark data for those categories of firms closest in annual dollar and loan number volume characteristics to the experience of the University program during the past two years. These smaller lenders, much like the University, are more apt to make custom loans and/or service loans for a specialized population, which require a higher level of customer service, resulting in a more labor-intensive process than larger and more production-oriented lenders. The size of the categories of firms used has changed slightly in the Mortgage Bankers Association study. For the specific categories of firm sizes used for the comparisons, see the footnotes to Charts 7 – 15 in Appendix F.

As can be seen from Charts 7 through 10, the University's production benchmark results are generally equal to or better than the industry averages. Charts 7 and 8 indicate that both staffing costs and overall expenses per loan produced have been less than or equal to both industry groupings over the past six years. The number of loans produced per employee and per loan underwriter (Charts 9 and 10) exceeded the benchmarks for the industry groups in 2000-01 and 2001-02, and have been in line with industry benchmarks over the past four years. The number of loans produced per Office employee and per loan underwriter during this time period has decreased due to an increase in Office staffing. This statistic is also sensitive to the annual fluctuations in loan volume.

The servicing comparisons show that over time, the Office performance has improved as the program has grown. Chart 11 shows that until 2002-03 staffing costs per loan were declining as the total number of loans serviced by the Office increased. Chart 12 indicates that the overall servicing expenses per loan also increased in 2003-04, after declining in prior years and has begun to decrease slightly in the last two fiscal years. Beginning in 2002-03, the increased servicing expenses are due primarily to the increased workload associated with loan sales and on-going servicing requirements of the loans sold to multiple external investors. Chart 13 indicates that per loan service fees earned exceed the industry benchmarks. Chart 14 displays that the average number of loans serviced per servicing employee at the Office had been trending upwards until 2002-03, decreased slightly in 2003-04 and 2004-05 and is again trending upwards. Finally, Chart 15 displays that the University’s net income per loan continues to exceed that for the industry comparison group. This differential is due to the high average loan amount in the University’s portfolio.

VII. Conclusion

The financial and productivity results presented throughout this report demonstrate the efficacy of the past and current levels of investment of time, resources, and funds in the ongoing efforts to maintain state of the art technology coupled with a well trained and highly motivated team. The continued high levels of customer satisfaction are the result of a long-term commitment to process improvement and adjustments to product design and delivery mechanisms. This ability has been maintained over the 22-year life of the Office through hiring and retention of dedicated staff and focusing of adequate financial resources to maintain and develop adequate systems to keep pace with growth and changes in the external environment. The purpose of this report and the Office Strategic Plan is to ensure that those resources and planning efforts are maintained to enable a continuation of this successful program.

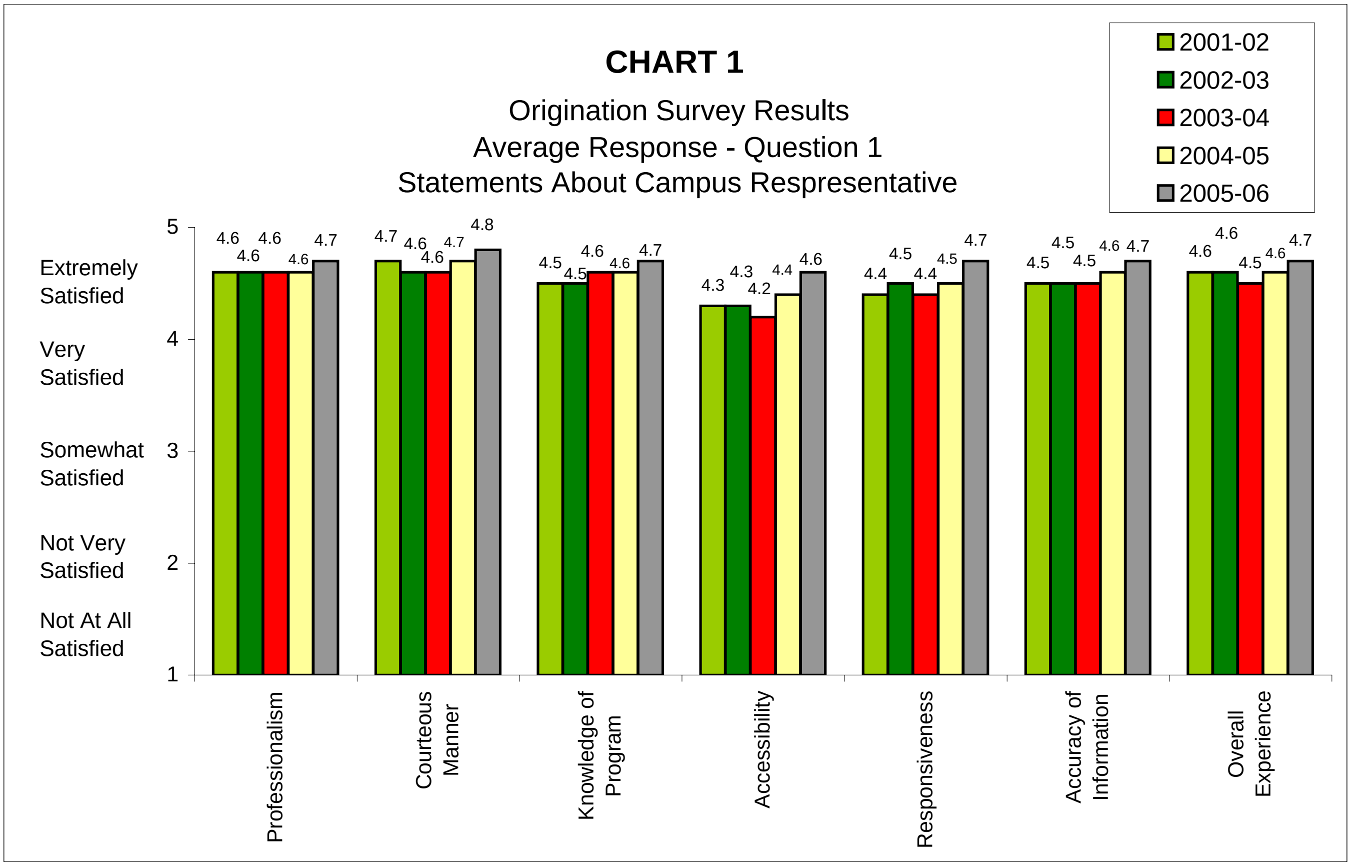
APPENDIX A

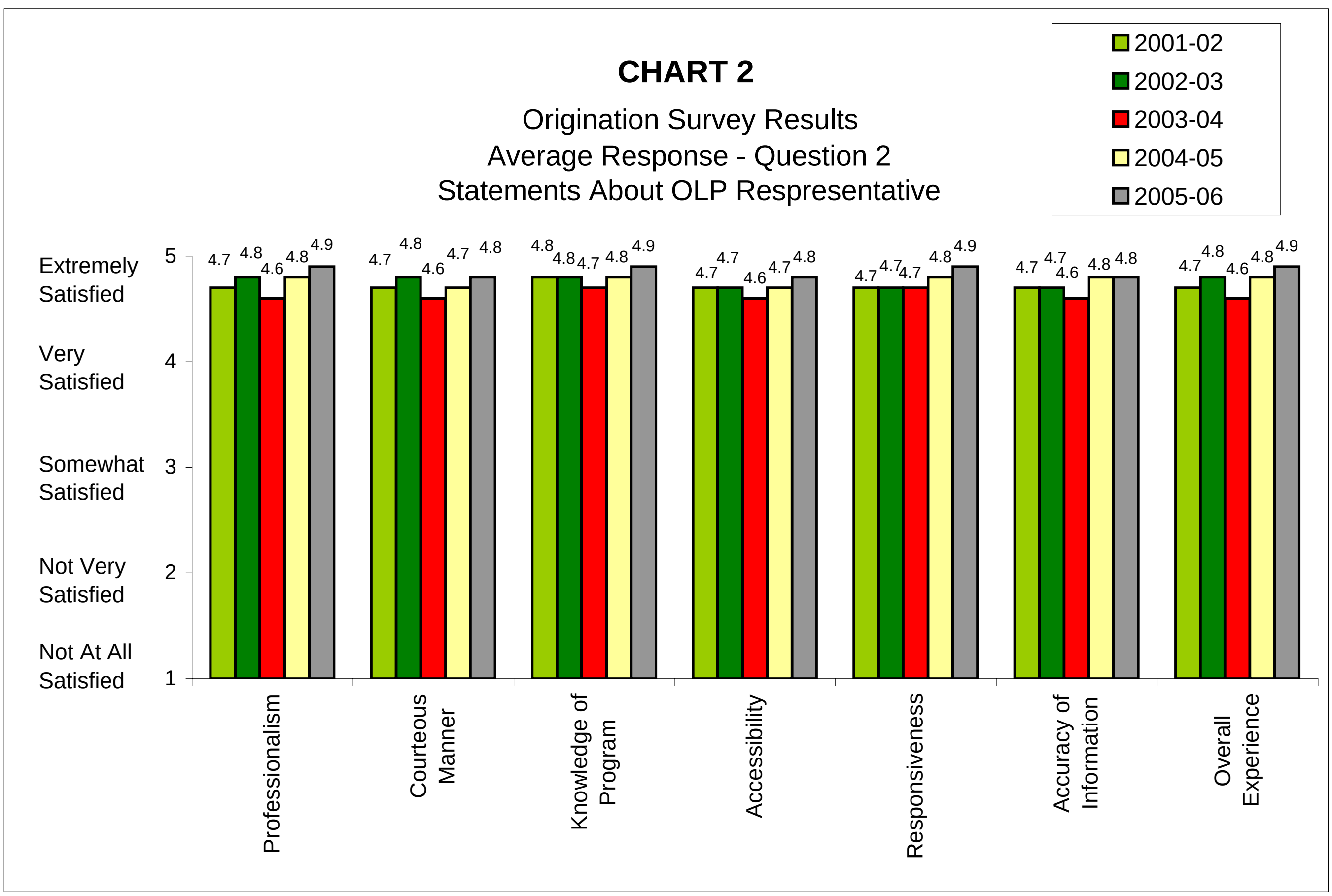
2005-2006
Business Assessment Report

OFFICE OF LOAN PROGRAMS

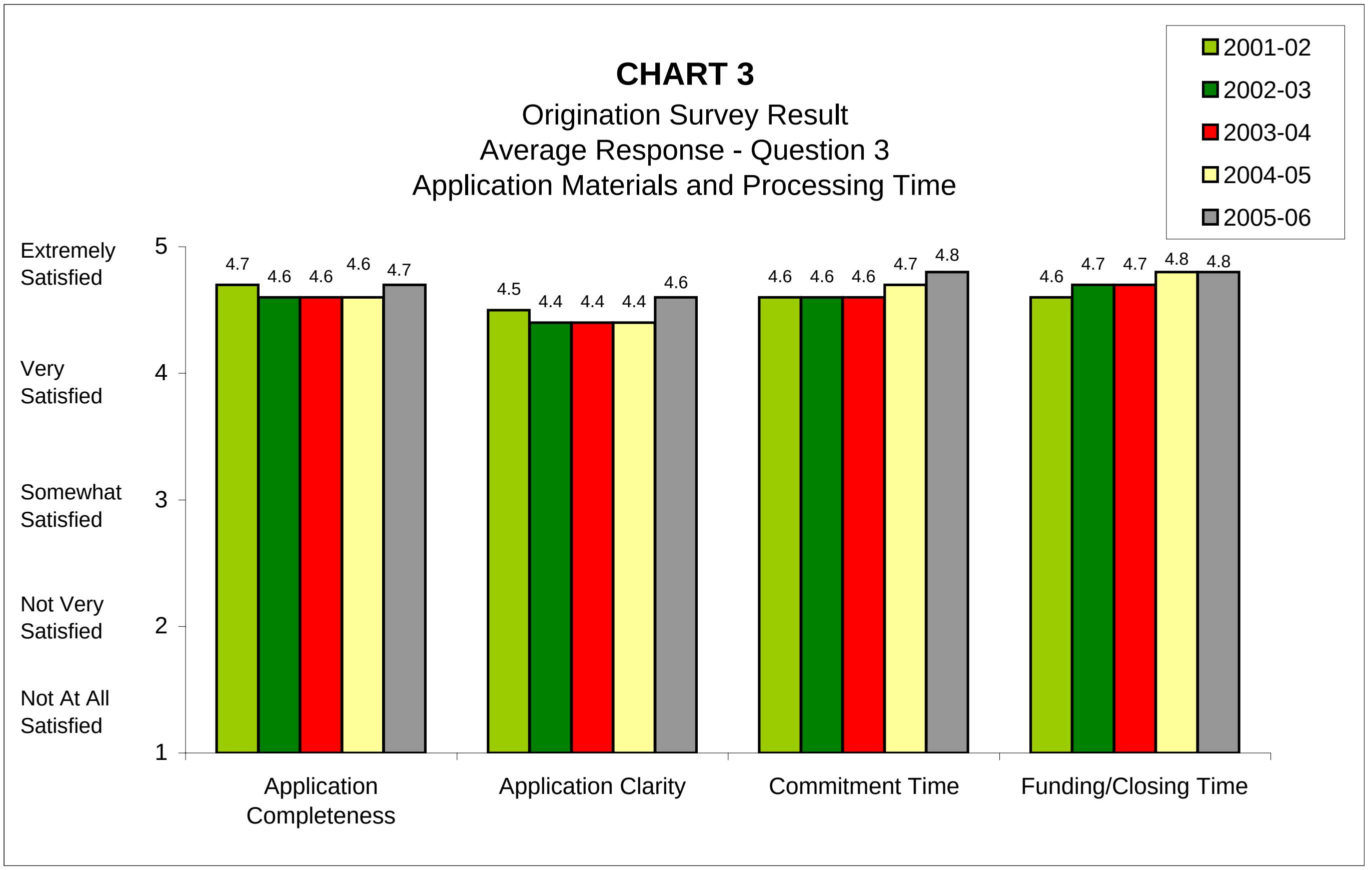
CUSTOMER SATISFACTION SURVEY RESULTS
LOAN ORIGINATION

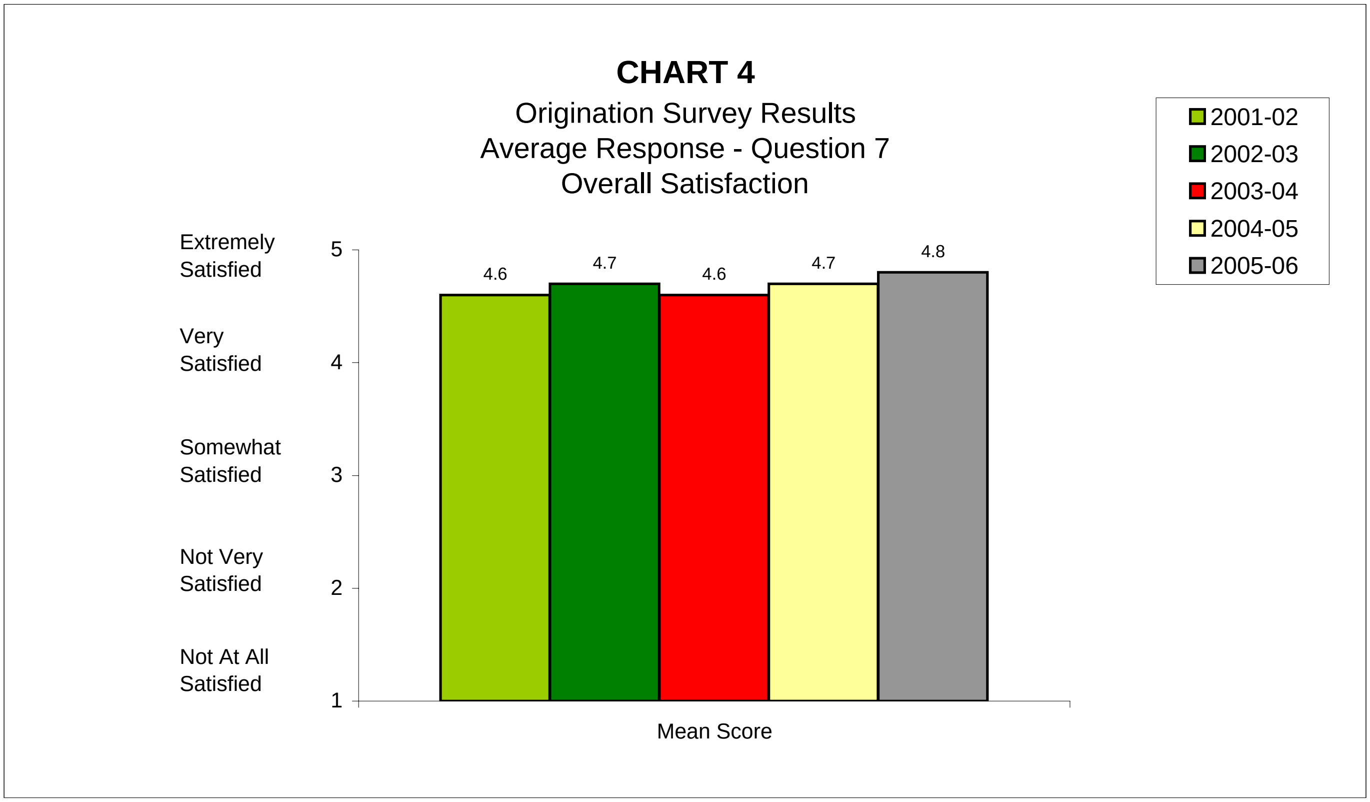
APPENDIX A: CUSTOMER SATISFACTION SURVEY RESULTS
LOAN ORIGINATION





APPENDIX A: CUSTOMER SATISFACTION SURVEY RESULTS
LOAN ORIGINATION





APPENDIX A: CUSTOMER SATISFACTION SURVEY RESULTS
LOAN ORIGINATION

Representative Survey Comments: Fiscal Years 2004-05 and 2005-06

Thanks! The MOP program made my purchase possible.

Having worked with a similar program at another University, I can tell you the UC program is far superior. So far, my experience has been extremely positive. Thank you!

The whole process and the fact that I could buy a home, make me feel really great about my decision to come to the University of California

My experience with this program was top-rate. We were extremely impressed with the OLP Representative and the Campus Representative and the services they provided.

We were extremely satisfied with our entire experience. Moreover, our real estate agent and title company were extremely satisfied with the entire experience as well.

This was an excellent hassle-free service at every level. The easiest loan we have obtained in five purchases. Also, special commendations to the OLP Representative for outstanding professionalism.

The coordination between the campus and the loan office at UCOP is wonderful. This is a marvelous program. Please keep it!

Both the Campus Representatives and the OLP underwriters are very professional, responsive and helpful. We are very satisfied with our loan application process. It's smooth and free of hassle. We want to say "thank you!"

It is a great program and frankly one of the key elements in making my decision to take another job with UC. I have had several other loans and no loan or broker can compare to this program. First rate work! I wish everything went as smooth as this did. Thanks you! We love our home.

Let the senior faculty know this is a good program. When I first interviewed, I talked to several senior faculty at my campus that described the loan program as inferior since all interest rates were so low anyway. Still, MOP gave me a much better initial rate than any bank.

The program was a big reason I teach at UC and it has been a terrific success for my wife and me. It was very important for us to acquire the loan and close quickly. You made it not only possible but easy. I couldn't be happier with this program. Every person I worked with was smart, fast, informed.

The MOP program was a big selling point for the university in convincing me to accept job offer here. Without it, it would have been tough for me to buy a house in this area. The fact that the staff that helped me both at my campus and in Oakland was so helpful and knowledgeable has reassured me that I made the right decision in moving here. Keep up the good work! Employee benefits like this are extremely important!

APPENDIX A: CUSTOMER SATISFACTION SURVEY RESULTS
LOAN ORIGINATION

Representative Survey Comments: Fiscal Years 2004-05 and 2005-06

My husband and I were first time home buyers, and to put it simply, we could not have done it without the helpful staff at the UC loan office. Starting with our Campus Representative and the staff at the loan office. All were kind and knowledgeable, as well as efficient. My husband and I, as well as our real estate agent who has 20 years of experience in the Bay Area, were particularly impressed with the OLP Representative and the efficient ways in which we were assisted throughout the loan process. We had a very short-term close (17 day escrow-which even in this competitive market, is considered fast) and the success of this was all due to the OLP Representative. I want to add that we bought the first home we have ever put an offer on, and all thanks to the UC loan office folks who made this anxious experience quite favorable.

MOP is a wonderful program, especially for junior faculty, who otherwise would probably not be able to purchase a home.

It is a privilege to have the mortgage benefit, and a pleasure to work with the Office of Loan Programs. The OLP Representatives are great!

I found it to be an extremely easy and positive experience. Everyone I dealt with was extremely helpful, nice and knowledgeable (particularly the Campus Representative). Thanks!

Overall, a wonderful experience-Campus Representative was just amazing. I had two other lending options and am very glad to have chosen the MOP. Many thanks!

This was one of the most simple and stress-free home loan applications I've ever submitted. The process was facilitated by the very prompt and amiable service provided by the Campus Representative.

We worked with the OLP Representatives. They were extremely patient and accessible for all our first-time home buyer's questions! This really helped us reduce our stress level about the process because they are both very clear about giving instructions and guidance.

I moved to California from out of the country. It was very useful to be able to communicate by e-mail, exchange documents by FedEx, and have quick replies to my questions. I'm especially grateful to the OLP Representative for all the help.

Our OLP Representative was extremely helpful, knowledgeable, and courteous. The entire experience was very easy and low-stress for me. I have already recommended the MOP to other faculty at my campus. Thank you!

My experience with OLP was excellent from start to finish! Extremely professional, responsive and timely. I could not have asked for better service. The OLP staff really made purchasing our first home a painless one. My agent and I were very impressed with OLP’s responsiveness. I would work with OLP again without question. Without OLP, we would have been unable to purchase a home. Thank you.

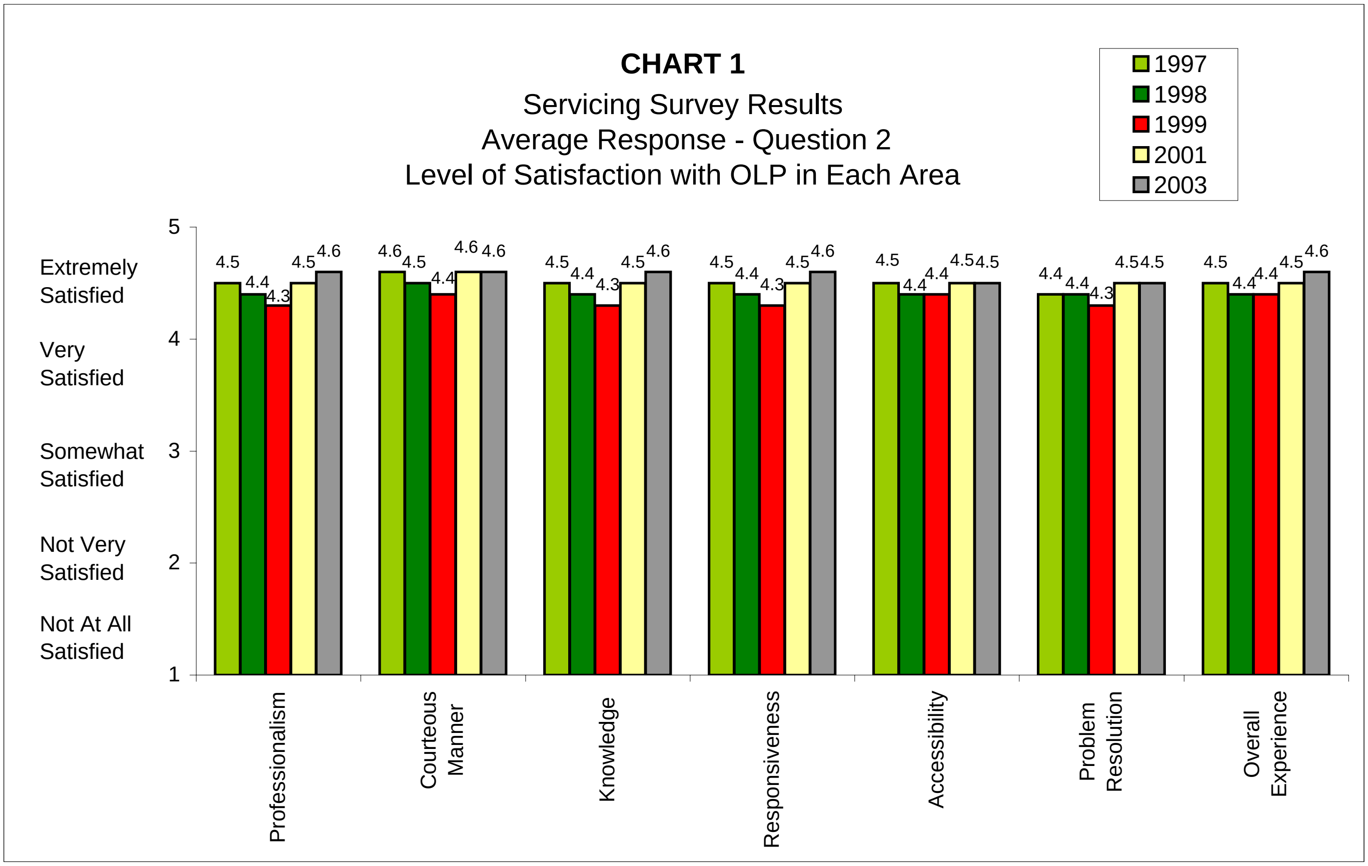
APPENDIX B

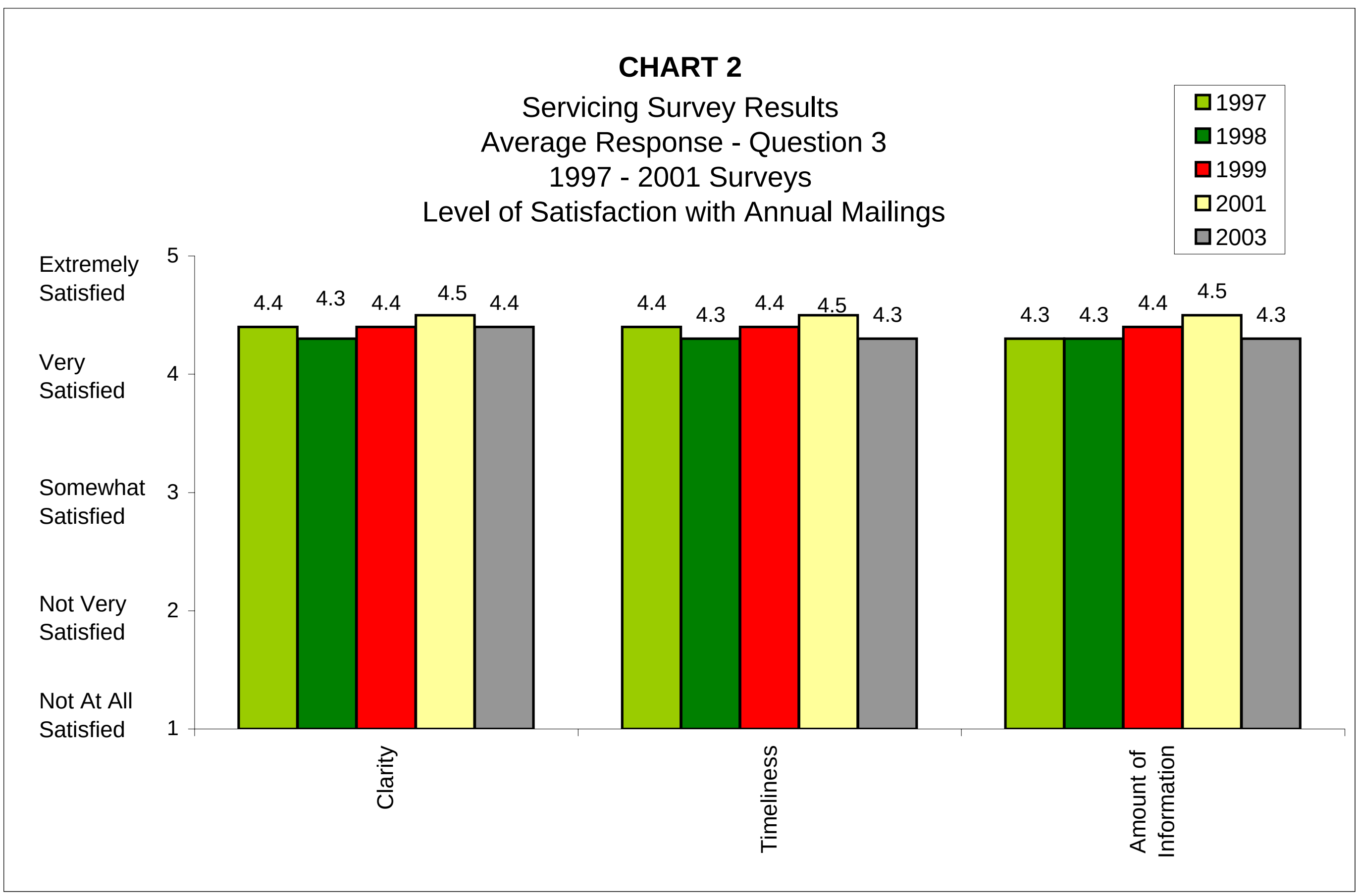
2005-2006
Business Assessment Report

OFFICE OF LOAN PROGRAMS

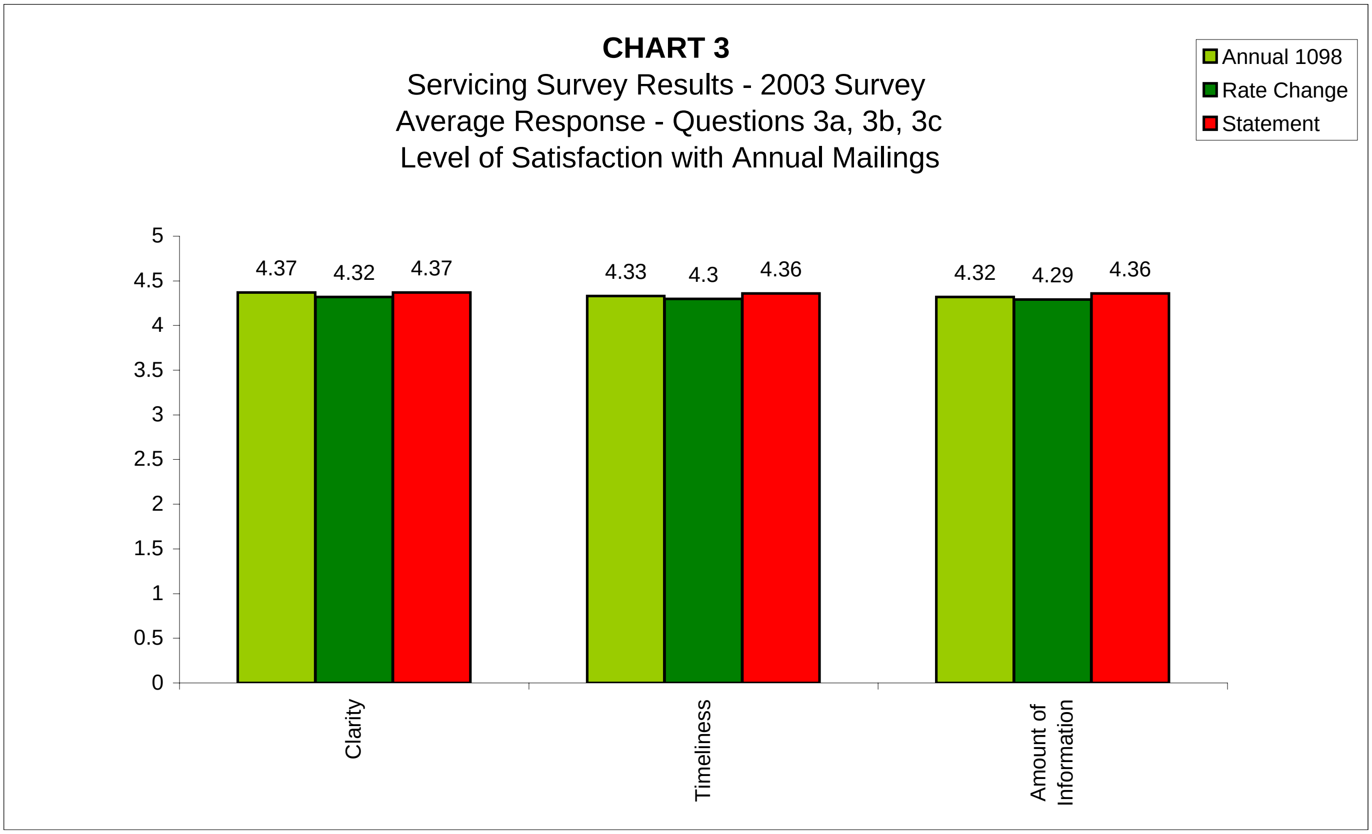
CUSTOMER SATISFACTION SURVEY RESULTS
LOAN SERVICING

APPENDIX B: CUSTOMER SATISFACTION SURVEY RESULTS
LOAN SERVICING





APPENDIX B: CUSTOMER SATISFACTION SURVEY RESULTS
LOAN SERVICING



APPENDIX B: CUSTOMER SATISFACTION SURVEY RESULTS
LOAN SERVICING

Representative Survey Comments: Survey Year 2004

In the five years I have dealt with OLP, I have been consistently impressed by the responsiveness of its staff, and the quality of their service. I trust them-something I would not be inclined to say about any other mortgage company!

The staff at the Loan Office is excellent-they have been very professional and helpful in all of our contact with them.

I greatly value this program. We have been pleased with the service and the security of the loan. I consider this program among the best benefits offered to faculty.

The MOP program is the greatest benefit of UC employment. During my University career, I have been provided the best service, attitude and quality, quantity of effort. This program is the model of customer service, efficiency and product . . .

Excellent program that is essential for faculty recruitment and retention.

There's no way I could have bought this (modest) house without the MOP. The staff have been responsive and courteous. The loan rate has dropped substantially each year. I'm delighted!

Excellent benefit. Crucial for retention of faculty.

This is an incredibly useful and important service for new faculty, especially in California where home prices are outrageous. Thank you.

The MOP and OLP is a huge bonus to being faculty in the UC system. I have nothing but good things to say about you! Thanks.

My contact with employees at UCR & at the system level has been consistently professional and outstanding. I am very grateful for this program. I could not own a home without it.

Great service. We need it more than ever to attract 1st rate faculty!

APPENDIX C

2005-2006
Business Assessment Report

OFFICE OF LOAN PROGRAMS

LEADERSHIP AND MANAGEMENT SURVEY RESULTS

APPENDIX C: LEADERSHIP AND MANAGEMENT SURVEY RESULTS

CHART 1
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
OLP STAFF ATTRIBUTES

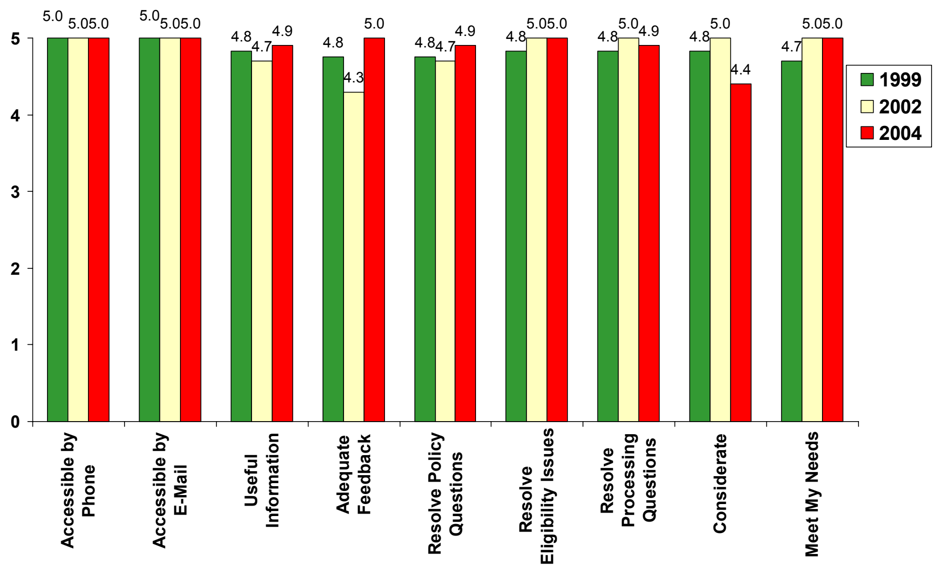
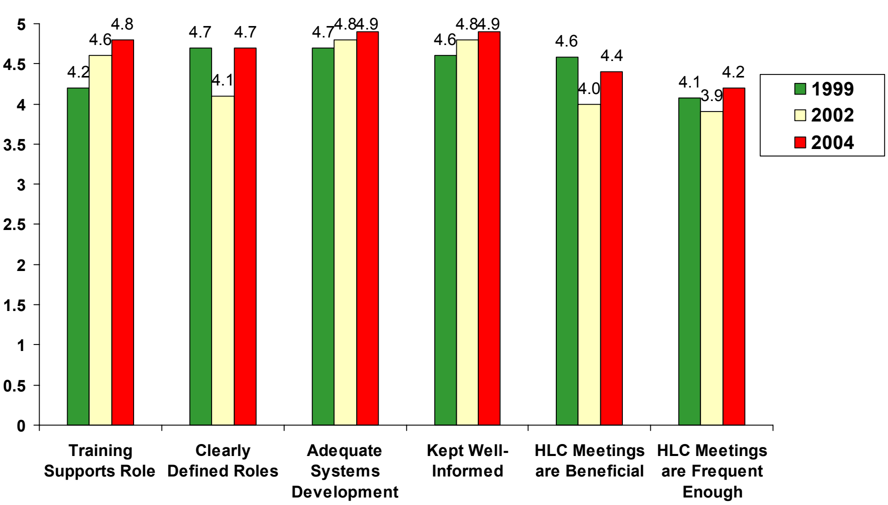


CHART 2
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
TRAINING, SYSTEMS, COMMUNICATIONS



APPENDIX C: LEADERSHIP AND MANAGEMENT SURVEY RESULTS

CHART 3
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
AVAILABLE RESOURCES

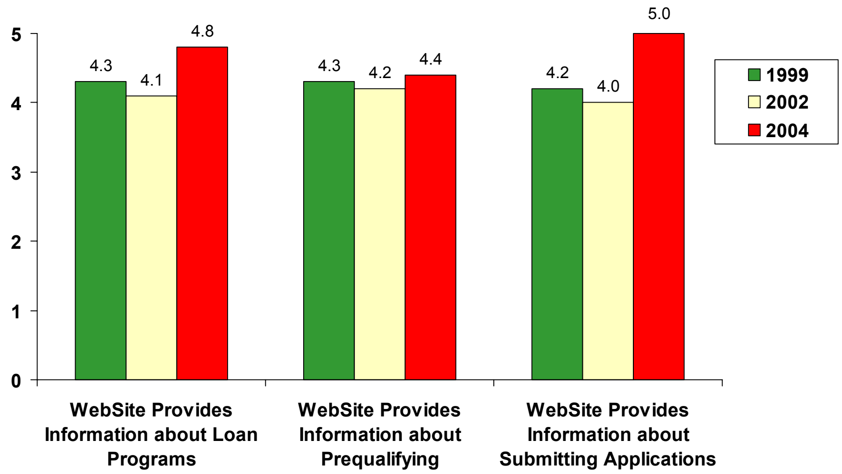
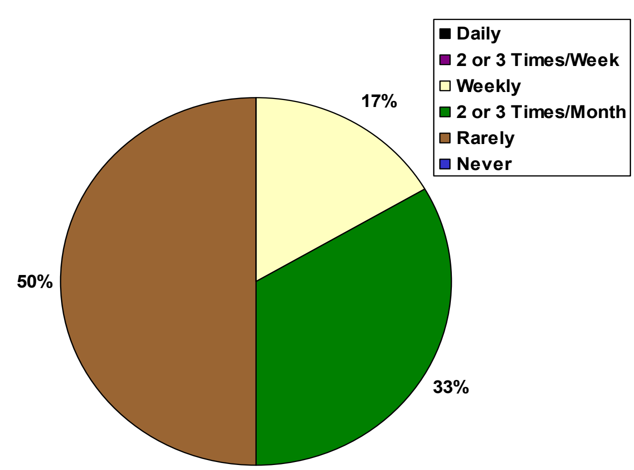


CHART 4
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
FREQUENCY OF ACCESSING UC WEB SITE – 1999 Survey



APPENDIX C: LEADERSHIP AND MANAGEMENT SURVEY RESULTS

CHART 5
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
FREQUENCY OF ACCESSING UC WEB SITE – 2002 Survey

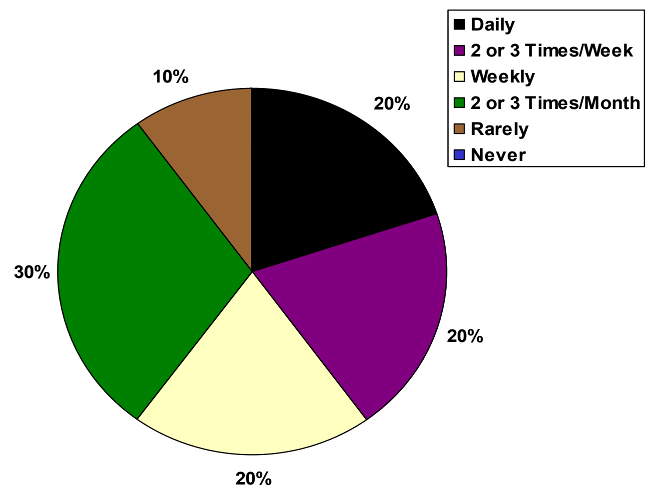
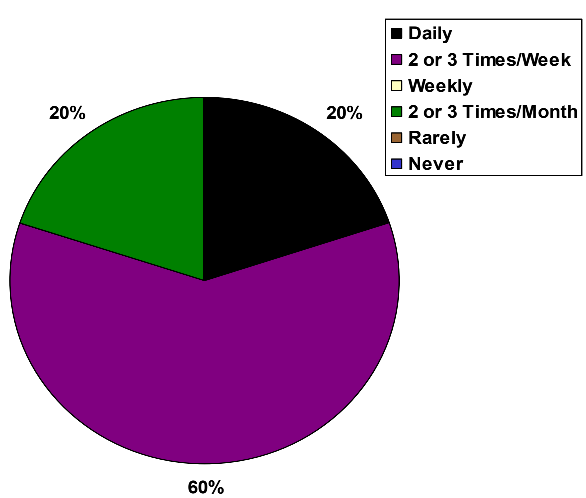


CHART 6
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
FREQUENCY OF ACCESSING UC WEB SITE – 2004 Survey



APPENDIX C: LEADERSHIP AND MANAGEMENT SURVEY RESULTS

CHART 7
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
MOPQUAL USAGE TO PREQUALIFY BORROWERS –1999 Survey

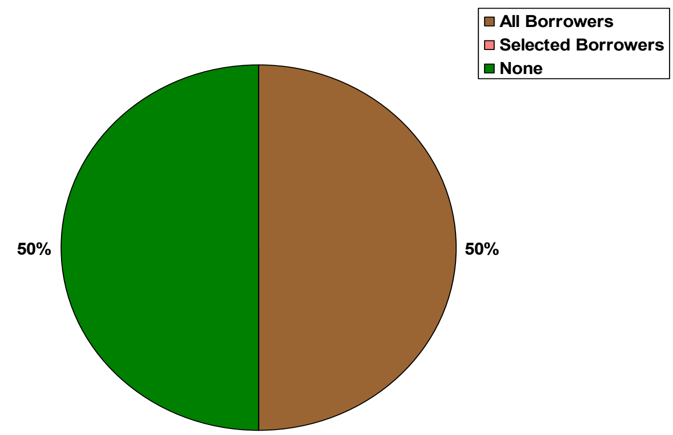
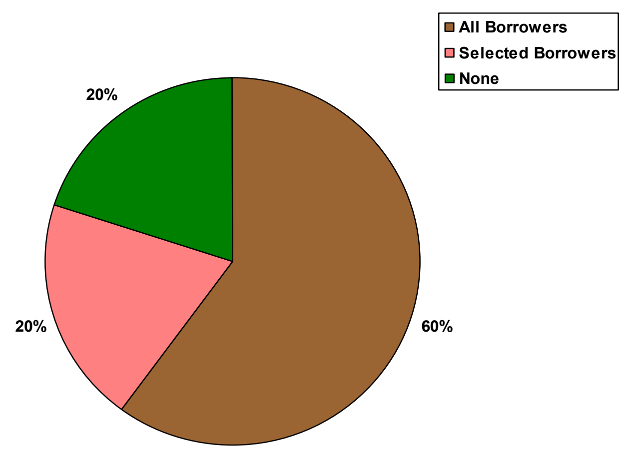


CHART 8
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
MOPQUAL USAGE TO PREQUALIFY BORROWERS – 2002 Survey



APPENDIX C: LEADERSHIP AND MANAGEMENT SURVEY RESULTS

CHART 9

LEADERSHIP AND MANAGEMENT SURVEY RESULTS
MOPQUAL USAGE TO PREQUALIFY BORROWERS – 2004 Survey

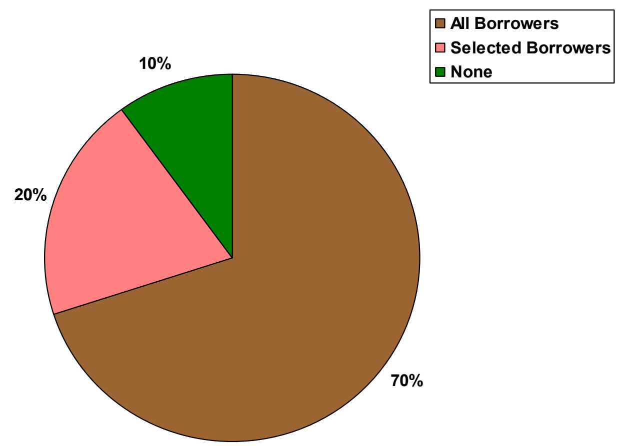
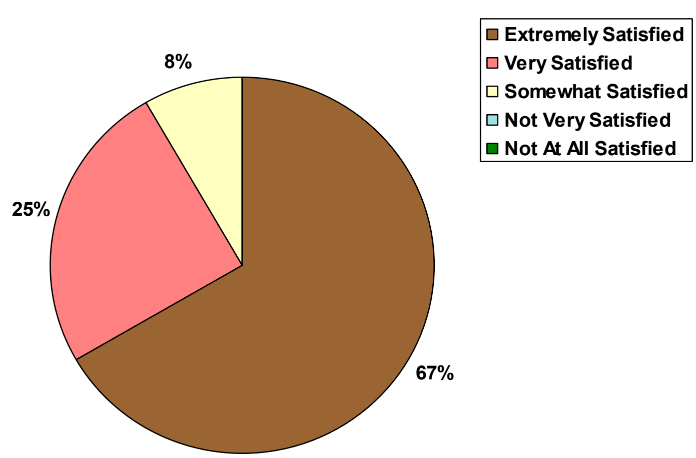


CHART 10

LEADERSHIP AND MANAGEMENT SURVEY RESULTS
OVERALL SATISFACTION – 1999 Survey



APPENDIX C: LEADERSHIP AND MANAGEMENT SURVEY RESULTS

CHART 11
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
OVERALL SATISFACTION – 2002 Survey

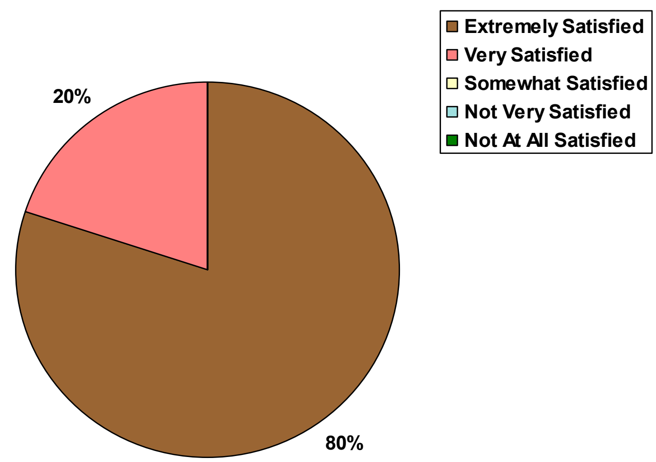
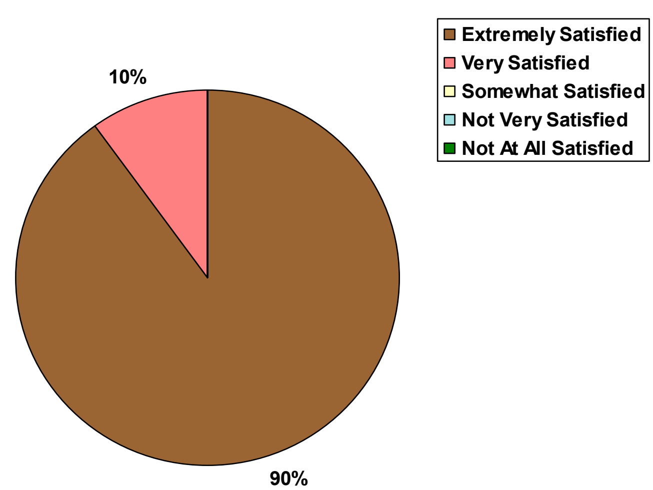


CHART 12
LEADERSHIP AND MANAGEMENT SURVEY RESULTS
OVERALL SATISFACTION – 2004 Survey



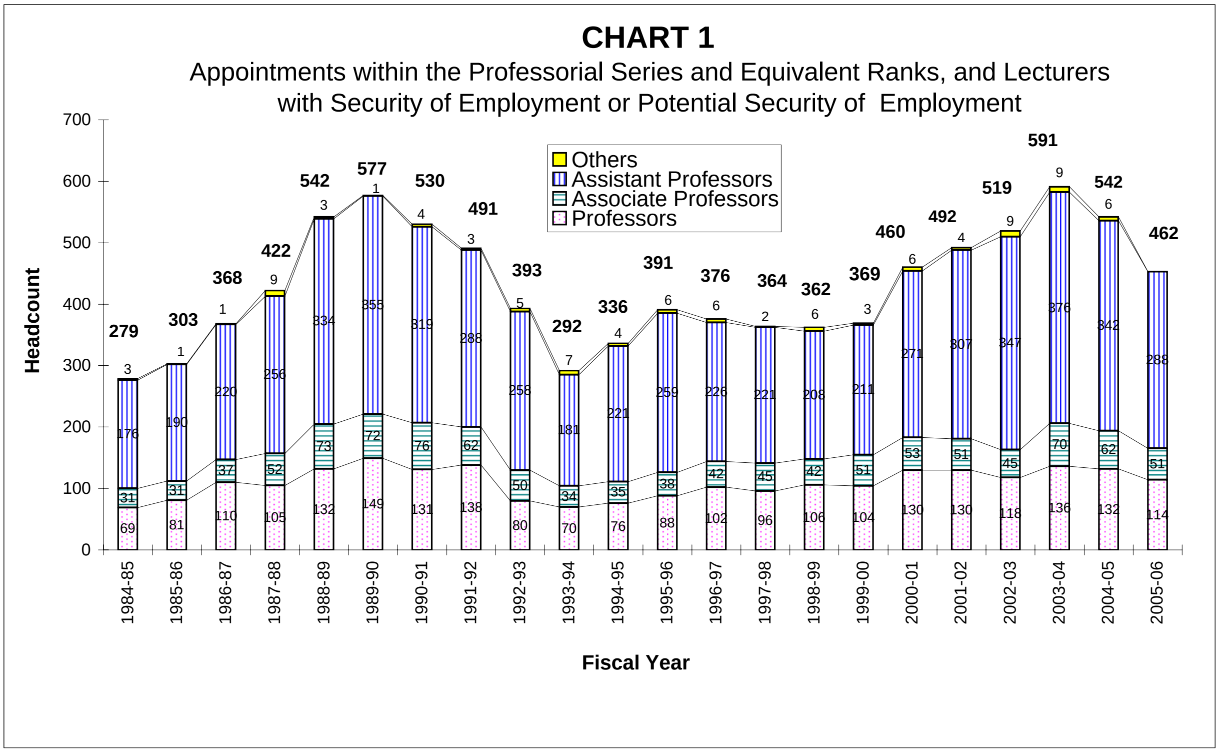
APPENDIX D

2005-2006
Business Assessment Report

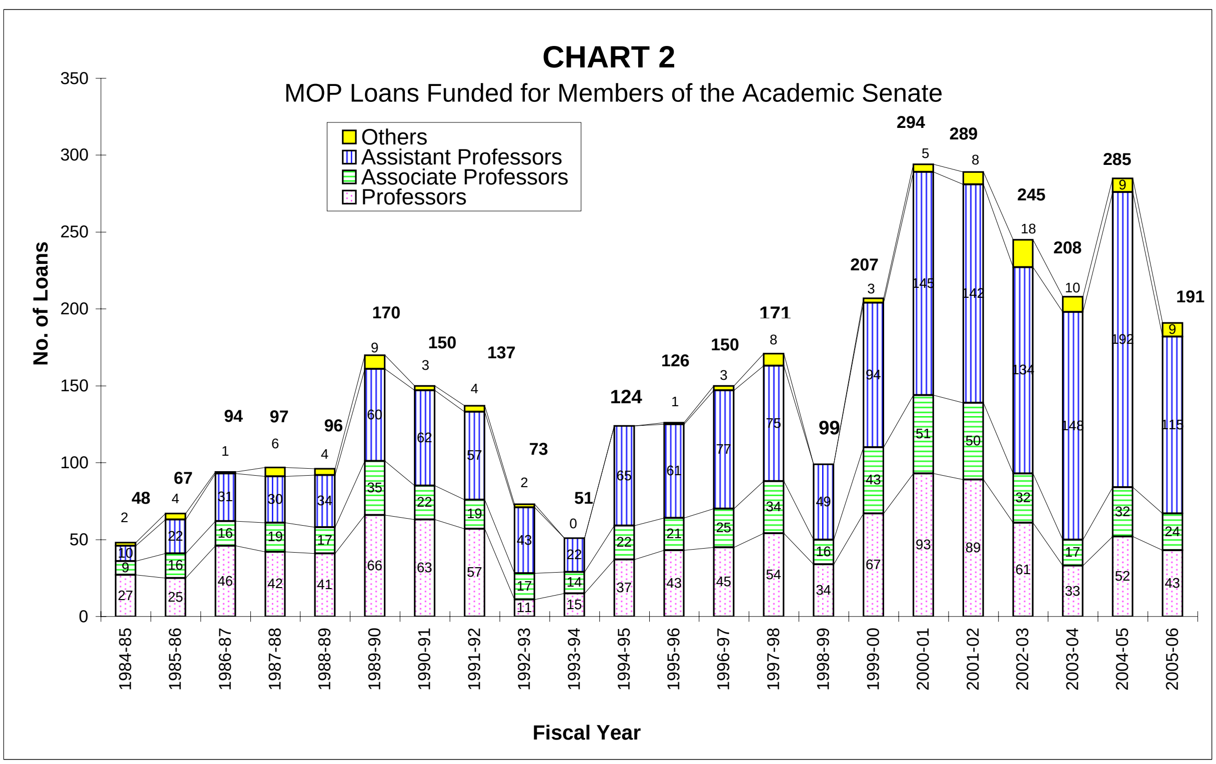
OFFICE OF LOAN PROGRAMS

BUSINESS CLIMATE INDICATORS

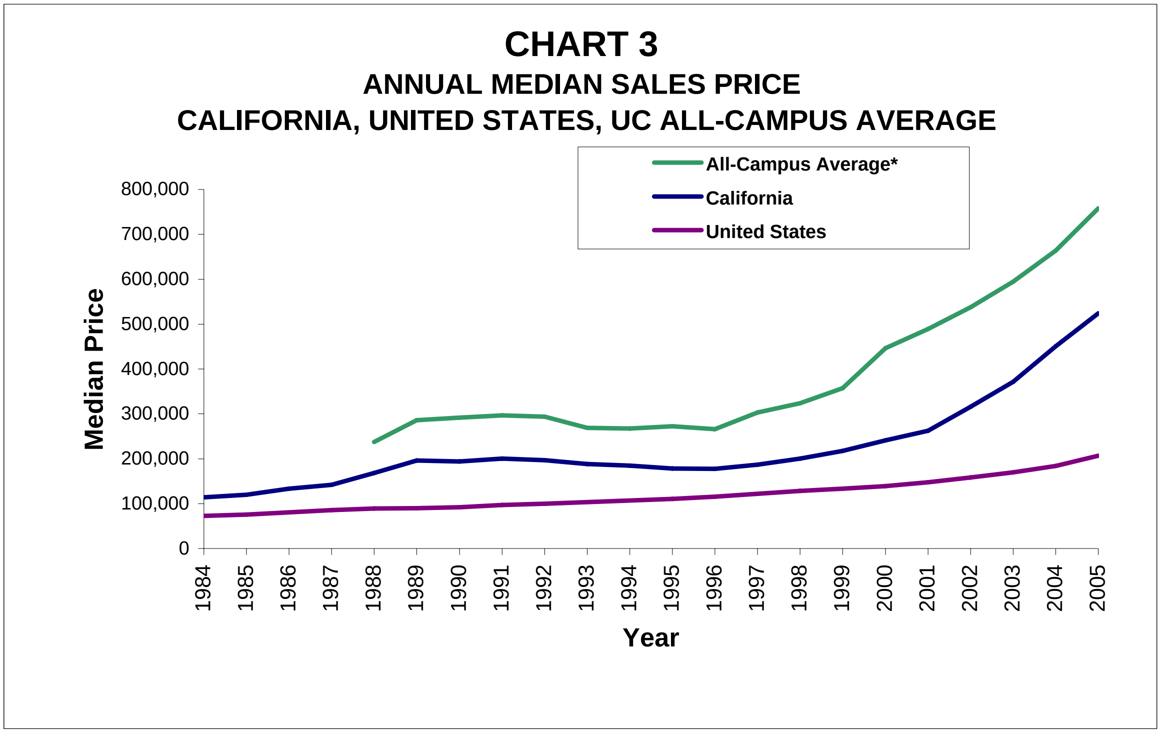
APPENDIX D: BUSINESS CLIMATE INDICATORS



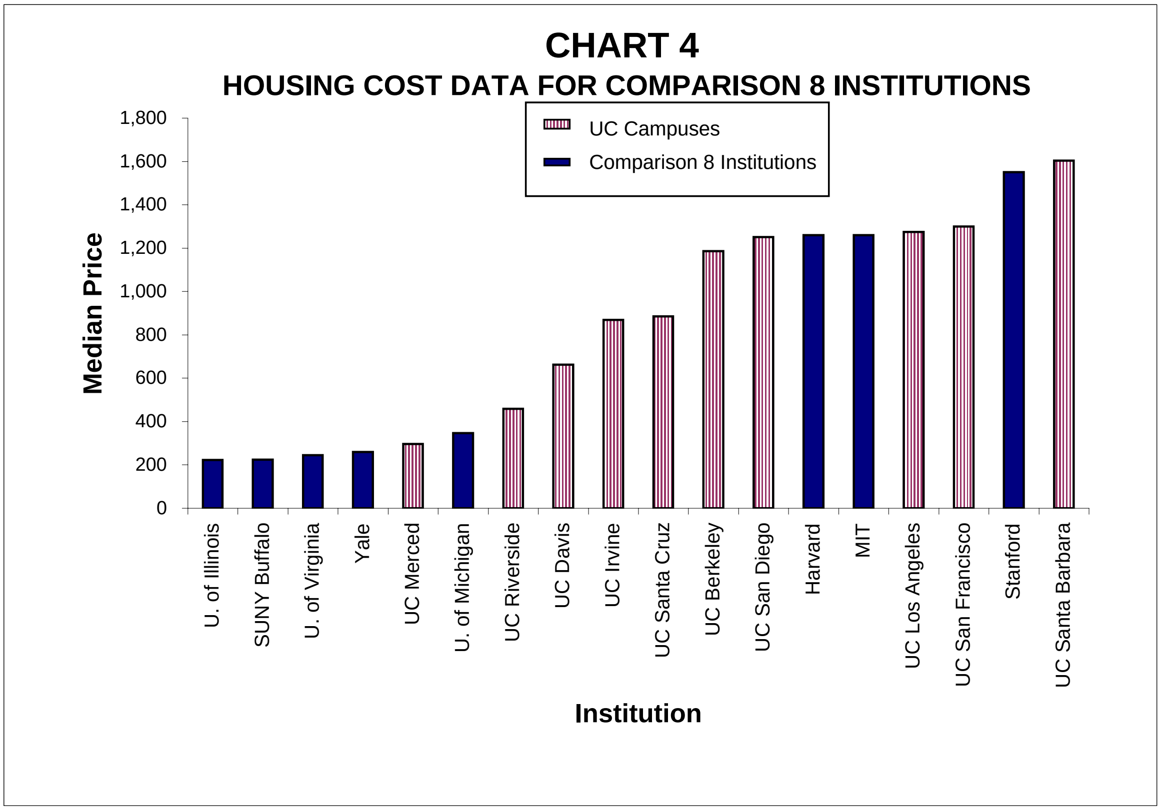
Source: Annual Academic Personnel Statistical Report, Academic Affairs



APPENDIX D: BUSINESS CLIMATE INDICATORS

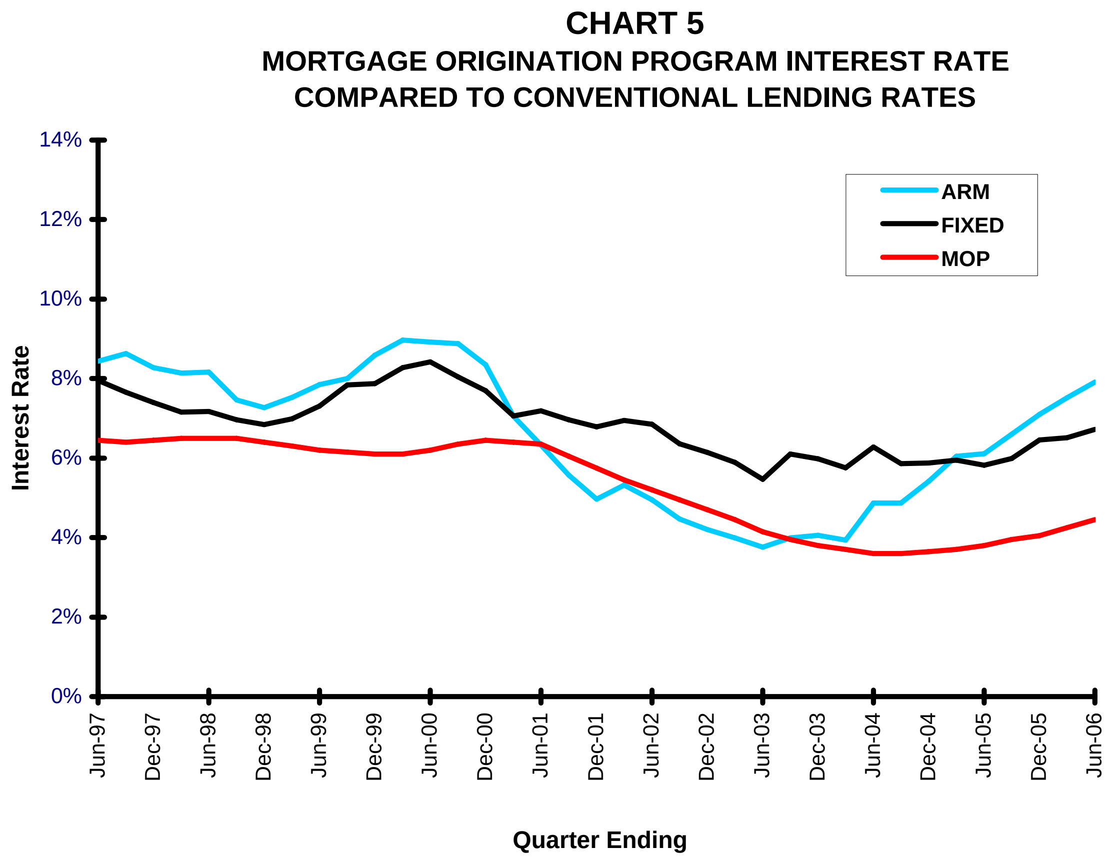


*Prior to 2004, the All-Campus average included 9 campuses. Beginning in 2004, the Merced campus is included, for a total of 10 campuses.



Note: Chart 4 data is as of Fall 2005

APPENDIX D: BUSINESS CLIMATE INDICATORS



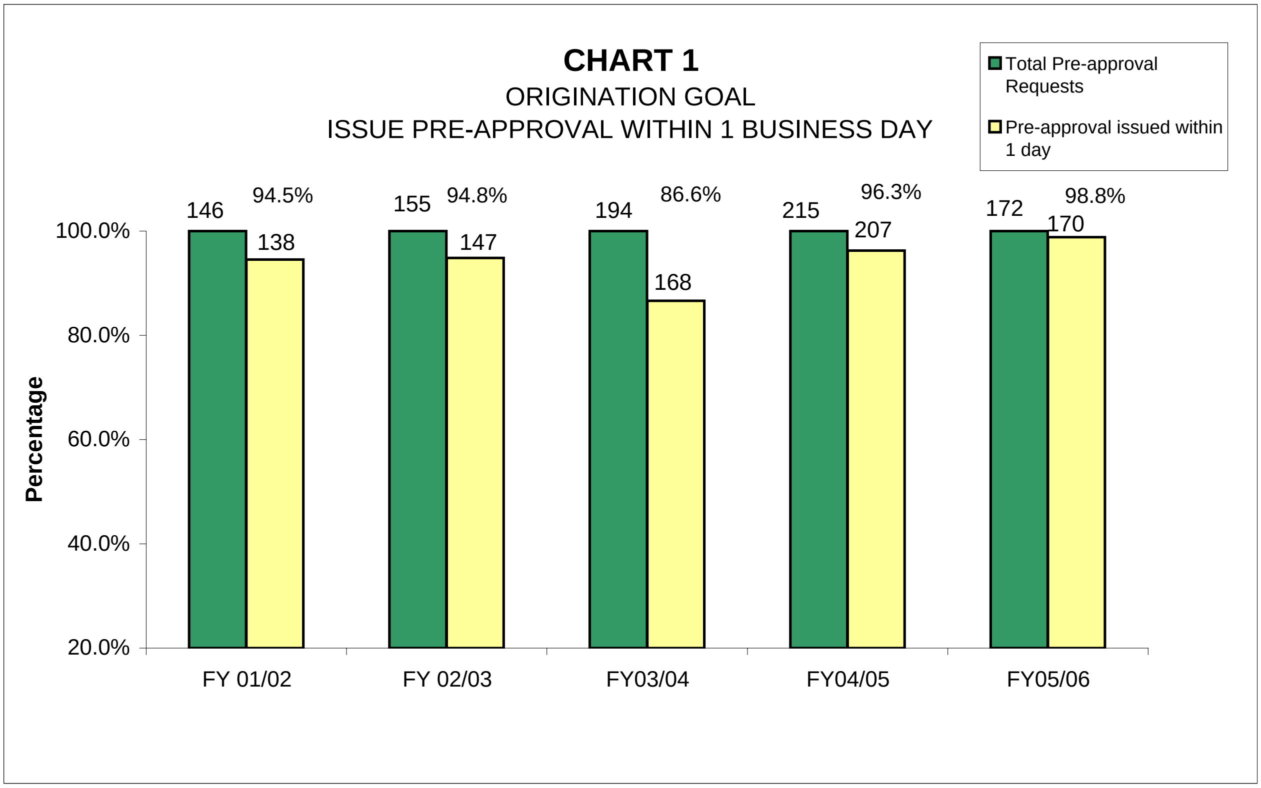
APPENDIX E

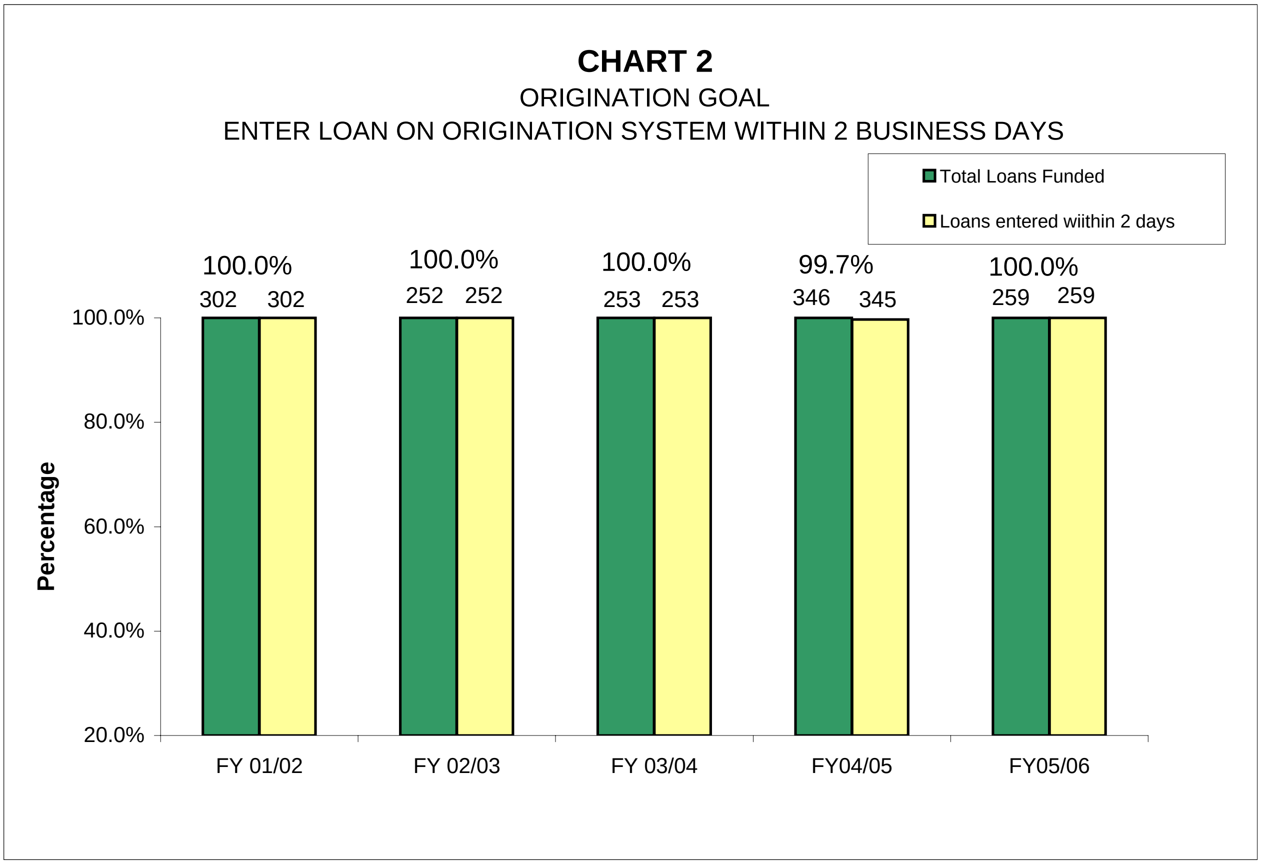
2005-2006
Business Assessment Report

OFFICE OF LOAN PROGRAMS

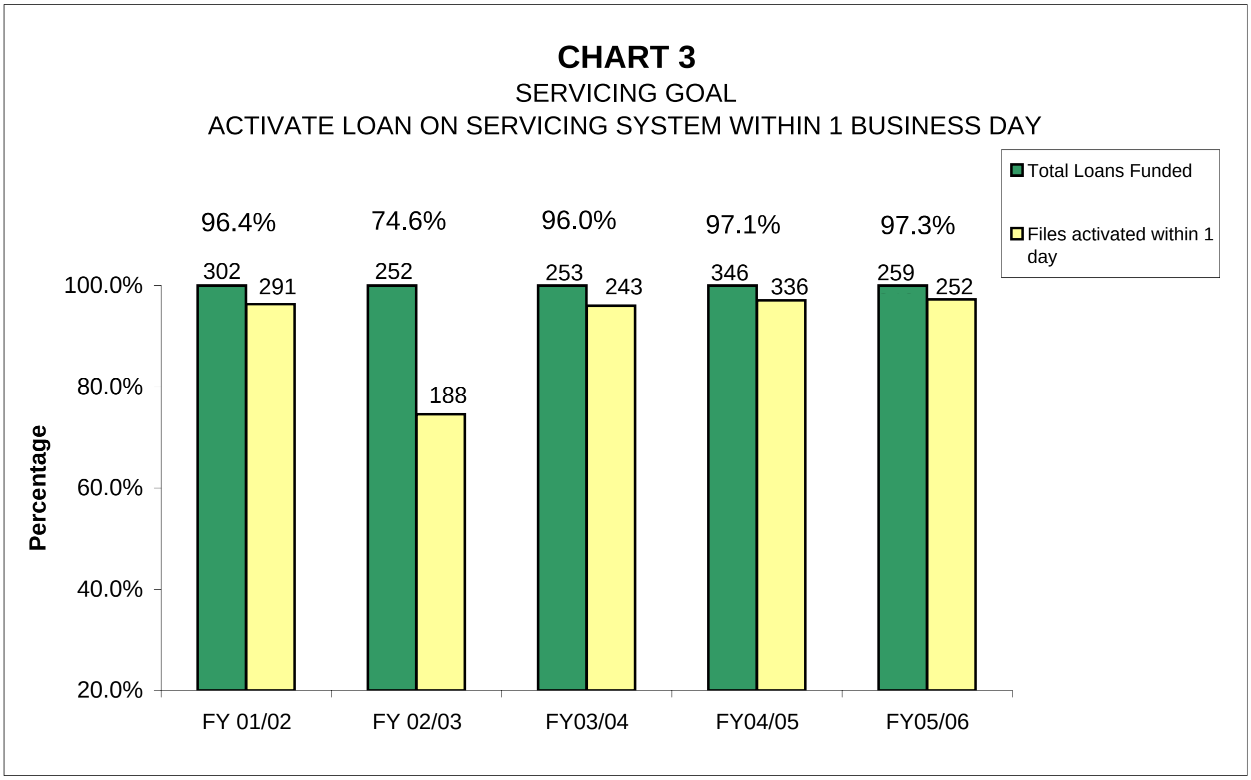
PERFORMANCE MEASUREMENTS

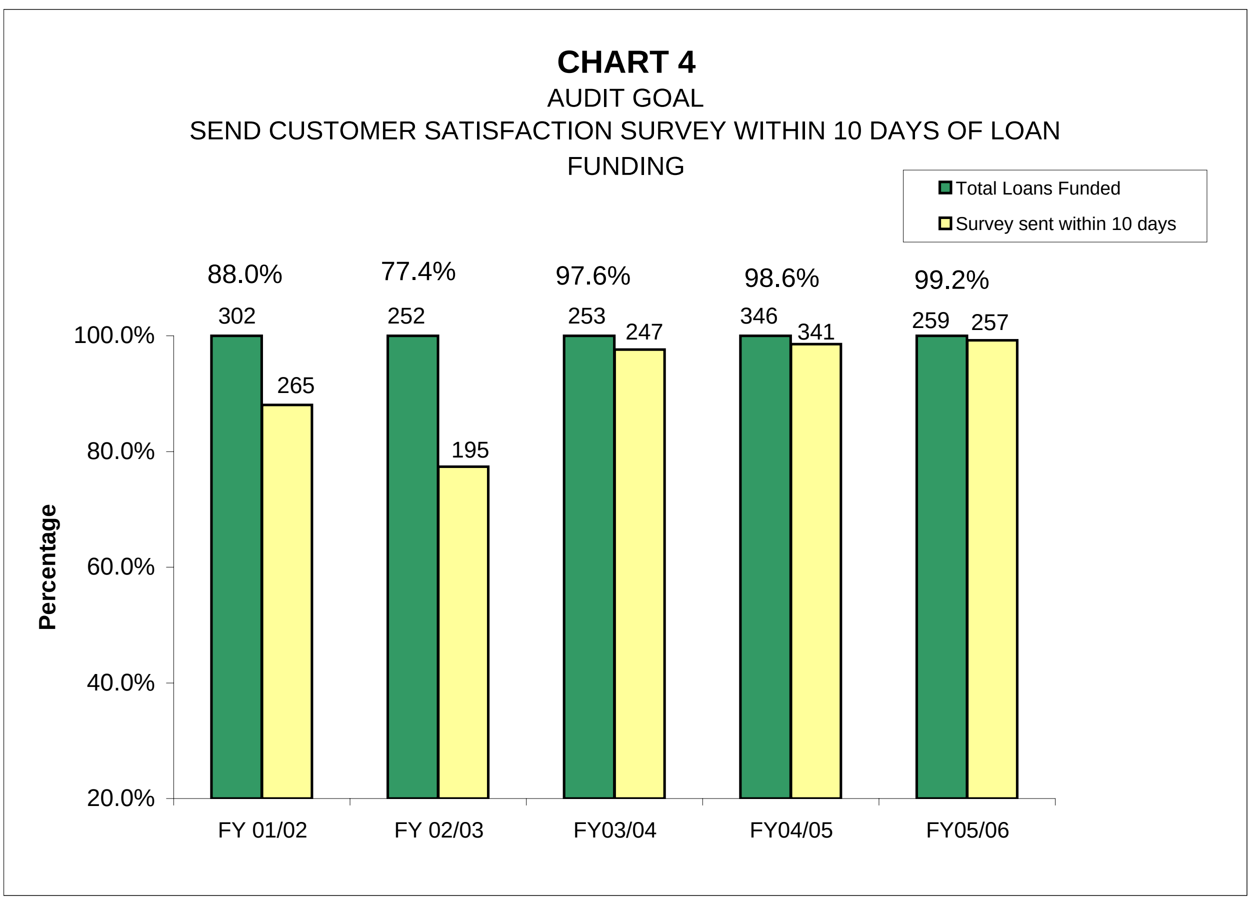
APPENDIX E - PERFORMANCE MEASUREMENTS





APPENDIX E - PERFORMANCE MEASUREMENTS





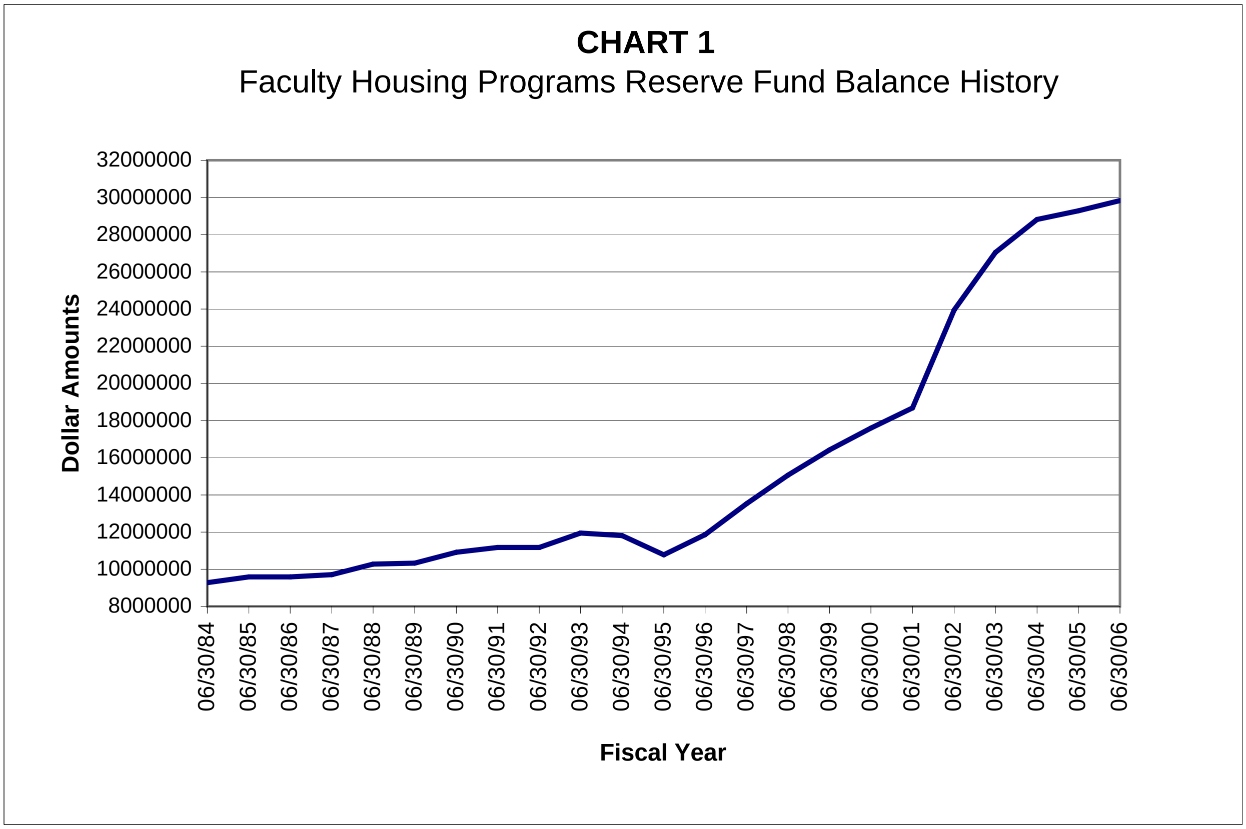
APPENDIX F

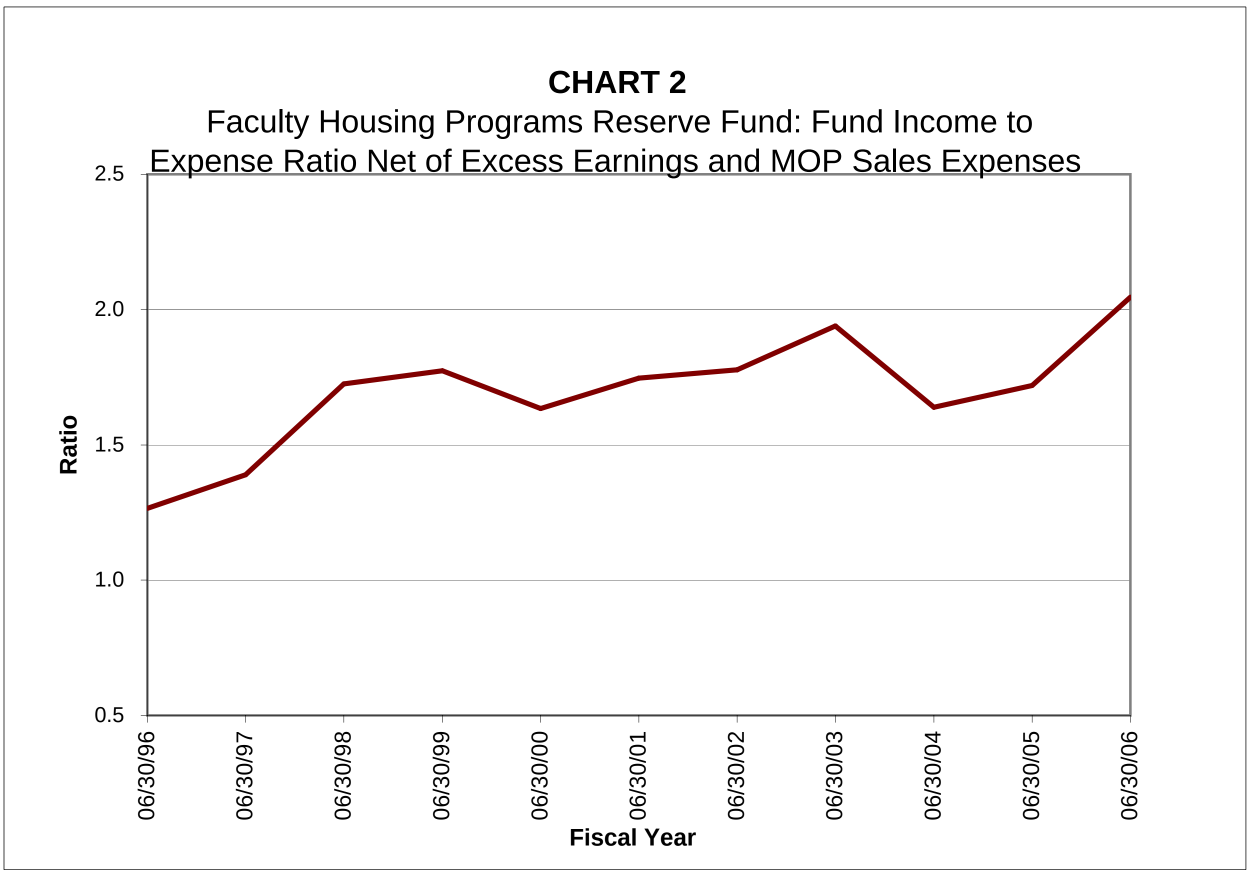
2005-2006
Business Assessment Report

OFFICE OF LOAN PROGRAMS

FINANCIAL RESULTS AND INDUSTRY BENCHMARKS

APPENDIX F: FINANCIAL RESULTS AND INDUSTRY BENCHMARKS





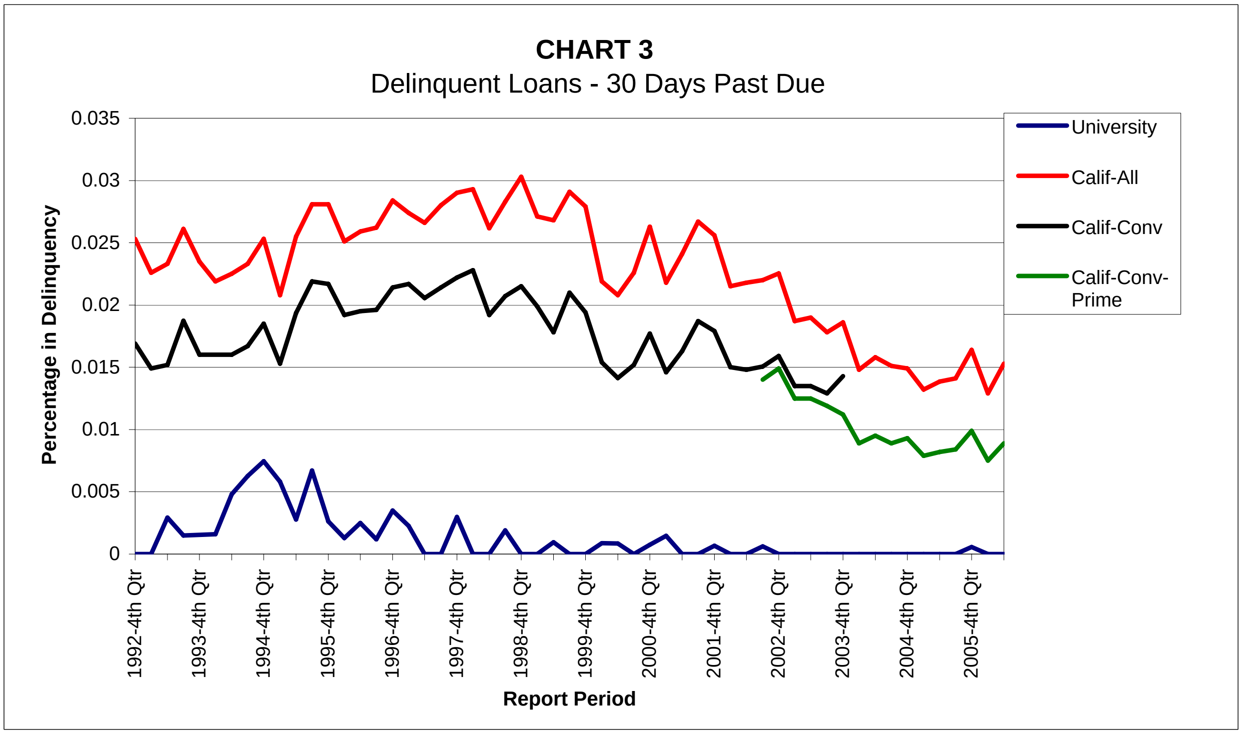


CHART 3
Delinquent Loans - 30 Days Past Due
Percentage in Delinquency
0.035
0.03
0.025
0.02
0.015
0.01
0.005
0
1992-4th Qtr
1993-4th Qtr
1994-4th Qtr
1995-4th Qtr
1996-4th Qtr
1997-4th Qtr
1998-4th Qtr
1999-4th Qtr
2000-4th Qtr
2001-4th Qtr
2002-4th Qtr
2003-4th Qtr
2004-4th Qtr
2005-4th Qtr
Report Period
University
Calif-All
Calif-Conv
Calif-Conv-Prime

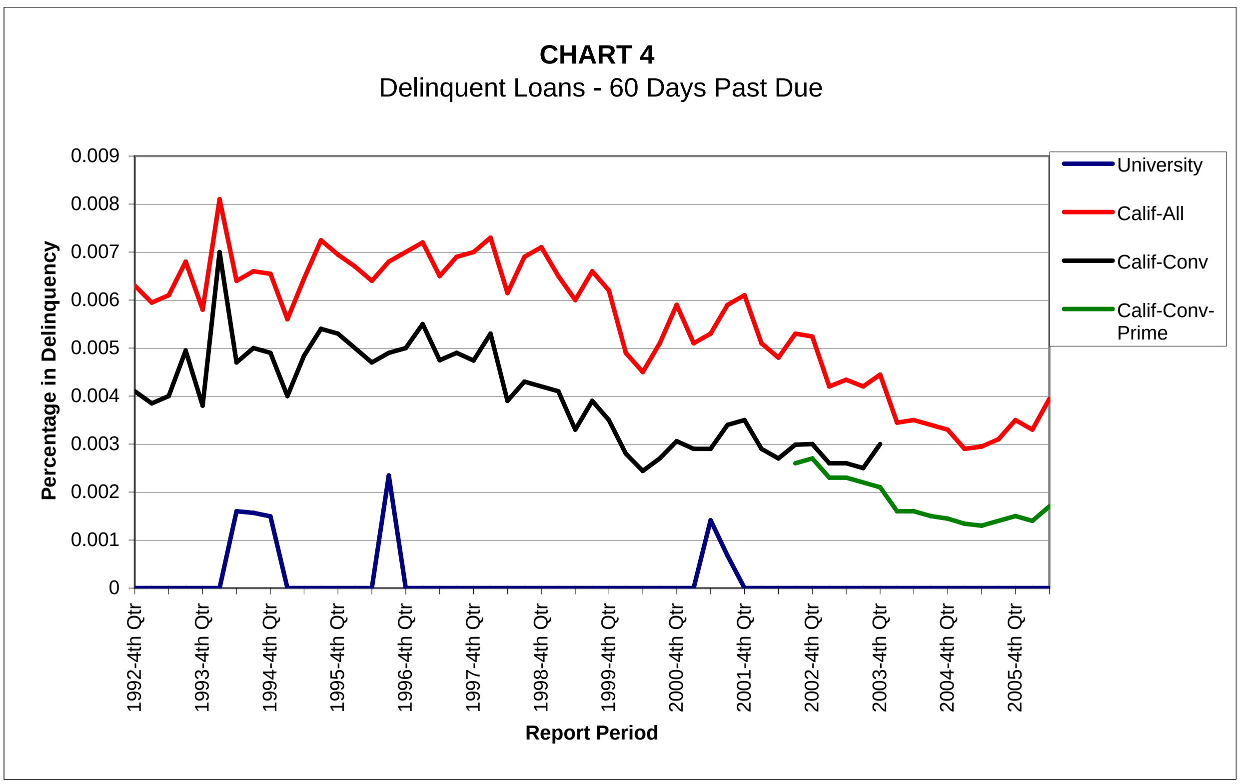


CHART 4
Delinquent Loans - 60 Days Past Due
Percentage in Delinquency
0.009
0.008
0.007
0.006
0.005
0.004
0.003
0.002
0.001
0
1992-4th Qtr
1993-4th Qtr
1994-4th Qtr
1995-4th Qtr
1996-4th Qtr
1997-4th Qtr
1998-4th Qtr
1999-4th Qtr
2000-4th Qtr
2001-4th Qtr
2002-4th Qtr
2003-4th Qtr
2004-4th Qtr
2005-4th Qtr
Report Period
University
Calif-All
Calif-Conv
Calif-Conv-Prime

CHART 5

Delinquent Loans - Over 90 Days Past Due

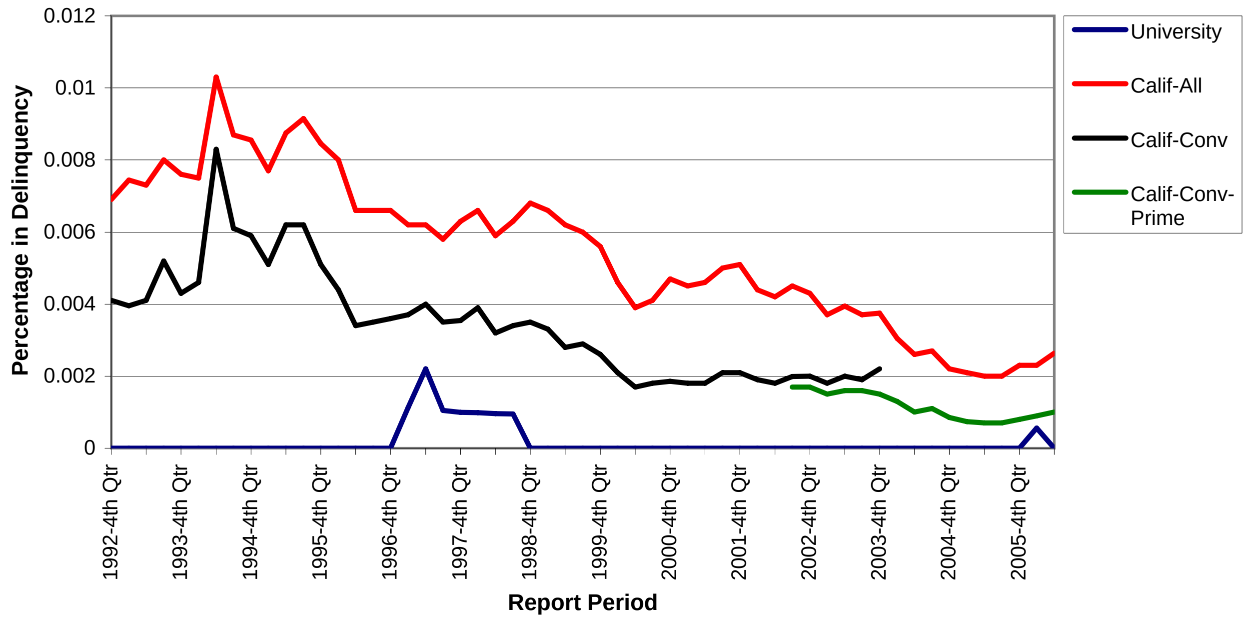
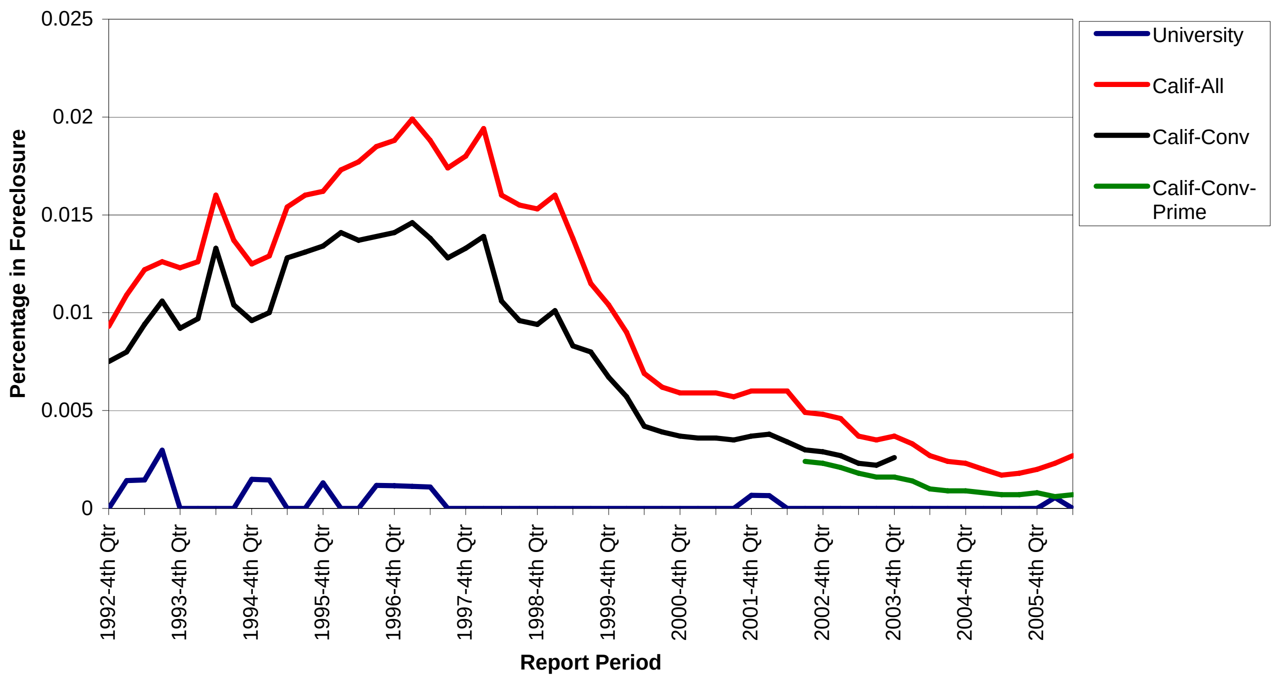
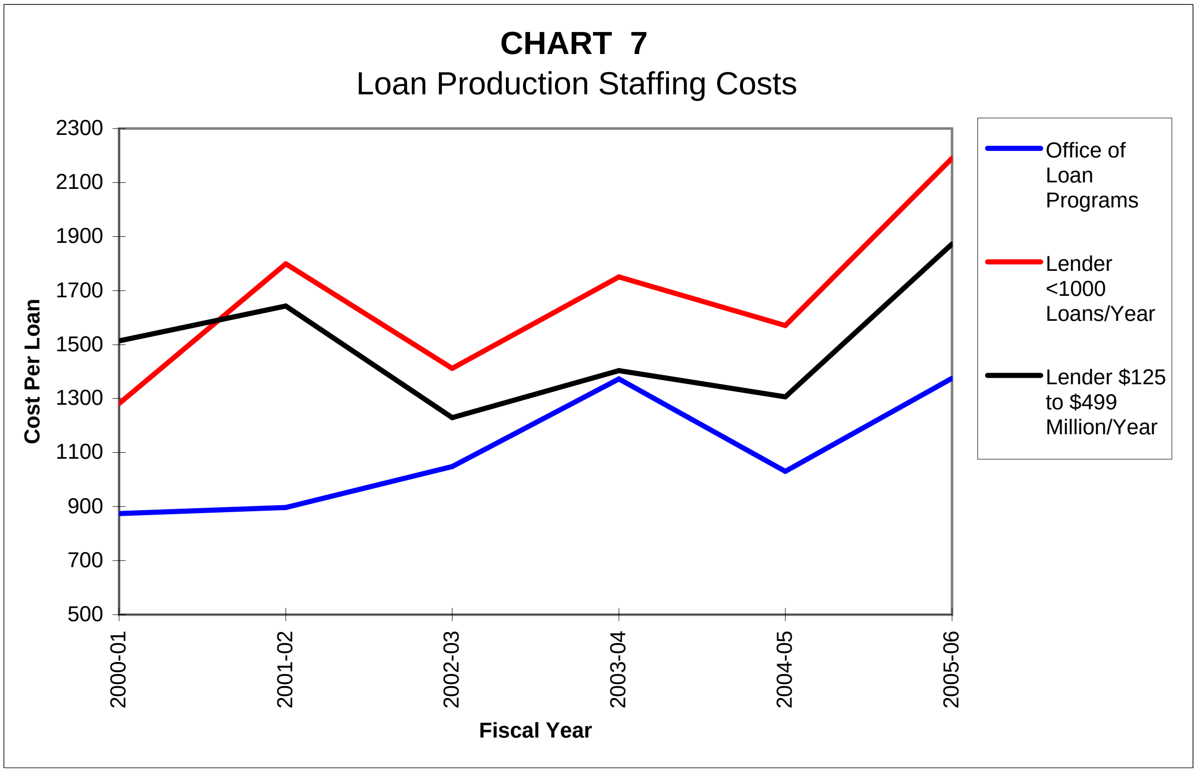


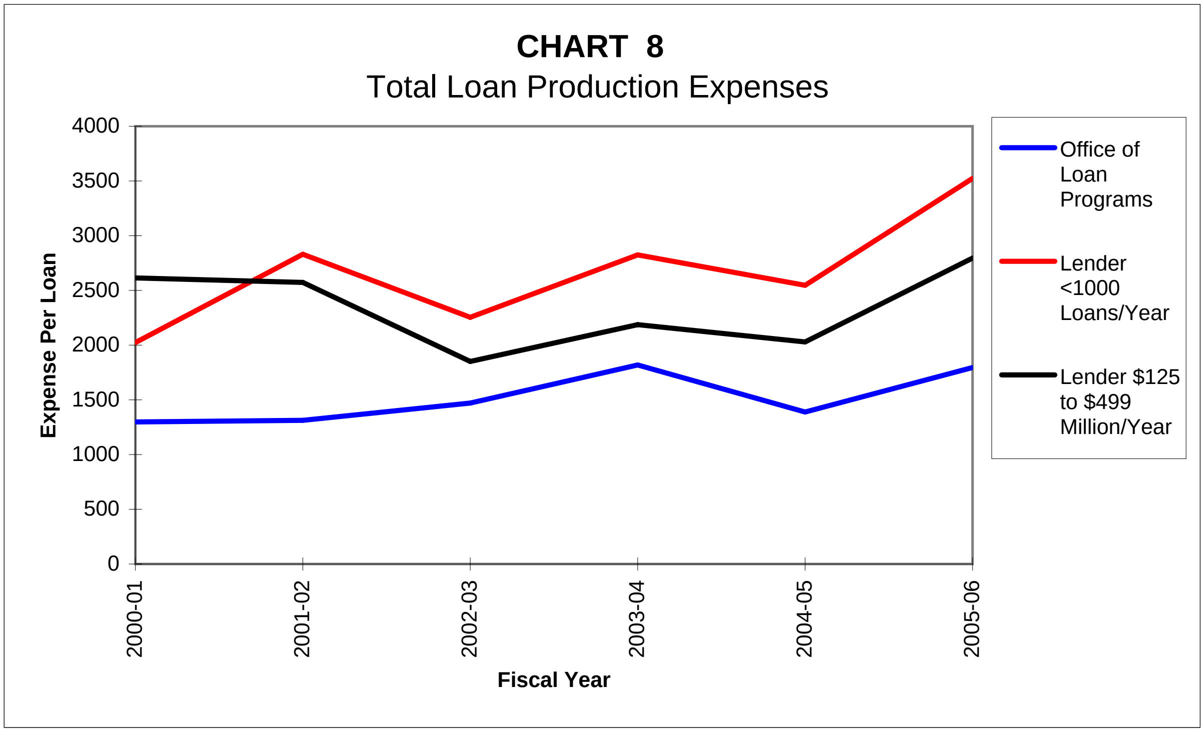
CHART 6

Loans in Foreclosure - End of Quarter



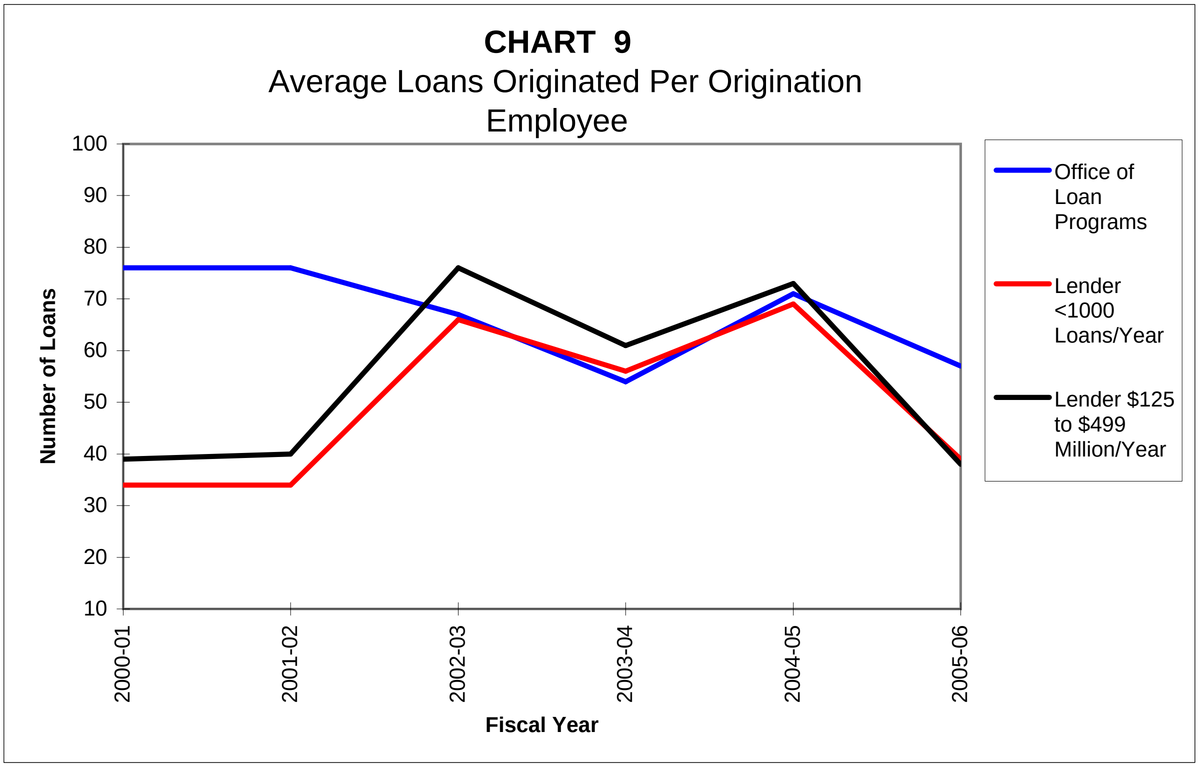
APPENDIX F: FINANCIAL RESULTS AND INDUSTRY BENCHMARKS

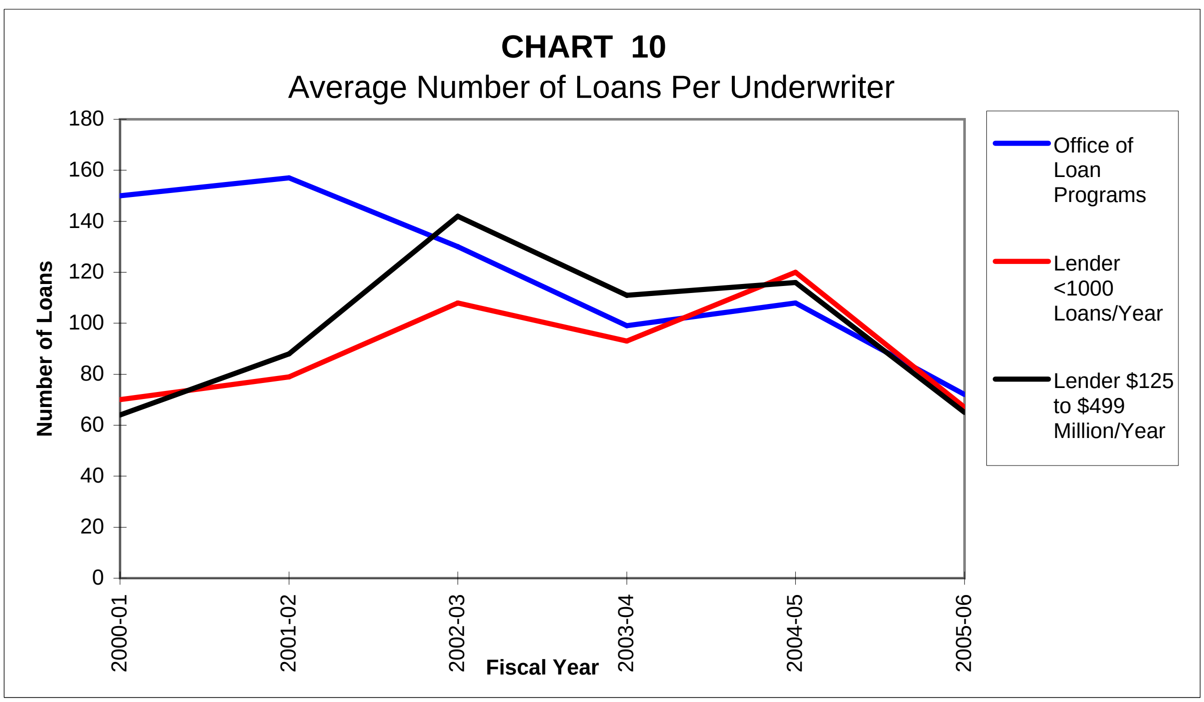




Note: Prior to 2001-02, the comparison in Charts 7 and 8 is between OLP and firms making either <600 loans per year or < $100 million in loan volume each year. 2001-02: between OLP and lenders making between 500 and 1,499 loans, or lenders with a dollar volume of loans between $50 million and $999 million. 2002-03: between OLP and lenders making < 1,000 loans or < $150 million loan volume. 2003-04 through 2005-06: between OLP and lenders making <1,000 loans or between $125 and $499 million in loan volume.

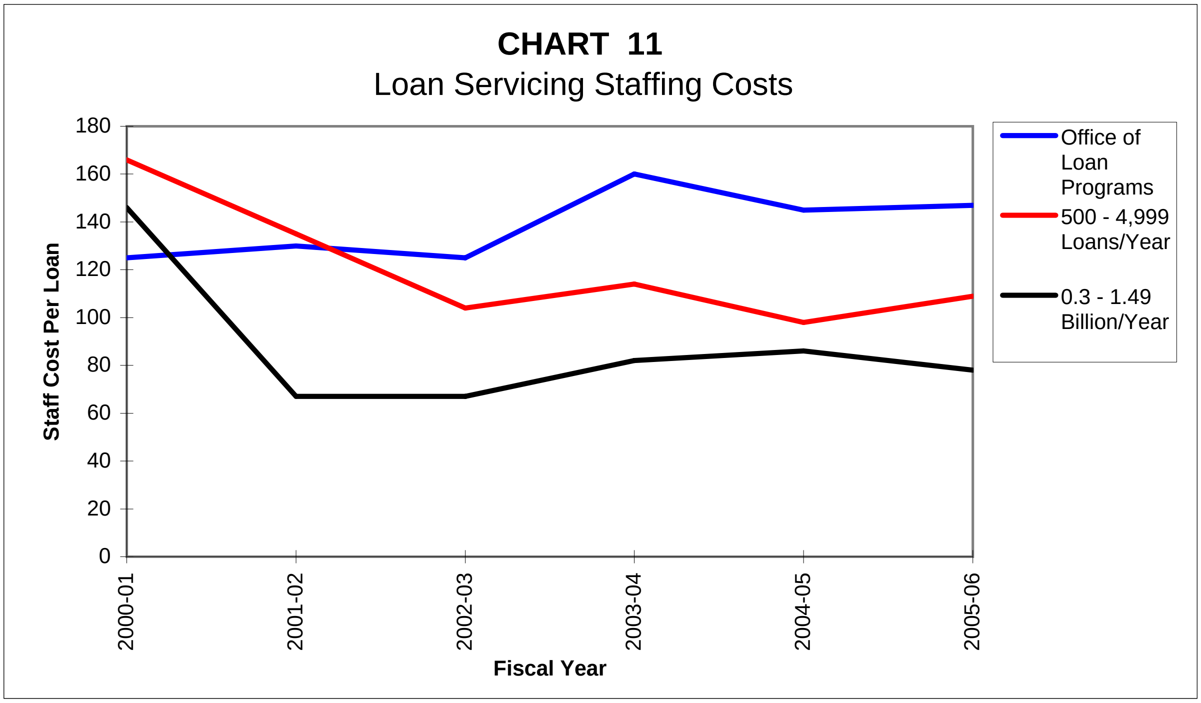
APPENDIX F: FINANCIAL RESULTS AND INDUSTRY BENCHMARKS

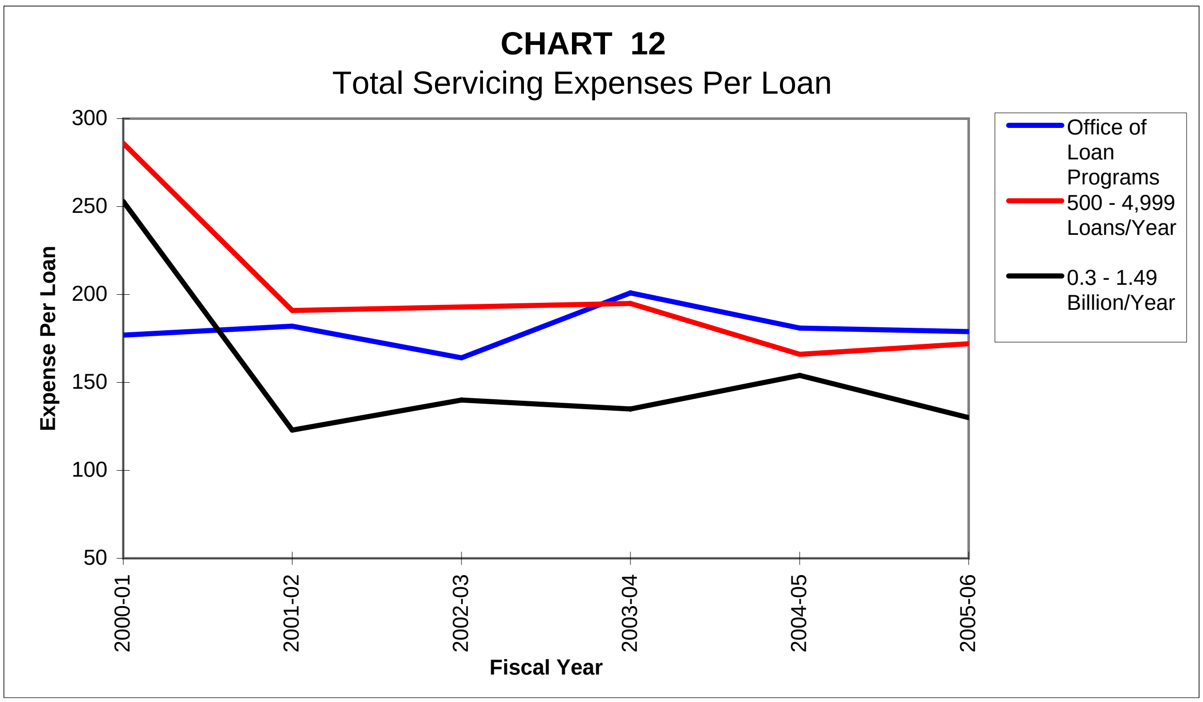




Note: Prior to 2001-02, the comparison in Charts 9 and 10 is between OLP and firms making either <600 loans per year or < $100 million in loan volume each year. 2001-02: between OLP and lenders making between 500 and 1,499 loans, or lenders with a dollar volume of loans between $50 million and $999 million. 2002-03: between OLP and lenders making < 1,000 loans or < $150 million loan volume. 2003-04 through 2005-06: between OLP and lenders making <1,000 loans or between $125 and $499 million in loan volume.

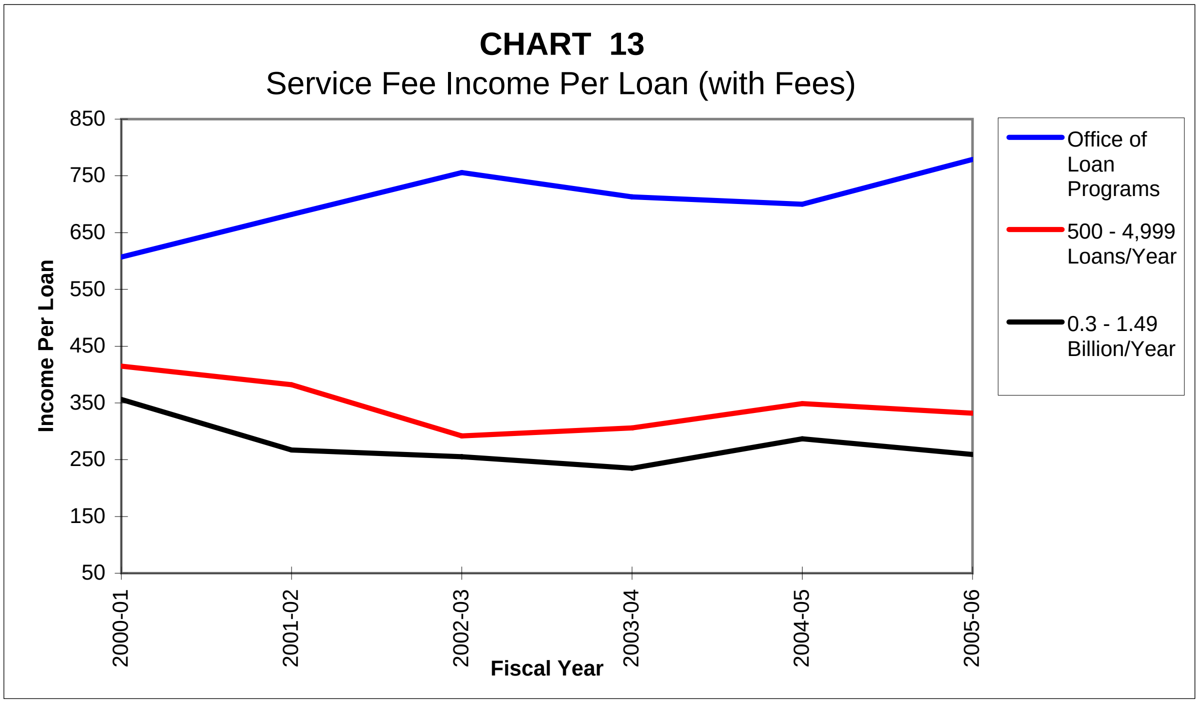
APPENDIX F: FINANCIAL RESULTS AND INDUSTRY BENCHMARKS

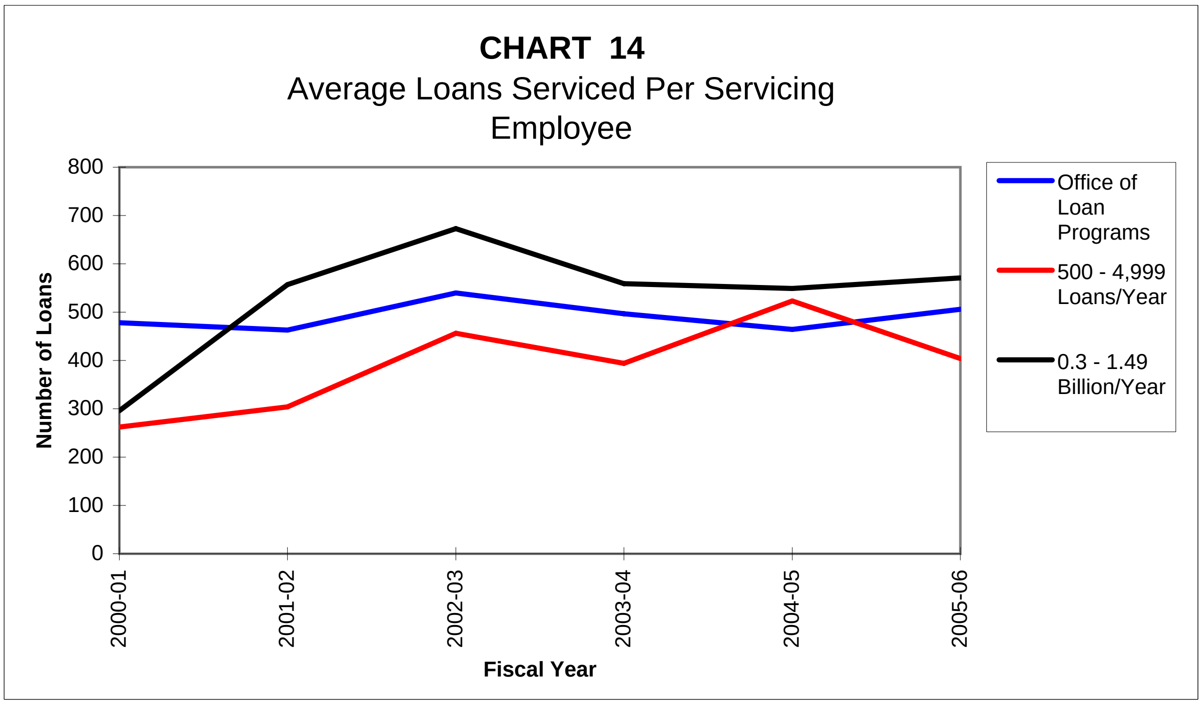




Prior to 2001-02, the comparison in Charts 11 and 12 is between OLP and firms with < 2,500 loans in their portfolio or with servicing portfolios of < $250 million. 2001-02: between OLP and firms with < 2,500 loans or servicing portfolios of between $250 million and $999 million. 2002-03: between OLP and firms servicing between 1,000 and 4,999 loans or servicing portfolios of between $300 million and $1.49 billion. 2003-04: between OLP and firms servicing between 500 and 4,999 loans or servicing portfolios between $300 million and $1.49 billion. 2004-05: between OLP and firms servicing between 1,000 and 3,999 loans or servicing portfolios between $300 million and $1.49 billion.

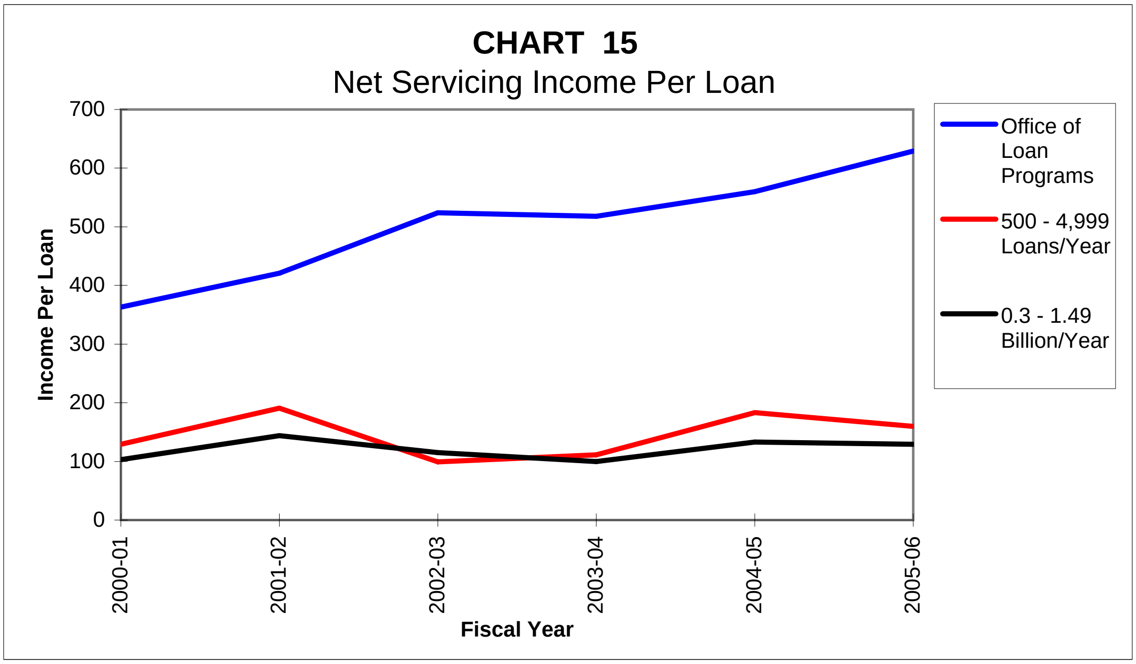
APPENDIX F: FINANCIAL RESULTS AND INDUSTRY BENCHMARKS





Prior to 2001-02, the comparison in Charts 13 and 14 is between OLP and firms with < 2,500 loans in their portfolio or with servicing portfolios of < $250 million. 2001-02: between OLP and firms with < 2,500 loans or servicing portfolios of between $250 million and $999 million. 2002-03: between OLP and firms servicing between 1,000 and 4,999 loans or servicing portfolios of between $300 million and $1.49 billion. 2003-04: between OLP and firms servicing between 500 and 4,999 loans or servicing portfolios between $300 million and $1.49 billion. 2004-05: between OLP and firms servicing between 1,000 and 3,999 loans or servicing portfolios between $300 million and $1.49 billion.

APPENDIX F: FINANCIAL RESULTS AND INDUSTRY BENCHMARKS



Prior to 2001-02, the comparison in Chart 15 is between OLP and firms with < 2,500 loans in their portfolio or with servicing portfolios of < $250 million. 2001-02: between OLP and firms with < 2,500 loans or servicing portfolios of between $250 million and $999 million. 2002-03: between OLP and firms servicing between 1,000 and 4,999 loans or servicing portfolios of between $300 million and $1.49 billion. 2003-04: between OLP and firms servicing between 500 and 4,999 loans or servicing portfolios between $300 million and $1.49 billion. 2004-05: between OLP and firms servicing between 1,000 and 3,999 loans or servicing portfolios between $300 million and $1.49 billion.