UNIVERSITY OF CALIFORNIA Home Loan Program Corporation

# 7/1 ARM PRODUCT TRANSITION AND PHASE OUT OF 1/1 AND 5/1 MOP LOANS

*Starting January 6, 2027, the 7/1 ARM will be the only standard product for new MOP loans. The 1/1 and 5/1 MOP loan products will be discontinued.*

**This material is provided for educational purposes** to explain the new Mortgage Origination Program product and its features, including how the interest rate is determined and the applicable rate limits. It is not an offer or commitment to lend. Eligibility, rates, terms, and loan approval are governed by current program requirements and the executed loan documents.

| Loan Characteristics | Standard MOP (1/1 ARM) Legacy – Ending | 5/1 MOP (5/1 ARM) Legacy - Ending | 7/1 ARM Future Standard |
|---|---|---|---|
| **Initial Fixed-Rate Period** | Year 1 Only | Years 1–5 | Years 1–7 |
| **Initial Interest Rate** | 4-Qtr Avg of University's Short-Term Investment Pool (STIP) + 0.25% Service Fee<br>STIP Index | 5-Year U.S. Treasury Bond Yield + J.P. Morgan U.S. Liquid Index (JULI) value + 0.25% Service Fee<br>5/1 Rate Index | 7-Year U.S. Treasury Yield (UST) + 1.00% margin [1]<br>Daily Treasury Rates \| U.S. Dept. of Treasury |
| **Adjustable-Rate Period Starts** | Year 2 | Year 6 | Year 8 |
| **Adjustment Frequency** | Annually | Annually, Beginning Year 6 | Annually, Beginning Year 8 |
| **Adjustable Interest Rate** | 4-Qtr Avg of STIP + 0.25% Service Fee | 4-Qtr Avg of STIP + 0.25% Service Fee | 30-Day Average Secured Overnight Financing Rate (SOFR) + 2.50% margin [1]<br>SOFR Averages & Index Data - Federal Reserve Bank of New York |
| **First Adjustment Limit** | 1 percentage point increase or decrease, subject to the Minimum Rate (Floor Rate) | 5 percentage points increase or decrease, subject to the Minimum Rate (Floor Rate) | 2 percentage points increase or decrease, subject to the Minimum Rate (Floor Rate) |
| **Subsequent Annual Adjustment Limit** | 1 percentage point annual increase or decrease after the first rate adjustment, subject to the Minimum Rate (Floor Rate[2]) | 1 percentage point annual increase or decrease after the first rate adjustment, subject to the Minimum Rate (Floor Rate[2]) | 1 percentage point annual increase or decrease after the first rate adjustment, subject to the Minimum Rate (Floor Rate[2]) |
| **Maximum Lifetime Increase** | 10 percentage points above the initial interest rate | 10 percentage points above the initial interest rate | 5 percentage points above the initial interest rate |
| **Prepayment Penalty** | None | None | None |
| **Additional Principal Payments** | Permitted | Permitted | Permitted |
| **Loan Reamortization [3]** | Beginning in Year 2 and annually thereafter | Beginning in Year 6 and annually thereafter | Beginning in Year 8 and annually thereafter |

[1] The margin will be reviewed annually for new loans as part of the program's ongoing administration.
[2] The 7/1 ARM, like the legacy 1/1 ARM and 5/1 ARM MOP loans, has a floor rate that applies throughout the life of the loan.
[3] Reamortization is the process of recalculating your monthly payment after the initial fixed-rate period and annually thereafter based on the applicable interest rate, remaining loan balance, and remaining loan term.