PEPPERDINE UNIVERSITY (the "*University*")
FINANCE UNDERWRITING GUIDELINES
For Campus View Condominium Owners (each, an "*Owner*")
(As of 07/07/08)

The provisions set forth below (the "*Guidelines*") constitute guidelines for Pepperdine University's Home Loan Program ("*PUHLP*") designed to assist each qualified University faculty and staff member ("*Owner*") in financing the purchase of a Campus View Condominium located on the University's Malibu campus.

1. Basic Loan Terms. Each eligible purchaser of a Campus View Condominium who requires financing to purchase such Condominium must apply and be approved for financing provided under the PUHLP. Financing outside of the PUHLP is strictly prohibited. The qualification of each Owner, and the amount and terms of each loan are subject to the University's approval in its sole discretion. As an incentive for the Participant Lender to participate in and provide attractive financing programs for the Campus View Condominiums, the University has agreed to guaranty each loan made under the PUHLP.

2. Purpose. The financing proceeds may be used (1) as purchase money for the Owner's purchase of a Campus View Condominium; and/or (2) to finance the purchase of any University approved upgrades or options chosen by the Owner and completed prior to the close of escrow for the purchase of such Condominium.

3. Liability for the Loan. All loans must be the joint and several obligation of the Owner, the Owner's spouse and any other person holding an equity interest in the condo (collectively referred to herein as "*Owner*"). However, if there is a loan default, the Participant Lender will proceed first against the University's Guaranty of the loan. (A copy of the Guaranty is attached hereto.) After due notice of default from the Participant Lender, the University is contractually obligated to perform on its Guaranty by paying the amount due and owing by the Owner to the Participant Lender. Once the University performs on its Guaranty, the Participant Lender is then obligated to assign all of its rights under the loan documents to the University and the University may then pursue foreclosure proceedings or any other legal remedies available to it as against the Owner. If the University fails to perform on its Guaranty, then the Participant Lender may pursue foreclosure proceedings and proceed with other legal remedies available to it as against the Owner and/or the University. In other words, even though the University guarantees payment of the loan, the Owner's liability for the loan debt is not excused or limited by reason of the Guaranty.

4. Qualification and Application Process. University in its sole discretion, rather than the Participant Lender through its normal underwriting process, shall initially determine whether a prospective Owner is qualified for a guaranteed loan, as follows.

a. Each prospective Owner will first obtain an application package from University. After a prospective Owner has completed and delivered the application package to the University, including a signed copy of these Guidelines, University will forward the materials to Participant Lender, along with an application fee (paid by the prospective Owner) and other items reasonably required by the Participant Lender or University. Participant Lender will then prepare and deliver to University a loan document package, including a credit report on the prospective Owner, for further underwriting and processing by the University.

b. New loans may be processed either by the University's Real Estate Operations office or by an approved escrow company, as determined by the University in its sole discretion.

c. Current application materials include, among other things, a residential loan application, an application fee (including a credit report fee), a University Credit Union membership application (if applicable), an automatic payment program enrollment form (customized to require deduction on the first of the month), Owner's most recent payroll stubs and Owner statements, and other detailed financial information.

d. Owner understands that if Participant Lender is the University Credit Union, Owner will be required to obtain membership in the University Credit Union before a new loan will be processed.

5. <u>Underwriting Criteria</u>. Each prospective Owner must demonstrate an ability to repay a financing loan guaranteed by the University, based upon the following general criteria as well as other unique circumstances that may be considered on a case-by-case basis by the University in its sole discretion.

a. Monthly housing expenses (including loan, HOA dues, property taxes and insurance) should normally not exceed approximately 30-40% of the Owner's gross monthly income. Consumer debt levels, payment history and other financial factors shall be satisfactory to University in its sole discretion.

b. Unless otherwise approved by the University, the loan amount should not exceed the maximum aggregate amount of 80% of the purchase price of the Campus View Condominiums.

c. All costs of the transaction shall be borne by Owner, currently including, but not limited to, an application fee (not applicable with University Credit Union), a lender's document preparation fee ($500), wire transfer fee ($90), flood determination fee ($25), a lender's title policy premium, University document preparation fees ($250), tax service fee (from $67-134) and all costs of notarizing and recording documents. The amounts shown above are approximations only and are subject to change.

d. Each loan shall become fully due and payable upon the earlier to occur of the following conditions subsequent: (i) termination of Owner's full-time employment with the University for any reason (except retirement, but only if Owner's purchase contract specifically states that Owner may retire in his condominium after retirement and Owner meets all conditions for retirement ownership as set forth in the purchase contract and the CC&Rs), (ii) any sale, lease, transfer or other disposition of the condominium, (iii) cessation of use of the condominium as the primary residence of the Owner, (iv) default in payment of any loan or other amount secured by the condominium, or (v) material default of the loan agreement by the Owner.

e. Owner shall pay all loan payments via automatic deduction from Owner's bank account, using an account set up with Lender by each Owner. The University in its sole discretion may revoke the direct deduction program and accelerate the loan upon the occurrence of any condition subsequent described immediately above.

f. Each loan must be secured by a first deed of trust on the Owner's condominium, with a lender's policy of title insurance showing priority of such trust deed over all other monetary liens and encumbrances secured by that condominium. No lien securing secondary financing shall be permitted on the condominium without the University's prior written approval.

g. Each loan eligible for the University's guaranty shall generally carry fixed interest rates payable over periods not to exceed 30 years. University may also approve an adjustable interest rate loan in some cases, with the interest rate and payment being adjusted at 5, or 7 year intervals, all pursuant to the Participant Lender's standard lending offering materials.

h. The applicable financing interest rates are subject to change from time to time, depending upon market conditions. University and each Owner must approve the individual rate and any adjustment schedule, if applicable, prior to the close of escrow.

i. The Participant Lender will obtain a credit report to verify financial information provided by each Owner. The Participant Lender will provide University with the credit report.

j. If the payment deduction program is revoked as to any Owner, that Owner will be responsible to make alternate payment arrangements for any period of time that such program is not in effect.

k. Each Owner shall be responsible for carrying such casualty, liability, earthquake and other insurance coverage as the Participant Lender may require with University's concurrence. Owner shall arrange to have both

University and the Participant Lender named as loss payees on all insurance policies covering the condominium secured by each loan. The Participant Lender will have a valid security interest in the proceeds from all such policies. Evidence of current adequate insurance must be maintained on file with the University throughout the life of the loan. Owner's failure to provide such evidence of insurance and/or failure to maintain the insurance shall be deemed a material default of the loan.

6. Refinancing. Unless otherwise agreed by the University in its sole discretion, an Owner may only refinance an existing condo loan once every three years.

7. Financial Information. By signing these Guidelines below, Owner thereby requests and consents to the Participant Lender causing to be delivered to the University (a) copies of all final, fully executed loan documents at the loan closing, and (b) such information regarding Owner's financial condition as University may request at any time, including but not limited to credit reports and regular reports of changes in interest rates, payment amounts or other loan terms, payment of taxes and insurance premiums, and notice of any default or other non-compliance by Owner.

For more information, please contact:

PEPPERDINE UNIVERSITY **24255 Pacific Coast Highway** **Malibu, CA 90263-4109** **Real Estate Operations –** **TAC100 Operations Manager** **Phone 310-506-6348** **Fax 310-506-7421**	**OWNER:**

By signing below, Owner hereto agrees to be bound by all of the foregoing Guidelines.

OWNER

By: ________________________
Name:

By: _____________________
Name: