Frequently Asked Questions 7/1 ARM

This FAQ provides a general overview of the new 7/1 Adjustable-Rate Mortgage product (7/1 ARM) and explains the transition from the legacy 1/1 ARM and 5/1 ARM MOP loan products under the Mortgage Origination Program. It is provided for informational and educational purposes only and is not an advertisement, solicitation, commitment to lend, or offer of credit.

About the 7/1 ARM

What is a 7/1 ARM?

A 7/1 ARM has a fixed interest rate for the first seven years. Beginning in year eight, the interest rate may adjust once each year, subject to the limits described below and in the final loan documents.

What is the purpose of the new 7/1 ARM?

The new 7/1 ARM is being introduced as the standard loan product for new MOP loans. The product includes a seven-year fixed-rate period followed by periodic rate adjustments, subject to the terms of the loan documents. Other product features include financing of up to 90% of the property's value, no private mortgage insurance requirement, a lifetime interest rate cap, and no prepayment penalty.

Does the update affect a Standard MOP (1/1 ARM) loan or a 5/1 MOP (5/1 ARM) loan that has already closed?

No. Existing loans that have already closed remain subject to their current loan documents and terms.

Interest Rates and Payments

Can the interest rate and payment change?

Yes. The interest rate is fixed during the initial seven-year period. After the initial fixed-rate period ends, the interest rate may increase or decrease on an annual basis. The monthly principal-and-interest payment is recalculated annually beginning in Year 8, based on the outstanding principal balance, the applicable interest rate, and the remaining loan term.

Are there limits on future rate changes?

Yes. The first adjustment is limited to 2 percentage points above or below the initial fixed interest rate. After the first adjustment, subsequent annual adjustments are limited to 1 percentage point above or below the prior interest rate. The loan is subject to a maximum lifetime increase of 5 percentage points above the initial fixed interest rate. All rate changes are subject to the minimum product rate floor.

How will I know about a future payment change?

Borrowers will receive advance notice of an interest-rate and payment adjustment as required by applicable law and the loan documents.

Applying During the Transition

When will the 7/1 ARM become available?

January 6, 2027

What is changing with the new 7/1 ARM?

Beginning January 6, 2027, the 7/1 ARM product will replace the Standard MOP (1/1 ARM) and the 5/1 MOP (5/1 ARM) loan products. The legacy 1/1 ARM and 5/1 ARM MOP products will no longer be available for applications submitted after December 1, 2026, including preapproval requests. Existing loans that have already closed will not be affected and will continue under their current loan documents and terms.

UNIVERSITY OF CALIFORNIA Home Loan Program Corporation

7/1 ARM LOAN FAQ'S

Can an applicant still receive a legacy 1/1 ARM or 5/1 ARM MOP loan?

Applicants who submitted a completed application before December 1, 2026 may receive a legacy product if their loan funds no later than December 21, 2026, and all other applicable requirements are satisfied.

What if my loan does not fund by December 21, 2026?

If a loan commitment letter has been issued but your loan does not fund by December 21, 2026, you will no longer be eligible for a legacy 1/1 ARM or 5/1 ARM MOP loan product. Your application will be re-underwritten as a 7/1 ARM. If approved, a new loan commitment letter will be issued, reflecting the loan terms, interest rate, and applicable rate-lock terms for the 7/1 ARM product.

Does a preapproval guarantee a loan product, interest rate, or closing date?

No. Preapproval is an important early step, but it does not guarantee a specific loan product, interest rate, or closing date. Your interest rate will not be locked, and your final loan product will not be confirmed until your loan has received conditional underwriting approval and a loan commitment letter has been issued. In addition, your loan will not close until all closing conditions have been satisfied.

What can I do to help keep my submitted application moving?

Provide requested documents promptly, respond to questions from the underwriting team, and allow sufficient time for appraisal, title, insurance, and other closing requirements to be completed. Your assigned underwriter can help you understand the anticipated timing and next steps for your application.

After Your Loan Closes

Can I refinance the 7/1 ARM?

Yes. A borrower may refinance through an external lender at any time, including during the initial seven-year fixed-rate period. There is no prepayment penalty associated with a program loan.

Can an existing MOP loan be refinanced into the new 7/1 ARM?

No. An existing MOP loan cannot be refinanced into the 7/1 ARM through the program. It may be refinanced through an external lender.

Is the seven-year fixed-rate term renewable?

No. The fixed-rate term applies only during the first seven years of the loan. Beginning in Year 8, the interest rate adjusts annually in accordance with the loan documents.

Can I make additional principal payments?

Yes. Additional principal payments are permitted at any time. During the initial fixed-rate period, an additional payment reduces the outstanding principal balance but does not change the required monthly principal and interest payment until the payment is recalculated beginning in Year 8.

Where to Get Help

Who should I contact with questions about my submitted application?

Please contact your assigned Underwriter or campus Home Loan Coordinator. They can provide application-specific information and explain which requirements and timelines apply to your situation.