

# UNIVERSITY OF CALIFORNIA HOME LOAN PROGRAM CORPORATION

## DISCLOSURE OF POTENTIAL IMPUTED INTEREST INCOME

**If you are receiving a loan under The University of California (University) Home Loan Program (Program), you may be subject to imputed interest income.**

Program participants may be subject to imputed interest income if their Program loan is deemed to be a below-market rate loan, as defined by the IRS. A loan is considered to be below market-rate if the interest rate available from a conventional lender (market rate of interest) exceeds the borrower's actual interest rate. The market rate used as a comparison is the Applicable Federal Rate (AFR), which is computed by the Internal Revenue Service (IRS) under a formula in the IRS tax code. The AFR is published monthly at <https://apps.irs.gov/app/picklist/list/federalRates.html>.

The AFR used for the comparison to determine any imputed interest income is the Short-Term rate, compounded semi-annually. If your interest rate is less than the AFR, imputed interest will be calculated as the difference between the actual interest you paid on your loan as compared to the amount you would have paid at the AFR rate. In the event that you are subject to imputed interest income, it will be reportable as additional wage income on your last paycheck of the calendar year, and will also be reported on your W-2. The imputed interest income is subject to withholding for FICA, but state and federal income tax will not be withheld.

The University completes an annual calculation of any applicable imputed interest income for Program participants. Generally, only the portion of the loan that is above \$750,000 is subject to the imputed interest income calculation. A comparison of the AFR to your interest rate will be completed by the Office of Loan Programs, and may result in imputed interest income for the year if your interest rate is less than the AFR.

In the event of future changes to the IRS tax laws, the University's Office of Loan Programs will modify their procedures to be in full compliance with the calculation and reporting of imputed interest income.

Any questions concerning your loan should be directed to the Office of Loan Programs, 1111 Franklin Street, Oakland CA 94607 or via e-mail to [olp@ucop.edu](mailto:olp@ucop.edu). Please consult your tax advisor if you have questions concerning your particular tax situation.

**NOTE: Applicants whose loans qualify as relocation loans under IRS regulations are not subject to imputed income. Whether a loan is a relocation loan is determined by using the same Distance Test that applies to the deductibility of moving expenses, as outlined in the IRS form found at <http://www.irs.gov/pub/irs-pdf/f3903.pdf>. Additionally, in order to qualify as a relocation loan, your loan must close within one year of your hire date. The Office of Loan Programs will use the information provided on your loan application to determine whether your loan qualifies as a relocation loan.**

### \*\*\*BORROWER ACKNOWLEDGMENT\*\*\*

I/We have read this disclosure form, and understand its contents, as evidenced by my/our signature below. I/We understand that this acknowledgment is a required part of the mortgage loan application.

\_\_\_\_\_  
Borrower Signature:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Co-Borrower Signature:

\_\_\_\_\_  
Date