WELLESLEY COLLEGE
Faculty Mortgage Plan
As Amended July 1, 2009

COMPREHENSIVE PROGRAM DESCRIPTION

Purpose of the Plan

The purpose of the mortgage program is to enable faculty and senior administrators to live proximate to the College to facilitate interaction among faculty and students.

Eligibility

The mortgage program is available to all tenured and tenured track faculty at an Associate or Full Professor level and senior administrators who have positions equivalent to or higher than vice president. Physical education faculty with long-term renewable five- or six- year contracts hired on or before July 1, 2009 are also eligible for the mortgage program.

For faculty members, the program is available upon confirmation from the Dean's office that the faculty member is currently tenured or is tenure-track at an Associate or Full Professor level and will be considered for tenure within two years of receiving the mortgage.

Refinancing, on a one-time basis, is available for eligible faculty and administrators who previously owned or privately financed their own residences, prior to being eligible to participate in the Wellesley College mortgage program.

Distance from the College

The Wellesley College mortgage program is applicable to the purchase of a primary residence within a 10-mile radius of the College.

Cost to Participate

The fee to participate is $1,000, which is due to Wellesley College upon submission of the Uniform Residential Loan Application.

Maximum Amount the College will Loan

The College currently will loan up to $800,000 in this program.

This amount is reviewed by the Board of Trustee's Finance Committee and adjusted based on median house prices in the town of Wellesley. The new maximum loan amount will be changed as needed.

Please note that the College's Board of Trustees has set 3 percent of the endowment as the maximum amount to be available for this program. Provision of mortgages is subject to the availability and funds on the part of the College and a satisfactory credit review of the potential faculty or staff member. Priority is given to 1st time home buyers.

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Down Payment
A down payment of at least 5 percent of the purchase price is required. For example, a $800,000 loan will finance a $842,105 purchase price ($800,000 / 95 = $842,105). The down payment on a $842,105 house would be $42,105.

If the purchase price is in excess of $842,105 either a larger down payment or extra financing outside of Wellesley College is required.

Structure of the Program
The College offers a combination program consisting of a variable-interest first mortgage and a deferred-interest second mortgage at 2 percent.

A deferred-interest mortgage is one in which the College participates in the appreciation in the value of the home in return for offering a low interest rate on the second mortgage. The amount the College shares in the appreciation is defined by the following formula: deferred-interest mortgage /house price.

For example:

Purchase a home 1/1/2005 for	$850,000
Down payment	$ 50,000
Wellesley 1st mortgage	$300,000
Wellesley second mortgage	$500,000
Second percent (500/850) =	58.8%
House sold 7/1/2021	$1,500,000
Cost of home	$850,000
Gain on sale	$650,000
Wellesley portion of gain (58.8%)	$382,200

The combination of the first and second mortgages must be such that the second mortgage is at least one-quarter (25%) of the total loan amount or at most two-thirds (66.67%) of the loan amount. For example, a loan amount of $800,000 may be financed with a minimum second mortgage of $200,000 with the remainder balance of $600,000 under the first mortgage. It may also be financed with a maximum second mortgage of $533,333 with the remainder balance of $266.667 under the first mortgage.

The deferred-interest mortgage is an interest-only mortgage and is written to coincide in length with the first mortgage.

Interest Rates on the First and Second Mortgages
The interest rate on the first mortgage is a five-year variable rate, and is set on April 1 and October 1 of each year. The interest rate on the second mortgage, or the deferred-interest mortgage, is fixed at 2%.

Rate Changes on the First Mortgage
The interest rate on the first mortgage will be adjusted every five years. The change is limited to 2 percent in any five-year period and is capped at 4 percent over the life of the loan. However, if the calculated rate on the first mortgage is higher than the current rate for new mortgages, the adjustable rate will be capped at the current rate in effect.

Advanced Payoffs of the Deferred-Interest Mortgage
During the life of a second mortgage, a borrower may make only one principal payment in advance of the due date. Before making a principal payment on the deferred-interest mortgage, there must be an appraisal of the house to determine the fair market value. Any principal payment in advance of the due date on the second mortgage would trigger a payment to the College for its share of appreciation to date.

For example, if a borrower wanted to pay off $50,000 of deferred interest mortgage five years after purchasing a home, the payment due the College would be more than $50,000 assuming the value of the real estate has increased. The exact amount of the payment would depend on the percent of the second mortgage and the fair market value of the home on the payment date. For tax purposes, the payment to the College of the appreciation on a deferred-interest mortgage is considered an interest payment by the mortgagee.

Capital Improvements
The College's share of appreciation will be affected by any capital improvements to the property made during the lifetime of the mortgage. Thus, please notify the Controller's office in advance of undertaking such major improvements (e.g., remodeling a kitchen, bathroom, building an addition, etc). Owners are advised to keep careful records of the expense of such projects as the amount will be credited towards the owners' equity in the property at a discounted value back to the original date of the deferred-interest note. A detail list of approved capital improvements and the percentage credited towards the owner's equity portion is shown in Exhibit A of this document.

Please note that the College does not loan funds for capital improvements.

Subordination
The College is willing to subordinate both first and second mortgages written by the College provided there is at least 10 percent equity ownership in the property after all financing is complete. This feature enables homeowners to secure an outside home equity loan to make substantial additions or upgrades to their property after they have lived in it a few years or to refinance their first variable rate mortgage to a fixed rate mortgage with an outside lender.

One-Time Refinancing
On a case-by-case basis, the college offers a one-time refinancing to mortgagees who wish to pay down the deferred-interest mortgage part of the program and consolidate it into a new first mortgage. The purpose is to encourage mortgagees to end the shared appreciation part of the mortgage before the appreciation has reached a very large amount. At the expiration of the mortgage, the requirement to pay a substantial sum of appreciated dollars to the college, possibly requiring sale of the property, would be avoided.

Please note that the College will not refinance an amount greater than the balance of the current mortgages outstanding plus the amount of any deferred interest due any second mortgages written by the College. The refinancing only applies to the original property purchased. A fee of $1,000 will be assessed for this refinancing.

Right of First Refusal
The College maintains the right to enter into an agreement with the mortgagee whereby the owner will not sell or convey the property without first offering to sell the premises to the College at fair market value. The College only intends to pursue this agreement if the house is within walking distance to the College. Whether the College is interested in pursuing this agreement would be made known to the mortgagee early in the mortgage process.

Other Terms

1. Mortgage payments will be made by Wellesley College payroll deduction.
2. The mortgage loans, at the faculty member's request, will be made to the faculty member and his or her spouse or significant other. Payment of the mortgage, however, is still by payroll deduction from the faculty member.
3. The mortgage must be for a residential single family home and the home must continue to be the principal residence of the faculty member during the lifetime of the mortgage.
4. The College does not escrow property taxes.
5. In the event of termination of employment with the College for any reasons other than your reaching retirement age under the College's then existing rules and regulations (provided, however that if retirement occurs before your 70th birthday, payments will not be required until you reach age 70 or until our Note reaches maturity date, whichever comes first), your Note(s) shall, at the option of the College, immediately become due and payable after notice is provided to you. Termination does not include a leave of absence taken with the approval of the College.
6. Your Note(s) will also immediately be due if you become partially or totally disabled (and such disability necessitates such termination), or if you cease to be the owner of the property, or if the premises cease to be your principal residence. Again this is at the option of the College and only after notice is provided to you.

Insurance
A homeowners' or fire and extended insurance policy, equal to the mortgage amount or the replacement cost of the buildings on the property (with a 100 replacement cost endorsement) whichever is less, must be available at closing. Such insurance shall name Wellesley College as First and Second Mortgagee.

Title insurance coverage for the total of the mortgage amounts will also be necessary. Your attorney will arrange for this policy, the cost of which will be added to your closing costs.

If it is determined that the property is located in a flood hazard area, flood insurance will be required, naming the College as First and Second Mortgagee. The coverage must be either for the mortgage amount or the maximum available in the town where the property is located, whichever is greater. The policy must be in effect at the loan closing and remain in effect for the term of the mortgage.

Title 5 Certification
If the loan is secured for a property serviced by a septic system, the College will require an inspection of the system to ensure it is in accordance with the requirements of Title 5 of the State Environmental Code. The inspection must be made by a state-approved inspector, and a copy of the report must be provided to the College prior to closing and to be found satisfactory by the College.

Hiring an Attorney
An area attorney, Mr. David Kertzman (Kertzman & Weil LLP, 40 Grove Street, Wellesley, MA 02484, 781-237-8701), represent the interests of the College. As part of the closing Mr. Kertzman and his staff will prepare all loan documents, perform all title matters and prepare the closing statement. Title work includes review, certification of title (if required), issuing or making arrangements to have issued title insurance, and ordering the municipal lien certificate and mortgage plot plan (if required). Additional expenses to be paid at closing include title insurance premiums, mortgage survey costs, municipal lien certificate costs, recording costs and any courier charges incurred. You will be responsible for payment of all closing costs incurred in this loan transaction, which will be provided to you in advance of the closing.

You may engage your own attorney at your own expense. Your attorney will be responsible for handling the loan transaction, included but not limited to examining the title, securing the title insurance policy and certifying title to both the College (as First and Second Mortgagee) and yourself.

Approval Process
Each mortgage applicant must complete a formal mortgage application, which is available in both the Vice President for Finance and Treasurer's Office and the Controller's Office. Completed applications will be reviewed by the Controller.

Upon approval, the applicant will receive a mortgage commitment letter. The letter indicates the amount of the first and second mortgages, the terms of the loan, the down payment and the purchase price. In order to write this letter, the College needs a completed standard mortgage application and a copy of the purchase and sale agreement.

The mortgage rate in the commitment letter will be valid for 60 days. The lower of the commitment rate or the prevailing interest rate on the date of closing will prevail.

A copy of the commitment letter goes to the College attorney and also to your attorney, if we are provided with that information. The College attorney in turn writes a letter detailing documents they will need for the closing. This letter goes to you and your attorney. At this point the College functions as the bank and our attorney takes over the closing process.

Prior to formally applying for a mortgage, the Controller will, if asked, write a brief letter to the faculty member indicating that he or she is eligible to participate in the faculty mortgage program and the current lending maximum amount. This brief letter may be used in negotiations with a real estate broker or seller. Since this letter is written prior to a faculty member's application process, it should not be interpreted as approval for a specific loan amount.

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EXHIBIT A

Capital Expenditure List

Category	Description	Include/ Exclude	Include %	Note
Exterior	Repaint house	Exclude	*	(1)
Exterior	Replace roof	Exclude	*	(1)
Interior	Refinish hardwood floors	Exclude	*	(1)
Exterior	Add fence	Include	75%	
Exterior	Add patio	Include	75%	
Exterior	Install automatic sprinkler system	Include	50%	
Infrastructure	Install security system	Include	75%	
Infrastructure	Replace heating and/or hot water system	Include	75%	
Interior	Install/replace non-hardwood flooring	Include	50%	
Interior	Upgrade windows	Include	75%	
Exterior	Add driveway	Include	100%	
Exterior	Add vinyl/aluminum siding	Exclude		
Exterior	Level lot	Include	50%	
Exterior	Plant trees & shrubs	Exclude		
Exterior	Repave/replace driveway or walkway	Exclude		
Infrastructure	Add wiring for additional outlets or lights	Include	50%	
Interior	Expand size of existing rooms	Exclude		
Interior	Install carpet	Exclude		
Interior	Install custom bookcases/shelving or entertainment centers	Exclude		
Interior	Install custom closets	Exclude		
Interior	Install custom draperies	Exclude		
Interior	Install hardwood floors	Include	100%	
Interior	Remodel bath – new condition	Include	100%	
Interior	Remodel kitchen – new condition	Include	100%	
Interior	Replace doors	Exclude		
Interior	Replace hardware; i.e. doorknobs, locks, light switches, faucets, etc.	Exclude		
Interior	Replace/add fixed lighting; i.e. chandeliers, hall lights, etc.	Exclude		
Other	Install hot tub	Exclude		
Other	Install outdoor pool	Exclude		
Additions	Add additional rooms; i.e. bathroom, bedroom, family room	Include	100%	
Additions	Add garage	Include	100%	
Exterior	Add porch or deck	Include	100%	
Infrastructure	Add central air conditioning	Include	100%	
Infrastructure	Upgrade electrical system	Include	50%	
Interior	Repaint walls	Exclude		
Exterior	Upgrade septic system	Include	50%	(2)

Note:

(1) * fixing up expenses - 50% credit if incurred within 2 year from sale of house; otherwise exclude

(2) Include 100% if required to upgrade in order to sell property

All capital approved capital expenditures will be discounted back to the original purchase date using the CPI-U index.