



Report of Independent Auditors and
Financial Statements

**The University of California
Home Loan Program Corporation
(An Affiliated Entity of the University of California)**

June 30, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
The University of California Home Loan Program Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The University of California Home Loan Program Corporation (the Corporation), an affiliated entity of The University of California (the University), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2025 and 2024, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 and Note 2 to the financial statements, the Corporation receives significant financial and operational resources from its parent, the University, and is significantly dependent upon the continuing provision of these resources for financial and operational purposes. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

San Francisco, California
December 10, 2025

Management's Discussion and Analysis (Unaudited)

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Management's Discussion and Analysis
June 30, 2025 (Unaudited)

Introduction

The University of California Home Loan Program Corporation (the Corporation), a public benefit corporation, was established on January 22, 2014, to assist the University of California (the University) in performing its governmental and educational functions, including, but not limited to, undertaking the various activities and functions performed by the University's Office of Loan Programs (OLP). The Corporation is a nonprofit corporation formed in California and is governed by the University. The University is administered by The Regents of the University of California (The Regents). As part of the University, the assets, liabilities, revenues, and expenses and changes in net position of the Corporation are included in the University's financial statements. The Corporation is governed by a five-person Board of Directors, which consist of five officers of the University or their designees.

OLP plans, develops, and administers the University Employee Housing Assistance Program (Program) components for members of the Academic Senate, members of the Senior Management Group, and other designated classes of employees, as approved by The Regents in June 1984 and amended from time to time. The housing and loan-related operations of OLP are self-supporting, utilizing service fee revenues, and Faculty Housing Program Reserve Fund earnings.

The main Program components are the Mortgage Origination Program (MOP) and the Supplemental Home Loan Program (SHLP). MOP provides first deed of trust mortgage loans. SHLP primarily provides secondary financing, using authorized campus fund sources. In limited cases, SHLP provides primary mortgage loan financing. In August 2022, a new Zero Interest-SHLP (ZIP-SHLP) loan product was implemented. ZIP-SHLP provides secured subordinate financing with no monthly payments and zero percent interest with a forgivable feature.

In January 2013, the Consumer Financial Protection Bureau (CFPB) issued new lending regulations that implement certain provisions of the Dodd-Frank Act. The new CFPB regulations became effective on January 10, 2014.

In January 2014, The Regents approved the transfer of the residential lending activities of OLP to the Corporation, excluding loans previously extended by OLP and current cash reserves. The Corporation was formed to qualify OLP as a Small Creditor with respect to the CFPB Ability-to-Repay rule. Funding began under the Corporation effective February 1, 2014.

The Corporation is staffed entirely by employees of the University assigned to the Corporation pursuant to a services agreement executed between The Regents and the Corporation. As consideration for these services, the Corporation will transfer to the University the administrative fees collected under the Program.

Pursuant to a master note agreement (Master Note), the University provides the Corporation with funding sufficient to enable the Corporation to extend loans pursuant to the terms and policies of the Program. The Corporation transfers the loan payments received to the University on a monthly basis.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Management's Discussion and Analysis
June 30, 2025 (Unaudited)

Overview of the Financial Statements

The following discussion and analysis presents an overview of the financial performance of the Corporation for the years ended June 30, 2025 and 2024, with selected comparative information for the year ended June 30, 2023. The financial statements, notes, and this discussion and analysis were prepared by and are the responsibility of management. Unless otherwise indicated, periods (2025, 2024, and 2023) in this discussion refer to the fiscal years ended June 30, 2025, 2024, and 2023, respectively.

Using This Report

This report consists of financial statements prepared in accordance with the pronouncements of the Governmental Accounting Standards Board. These statements focus on the financial condition of the Corporation, changes in net position, and cash flows, taken as a whole.

One of the most important questions asked about a not-for-profit governmental organization's finances is whether it is better off or worse off as a result of the year's activities. The key to understanding this question is the Corporation's statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. These statements present financial information in a form similar to that used by private sector companies. The Corporation's net position (the difference between assets and liabilities) is one indicator of the Corporation's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the Corporation's financial health when considered with other nonfinancial information.

The statement of net position includes all assets and liabilities. The statements of revenues, expenses, and changes in net position reports the operating activities of the Corporation, with interest earned from loans issued and loan servicing fees reported as operating revenues and interest expense on advances from the University, administrative fee, and other expenses as operating expenses, respectively. These statements are prepared using the accrual basis of accounting. Another way to assess the financial health of the Corporation is to look at the statement of cash flows. The primary purpose is to provide relevant information about the cash receipts and cash payments of an entity. The statement of cash flows helps users assess an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Management's Discussion and Analysis
June 30, 2025 (Unaudited)

Statements of Net Position

The Corporation's assets, liabilities, and net position at June 30, 2025, 2024, and 2023 are summarized as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Cash and cash equivalents	\$ 24,849,236	\$ 31,842,287	\$ 42,383,768
Mortgages receivable, net	<u>1,714,533,492</u>	<u>1,441,124,968</u>	<u>947,512,687</u>
Total assets	<u>\$ 1,739,382,728</u>	<u>\$ 1,472,967,255</u>	<u>\$ 989,896,455</u>
LIABILITIES			
Payable to the University	<u>\$ 1,717,032,201</u>	<u>\$ 1,442,324,968</u>	<u>\$ 948,323,687</u>
NET POSITION			
Unrestricted	<u>\$ 22,350,527</u>	<u>\$ 30,642,287</u>	<u>\$ 41,572,768</u>

The Corporation's assets totaled \$1.7 billion at June 30, 2025, compared to \$1.5 billion at June 30, 2024. The increase of \$266.4 million is primarily due to new mortgage loans issued of \$379.5 million offset by a decrease in cash and cash equivalents of \$7.0 million and loan repayments of \$103.2 million.

The Corporation's liabilities totaled \$1.7 billion at June 30, 2025, compared to \$1.4 billion at June 30, 2024. The increase of \$274.7 million represents additional funds, net of loan repayments, transferred by the University to the Corporation to allow the Corporation to make qualifying loans.

The Corporation's assets totaled \$1.5 billion at June 30, 2024, compared to \$989.9 million at June 30, 2023. The increase of \$483.1 million is primarily due to new mortgage loans issued of \$554.6 million offset by a decrease in cash and cash equivalents of \$10.5 million and loan repayments of \$60.3 million.

The Corporation's liabilities totaled \$1.4 billion at June 30, 2024, compared to \$948.3 million at June 30, 2023. The increase of \$494.0 million represents additional funds, net of loan repayments, transferred by the University to the Corporation to allow the Corporation to make qualifying loans.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Management's Discussion and Analysis
June 30, 2025 (Unaudited)

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position for the years ended June 30 are summarized as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
OPERATING REVENUES			
Interest and fees earned from loans issued	\$ 64,894,884	\$ 38,580,030	\$ 23,882,920
Payable forgiveness income	<u>1,586,990</u>	<u>326,690</u>	<u>-</u>
Total operating revenues	<u>66,481,874</u>	<u>38,906,720</u>	<u>23,882,920</u>
OPERATING EXPENSES			
Interest expense on advances from the University	67,894,711	46,204,359	22,681,002
Administrative fees	3,933,597	2,868,552	1,936,089
Provision for uncollectible amounts	1,298,709	389,000	-
Other expenses	59,627	48,600	52,609
Compensation expense	<u>1,586,990</u>	<u>326,690</u>	<u>-</u>
Total operating expenses	<u>74,773,634</u>	<u>49,837,201</u>	<u>24,669,700</u>
Net operating loss	<u>(8,291,760)</u>	<u>(10,930,481)</u>	<u>(786,780)</u>
Decrease in net position	(8,291,760)	(10,930,481)	(786,780)
NET POSITION			
Beginning of year	<u>30,642,287</u>	<u>41,572,768</u>	<u>42,359,548</u>
End of year	<u>\$ 22,350,527</u>	<u>\$ 30,642,287</u>	<u>\$ 41,572,768</u>

The Corporation's net operating loss totaled \$8.3 million for the year ended June 30, 2025, compared to \$10.9 million for the year ended June 30, 2024. The change of \$2.6 million is primarily due to the decrease in the cost of funding on the advances from the University. The average yield collected on mortgage receivables has not repriced as fast as the cost of advances due to standard MOP interest rates being indexed to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee of 0.25%. The repricing of 5/1 MOP loans fixed at lower rates will lag behind standard MOP loans as they will not adjust until they are out of their 5 year fixed rate period and converted to standard MOP loans. Advances payable to the University bear interest at the short-term investment pool (STIP) rate, which increased from 3.53% at June 30, 2024, to 4.08% at June 30, 2025.

The Corporation's net operating loss totaled \$10.9 million for the year ended June 30, 2024, compared to the net operating income \$800 thousand for the year ended June 30, 2023. The decrease of \$10.1 million is primarily due to the increase in the cost of funding on the advances from the University. Advances payable to the University bear interest at the STIP rate, which increased from 3.42% at June 30, 2023, to 3.53% at June 30, 2024.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Management's Discussion and Analysis
June 30, 2025 (Unaudited)

Factors Impacting Future Periods

The Corporation faces several factors that directly or indirectly affect its financial position and operations. State and federal regulations relating to residential lending activities could change. In addition, the lending marketplace is competitive and the Corporation's ability to service and transfer loans may change.

Management is not aware of any factors within management's control that would have a significant impact on future periods.

Financial Statements

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Statements of Net Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 24,849,236	\$ 31,842,287
Mortgages receivable, net	1,714,533,492	1,441,124,968
Total assets	\$ 1,739,382,728	\$ 1,472,967,255
LIABILITIES		
Payable to the University	\$ 1,717,032,201	\$ 1,442,324,968
NET POSITION		
Unrestricted	\$ 22,350,527	\$ 30,642,287

See accompanying notes.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Statements of Revenues, Expenses, and Changes In Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Interest and fees earned from loans issued	\$ 64,894,884	\$ 38,580,030
Payable forgiveness income	1,586,990	326,690
	66,481,874	38,906,720
OPERATING EXPENSES		
Interest expense on advances from the University	67,894,711	46,204,359
Administrative fee	3,933,597	2,868,552
Provision for uncollectible amounts	1,298,709	389,000
Other expenses	59,627	48,600
Compensation expense	1,586,990	326,690
	74,773,634	49,837,201
Net operating loss	(8,291,760)	(10,930,481)
Decrease in net position	(8,291,760)	(10,930,481)
NET POSITION		
Beginning of year	30,642,287	41,572,768
End of year	\$ 22,350,527	\$ 30,642,287

See accompanying notes.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of loans from employees	\$ 103,221,527	\$ 60,317,786
Loans issued to employees	(379,515,750)	(554,630,750)
Advances received from the University	379,515,750	554,630,750
Advances repaid to the University	(103,221,527)	(60,317,786)
Interest received from employees	60,961,287	35,711,478
Interest paid to the University	(67,894,711)	(46,204,359)
Payments for other expenses	(59,627)	(48,600)
Payments for administrative expenses	(3,933,597)	(2,868,552)
Other receipts	3,933,597	2,868,552
Net cash used in operating activities	(6,993,051)	(10,541,481)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, beginning of year	31,842,287	42,383,768
Cash and cash equivalents, end of year	\$ 24,849,236	\$ 31,842,287
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (8,291,760)	\$ (10,930,481)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Provision for uncollectible amounts	1,298,709	389,000
CHANGE IN ASSETS AND LIABILITIES		
Mortgages receivable, net	(274,707,233)	(494,001,281)
Payable to the University	274,707,233	494,001,281
Net cash used in operating activities	\$ (6,993,051)	\$ (10,541,481)
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION		
Payable forgiveness income	\$ (1,586,990)	\$ (326,690)
Compensation expense	\$ 1,586,990	\$ 326,690

See accompanying notes.

The University of California Home Loan Program Corporation (An Affiliated Entity of the University of California) Notes to Financial Statements

Note 1 – Organization

The University of California Home Loan Program Corporation (the Corporation), an affiliated entity of the University of California (the University), provides residential lending services to the University. The University is administered by The Regents of the University of California (The Regents). As part of the University, the assets, liabilities, revenues, expenses, and changes in net position of the Corporation are included in the University's financial statements. The Corporation is a nonprofit public benefit corporation formed on January 22, 2014, to assist the University in performing its governmental and educational functions, including, but not limited to, undertaking the various activities and functions performed by the University of California's Office of Loan Programs (OLP). The Corporation was formed to qualify OLP as a Small Creditor with respect to the Consumer Financial Protection Bureau's (the CFPB) Ability-to-Repay rule. Funding began under the Corporation effective February 1, 2014. The Small Creditor Exemption applies to lenders that originate less than 2,000 loans per year and have less than \$2 billion in assets.

The Small Creditor Exemption extends Qualified Mortgage status to loans with pricing that exceeds the Annual Percentage Rate (APR) versus the Average Prime Offer Rate (APOR) thresholds defined by the CFPB. Additionally, it provides Qualified Mortgage status for loans that are underwritten using the maximum interest rate that may apply during the first five years when considering the borrower's Debt-to-Income. Originated loans that are deemed Qualified Mortgages by nature of the Small Creditor Exemption (Qualified Mortgages by Exemption) must be retained by the Corporation for at least three years. The Corporation is governed by a five-person Board of Directors (Board), which consists of five officers of the University.

Each qualifying program loan that is intended to qualify for the small creditor exemption shall be held by the Corporation for a period of at least three years following the origination of such qualifying program loan by the Corporation, or for such other period that is determined by the Corporation to be a qualifying period for purposes of meeting the small creditor exemption. The qualifying period for qualifying program loans that are not intended to qualify for the small creditor exemption shall be determined by the Corporation and the University from time to time. Commencing on any date following the qualifying period, the Corporation may, at its option, transfer a qualifying program loan at its carrying value to The Regents in exchange for an immediate decrease in the outstanding amount of the advances by the outstanding principal amount of the transferred loan. During the years ended June 30, 2025 and 2024, no loans were transferred from the Corporation to The Regents.

The OLP plans, develops, and administers the University Employee Housing Assistance Program (the Program) components for members of the Academic Senate, members of the Senior Management Group, and other designated classes of employees, as approved by The Regents in June 1984 and amended from time to time. Effective February 1, 2016, University of California College of the Law, SF (UC Law SF) faculty are eligible for Program participation.

The main Program components are the Mortgage Origination Program (MOP) and the Supplemental Home Loan Program (SHLP). MOP provides primary financing and comprises the following loan products: MOP, 5/1 MOP, and GP-MOP. SHLP primarily provides secondary financing using authorized campus funding sources. In limited cases, SHLP provides primary mortgage loan financing. SHLP loan products include SHLP, Centrally-Funded SHLP Loan Program (CF-SHLP), and Interest-Only SHLP Loan Program (IO-SHLP). In August 2022 the Corporation introduced Zero Interest SHLP Loan Program (ZIP-SHLP), which provides secured subordinate financing with no monthly payments and zero percent interest with a forgivable feature. See Note 3 for descriptions of each loan product.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Notes to Financial Statements

Master note agreement – Pursuant to a master note agreement (Master Note) dated February 1, 2014, the University advances the Corporation with funding sufficient to enable the Corporation to extend loans pursuant to the terms and policies of the Program (Advances). Typically, the interest on the outstanding amount of the Advances is calculated and paid on the same basis as other Advances or loans made from the short-term investment pool (STIP), as adjusted by the University from time to time. For Advances made to fund 5/1 MOP loans, during the first five years of the loan (the fixed rate period) interest earned is paid in full to the University's STIP. After the fixed rate period, interest paid on advances from the University is paid based on the effective STIP rate similar to the other loan programs. The interest rate on advances for qualifying loans as of June 30, 2025 and 2024, ranged from 3.53% to 4.08%. The principal amount of the Advances is paid with principal payments on the qualifying program loans when such amounts are received by the Corporation. Advances may remain outstanding for as long as the corresponding qualifying program loan is outstanding. The sole source of repayment on the advances is the principal and interest payments received relating to qualifying program loans, together with any reserves accumulated by the Corporation. The Corporation retains any excess interest payments relating to qualified program loans and not needed to repay Advances and will use such amounts to make up any shortfall caused by payment defaults on qualifying program loans or differences between the interest rates on the Advances and the qualifying program loans.

Services agreement – The Corporation is staffed entirely by employees of the University assigned to the Corporation pursuant to a services agreement executed between the University and the Corporation. The University also provides all labor, materials, equipment, facilities, furnishings, and software necessary or appropriate to operate the Program. These services include licensing of certain intellectual property of the University to the Corporation, and the provision of certain accounting, back office, or administrative services provided by the University. In exchange and as full payment for these services, the Corporation pays the University all the administrative fees collected under the Program. The administrative fee is a flat 0.25% of the outstanding loan balance, which is collected as part of the monthly borrower payments and remitted to the University. Fees collected by the Corporation are included in interest and fees earned from loans issued in the statements of revenues, expenses, and changes in net position.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), including all applicable statements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and the accrual basis of accounting as specified by the GASB requirements for a special purpose entity engaged solely in business-type activities.

Revenue and expenses – Operating revenues of the Corporation include interest earned from loans issued and receipts of administrative loan fees. Interest and fees are recognized as revenue when earned according to the terms of the mortgage loan.

Operating expenses incurred in conducting the programs and services of the Corporation are presented in the statements of revenues, expenses, and changes in net position as operating activities.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Notes to Financial Statements

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates and disclosures.

Cash and cash equivalents – All University operating entities maximize the returns on their cash balances by investing in the University of California’s STIP. The Regents are responsible for managing the University’s STIP and establishing the investment policy, which is carried out by the Chief Investment Officer of The Regents. All of the Corporation’s cash is deposited into STIP and all the Corporation’s deposits into STIP are considered demand deposits. Unrealized gains and losses associated with the fluctuation in the fair value of the investments included in STIP (and predominately held to maturity) are not recorded by each operating entity but are absorbed by the University, as the manager of the pool. None of these amounts are insured by the Federal Deposit Insurance Corporation. To date, the Corporation has not experienced any losses on these accounts.

Additional information on cash and investments can be obtained from the 2025-2024 annual report of the University.

Mortgages receivable and allowance for uncollectible amounts – Mortgages receivable consists of amounts owed by University employees to the Corporation and are stated at the principal amounts outstanding, net of any allowance for loan losses.

The allowance for uncollectible amounts is established through a provision charged to operating expenses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing mortgage receivables, based on the evaluations of the collectability and prior loss experience of mortgage receivables. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, any specific problem mortgage receivables, and current and anticipated economic conditions that may affect the borrowers’ ability to repay the obligation. Mortgage receivables are charged off to the allowance as they are deemed uncollectible.

Payable to the University – Payable to the University consists of outstanding amounts of Advances transferred to the Corporation for the sole purpose of allowing the Corporation to make qualifying program loans made from the University as defined in the Master Note Agreement (Note 1).

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Notes to Financial Statements

Net position – Net position is required to be classified for accounting and reporting purposes in the following categories:

Restricted – Represents the portion of net position resulting from transactions with purpose restrictions until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable – Net position subject to externally imposed restrictions that must be retained in perpetuity by the Corporation.

Expendable – Net position whose use by the Corporation is subject to externally imposed restrictions that can be fulfilled by actions of the Corporation pursuant to those restrictions or that expire by the passage of time.

Unrestricted – Classifies the portion of net position that is neither restricted nor reserved. Unrestricted net position may be designated for specific purposes by the Board.

Income taxes – The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701d of the Revenue and Taxation Code of California, and is generally not subject to federal or state income taxes. However, the Corporation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, and, in the opinion of management, is not material to the basic financial statements taken as a whole.

Impact of new accounting pronouncements – In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements (GASB 103), effective for the Corporation’s fiscal year beginning July 1, 2025. GASB 103 changes some of the reporting requirements issued in Statements 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments and Statement 35, Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities. Provisions of GASB 103 (1) clarify guidance for management’s discussion and analysis, (2) define operating and nonoperating revenues and expenses, (3) move items in the other changes in net position into the other nonoperating revenues and expenses section, (4) replace extraordinary items and special items into a new “unusual or infrequent items” category. The Corporation is evaluating the full effect that GASB 103 will have on its financial statements.

The University of California Home Loan Program Corporation
(An Affiliated Entity of the University of California)
Notes to Financial Statements

In January 2024, the GASB issues Statement No. 102, Certain Risk Disclosures (GASB 102). GASB 102 addresses financial reporting regarding certain concentrations or constraints and related events that may have substantial impact and negatively affect the level of service a government provides. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Note 3 – Mortgages Receivable, Net

Mortgages receivable, net at June 30, 2025 and 2024, were as follows:

	Mortgage Origination Program	Graduated Payment Mortgage Origination Program	5/1 Mortgage Origination Program	Supplemental Home Loan Program	Centrally Funded Supplemental Home Loan Program	Zero Interest Supplemental Home Loan Program	Total
<i>At June 30, 2025</i>							
Mortgages receivable	\$ 1,554,539,324	\$ 419,351	\$ 104,504,793	\$ 24,986,240	\$ 5,787,574	\$ 26,794,919	\$ 1,717,032,201
Allowance for uncollectible amounts	(2,262,242)	(610)	(152,081)	(36,361)	(8,422)	(38,993)	(2,498,709)
Mortgages receivable, net	\$ 1,552,277,082	\$ 418,741	\$ 104,352,712	\$ 24,949,879	\$ 5,779,152	\$ 26,755,926	\$ 1,714,533,492
<i>At June 30, 2024</i>							
Mortgages receivable	\$ 1,246,208,653	\$ 425,776	\$ 153,189,181	\$ 21,254,120	\$ 5,704,027	\$ 15,543,211	\$ 1,442,324,968
Allowance for uncollectible amounts	(1,036,833)	(354)	(127,452)	(17,683)	(4,746)	(12,932)	(1,200,000)
Mortgages receivable, net	\$ 1,245,171,820	\$ 425,422	\$ 153,061,729	\$ 21,236,437	\$ 5,699,281	\$ 15,530,279	\$ 1,441,124,968
Allowance as a % of outstanding mortgage receivable - current year	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%

Mortgage Origination Program – MOP loans are first deed of trust loans issued to eligible employees. The eligible population for participation in MOP is limited to full-time University appointees who are members of the Academic Senate or who hold equivalent academic titles; acting assistant professors; and senior management group employees.

MOP loans are structured as adjustable interest rate loans with loan-to-value ratios of up to 90% and repayment periods of up to 30 years. Campuses have the option to offer 40-year loans if the Chancellor completes a request that includes acceptance of the risk for making loans with features of a nonqualified mortgage, as defined by the CFPB. The standard MOP interest rate is indexed to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee of 0.25%. MOP loans are subject to a minimum interest rate of 3.25%, effective August 1, 2019. Prior to the new effective rate, MOP loans were subject to a minimum interest rate of 2.75% effective February 1, 2017.

The Corporation funded 371 and 512 MOP loans with an aggregate dollar amount of \$358,573,050 and \$532,019,900 during the years ended June 30, 2025 and 2024, respectively.

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Graduated Payment Mortgage Origination Program – The Graduated Payment Mortgage Origination Program (GP-MOP) is a loan that provides a lower interest rate to the borrower during the initial years of the loan. The initial rate paid by the borrower is a pre-determined amount less than the standard MOP rate, with a minimum interest rate of 3.25% effective August 1, 2019. The amount of the borrower's rate reduction (interest rate differential) becomes smaller each year for a set number of years (rate differential period). During the rate differential period, the University reimburses STIP for any shortfall in earnings that result from the lower borrower rate. During the year ended June 30, 2025, the interest rate differential for one graduated payment mortgage origination program loan was .3335%, thus the campus was required to reimburse STIP for the shortfall totaling \$1,412. During the year ended June 30, 2024, the interest rate differential on these loans was zero, thus the campuses were not required to reimburse STIP for any shortfalls during the reporting period.

No GP-MOP loans were funded for the years ended June 30, 2025 and 2024, respectively.

5/1 Mortgage Origination Program – The 5/1 MOP loan is a fully-amortizing mortgage loan that offers an initial fixed interest rate and payment for the fixed rate period, after which the loan converts to a one-year adjustable rate mortgage (standard MOP) for the remaining loan term. During the fixed rate period, interest earned on loans made from this program are fully passed through to STIP. After the fixed rate period, interest paid on advances from the University is paid based on the effective STIP rate. The maximum overall loan term is 30 years. The interest rate in effect during the fixed-rate period of the loan is comprised of the following three components: the five-year Treasury Bond Yield, the J.P. Morgan U.S. Liquid Index (JULI), and a 0.25% service fee. The rate to be used for new loans is updated weekly and once a commitment is made to a borrower, the rate is locked for 30 days. Effective February 1, 2017, the minimum interest rate is 3.25%.

The Corporation funded 2 and 3 5/1 MOP loans with an aggregate dollar amount of \$1,472,050 and \$1,024,900 for the years ended June 30, 2025 and 2024, respectively.

Supplemental Home Loan Program – The SHLP primarily provides second deeds of trust for mortgage financing (a limited number of these loans are used to secure a first deed of trust on a property being purchased). SHLP loans are funded by available campus resources and the campus determines the type of loan being offered including if the loan will be offered at an adjustable or fixed rate, the loan term, and the mortgage interest rate subject to a minimum interest rate equal to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee component of 0.25%. SHLP loan interest rates ranged from 4.40% to 5.55% and 2.75% to 4.58% during the years ended June 30, 2025 and 2024, respectively.

The Corporation funded 12 and 26 SHLP loans with an aggregate dollar amount of \$5,653,050 and \$7,157,800 for the years ended June 30, 2025 and 2024, respectively.

Centrally-Funded SHLP Program – The CF-SHLP is a loan pool funded from the University's Faculty Housing Programs Reserve Fund. An initial allocation of \$5.5 million was approved in November 2015, and an additional allocation of \$5 million was approved July 1, 2019. Another \$5.5 million was approved in August 2023. The CF-SHLP loans must be in second position, with a maximum loan amount of \$75,000. CF-SHLP loans will have a fixed interest rate equal to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee component of 0.25%, subject to a minimum interest rate of 2.75%.

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The Corporation funded 19 and 47 CF-SHLP loans with an aggregate dollar amount of \$788,100 and \$1,825,150 for the years ended June 30, 2025 and 2024, respectively.

Interest-Only SHLP Program – The IO-SHLP offers a 5-, 7-, or 10-year interest-only period, which converts to a fully amortizing loan with an overall term of 20, 30, or 40 years respective to the interest-only period. This program was introduced in February 2017. In order for a campus to offer an IO-SHLP, the Chancellor is required to acknowledge acceptance of the risk associated with making nonqualified mortgage as defined by the CFPB. IO-SHLP loans are funded by available campus resources and the campus determines the type of loan being offered including if the loan will be offered at an adjustable or fixed rate, the loan term, and the mortgage interest rate subject to a minimum interest rate equal to the most recently available four-quarter average rate-of-return of STIP, plus an administrative fee component of 0.25%. No IO-SHLP loans were funded for the years ended June 30, 2025 and 2024, and there were no balances outstanding as of June 30, 2025 and 2024.

Zero Interest SHLP Program – The Zero Interest SHLP Loan Program (ZIP-SHLP) was introduced in August 2022. The ZIP-SHLP was implemented as an additional housing assistance resource to support the recruitment and retention needs of the University campuses. Similar to the current SHLP loans, the zero-interest loan option could be combined with a primary mortgage, allowing Program participants to finance up to 95% of a home purchase. The ZIP-SHLP option provides secured subordinate financing with no monthly payments and zero percent interest with a forgivable feature. Ten percent of the original principal balance may be forgiven each year by the campus provided the participant is employed by the nominating University, is in good standing, and is not in default on any term or condition of a program loan. The forgiven balance will decrease the principal balance and be written off. At the end of the loan term, the outstanding principal balance (original principal balance, less any forgiven amounts) would be fully due and payable. In order for a campus to offer a ZIP-SHLP, the Chancellor is required to acknowledge acceptance of the risk associated with making nonqualified mortgage as defined by the CFPB.

During the year ended June 30, 2025, the Corporation forgave a total of \$1,586,990 in ZIP-SHLP principal balance. The amount forgiven to the borrower is an expense to the Corporation and the amount forgiven to the Corporation by the University is income since neither party will pay the balance back.

During the year ended June 30, 2025, the Corporation forgave a total of \$326,690 in ZIP-SHLP principal balance. The amount forgiven to the borrower is an expense to the Corporation and the amount forgiven to the Corporation by the University is income since neither party will pay the balance back.

The Corporation funded 121 and 112 ZIP-SHLP loans with an aggregate dollar amount of \$13,029,500 and \$12,603,000 for the years ended June 30, 2025 and 2024, respectively.

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Future receipts under mortgage loan agreements for each of the five fiscal years subsequent to June 30, 2025, and thereafter are as follows:

	Mortgage Origination Program	Graduated Payment Mortgage Origination Program	5/1 Mortgage Origination Program	Supplemental Home Loan Program	Centrally Funded Supplemental Home Loan Program	Zero Interest Supplemental Home Loan Program	Total
2026	\$ 32,675,265	\$ 8,814	\$ 2,024,397	\$ 1,215,733	\$ 281,601	\$ 2,679,492	\$ 38,885,302
2027	33,655,523	9,079	2,095,251	1,268,617	293,850	2,679,492	40,001,812
2028	34,665,189	9,351	2,168,585	1,323,802	306,633	2,679,492	41,153,052
2029	35,705,144	9,632	2,244,485	1,381,388	319,971	2,679,492	42,340,112
2030	36,776,299	9,921	2,323,042	1,441,478	333,890	2,679,492	43,564,122
2031–2035	201,107,876	54,251	12,893,237	8,204,318	1,900,370	13,397,459	237,557,511
2036–2040	233,139,147	62,891	15,313,121	10,150,904	2,351,259	-	261,017,322
2041–2045	270,272,168	72,908	18,187,184	-	-	-	288,532,260
2046–2050	313,319,518	84,521	21,600,670	-	-	-	335,004,709
2051–2055	363,223,195	97,983	25,654,821	-	-	-	388,975,999
	<u>\$ 1,554,539,324</u>	<u>\$ 419,351</u>	<u>\$ 104,504,793</u>	<u>\$ 24,986,240</u>	<u>\$ 5,787,574</u>	<u>\$ 26,794,919</u>	<u>\$ 1,717,032,201</u>

Note 4 – Related-Party Transactions

As of June 30, 2025, one officer and one director of the Corporation had outstanding loans with balances totaling \$1.96 million. As of June 30, 2024, one officer of the Corporation had an outstanding loan with a balance of \$1.28 million.

During the year ended June 30, 2025, no loans were transferred from the Corporation to The Regents. Under the applicable accounting guidance, all loans are transferred at the carrying value of the outstanding loan balance.

