

Prescribed Interest Rate Loan (PIRL)

Description of Key Terms

Updated: March 27, 2018

The “Prescribed Interest Rate Loan (PIRL)” is a new loan option within UBC’s Faculty Home Ownership Program (FHOP) that provides tenured or tenure-track faculty that are approved for this option:

A one-time loan ranging from \$50,000 to, in rare cases, \$500,000 at the discretion of the Provost Office, to assist with the purchase of a new or resale home, generally in a form that:

- would be repayable in 15 years,*
- is for the purpose of supplementing the purchase of a principal residence,*
- applicable anywhere in Metro Vancouver including UBC campus*

Background

In Vancouver’s challenging housing market context, the umbrella FHOP supports UBC’s recruitment and retention of the highest caliber of faculty for its continued research and training excellence. It also supports long term development of a thriving, diverse and sustainable academic community at UBC’s Vancouver campus. More specifically it provides a suite of program options ranging from rental to homeownership financial assistance, that collectively help increase housing format and location choice and affordability for faculty working on the Vancouver campus.

Under the “Prescribed Interest Rate Loan (PIRL)” option within the FHOP, UBC would approve and advance to approved tenured and tenure-track faculty a loan generally in the range of \$50,000 to \$500,000 to help with the purchase of a property (new or resale) anywhere within Metro Vancouver. Application through the Housing & Relocation Services process and approval by the Provost’s Allocation Committee is required in order to access to this loan option.

The PIRL funds would be borrowed through UBC’s Faculty Housing Assistance Financial Endowment (FHAFE), and the loan agreement would be directly with UBC.

The PIRL is a loan which any amount greater than \$125,000 will be secured by a second mortgage on the property. PIRL loans that are issued with an amount of \$125,000 or less will not be secured by a second mortgage on the property. The PIRL is repayable after 15 years or earlier if there is a change to the faculty member’s eligibility that triggers early repayment.

UBC will require faculty to pay annual interest at the Canada Revenue Agency (CRA) prescribed interest rate (April 2018: 2%) so that no taxable benefit will be received by the individual faculty member. The loan

principal would be due on the 15th anniversary of the date the funds were advanced to the faculty member. Should the faculty member wish to re-pay the loan earlier than the due date, payment must be received two weeks prior to the anniversary date of the loan, partial payment(s) of less than \$5000 will not be accepted and any amounts over \$5000 must be in \$1000 increments. The repayment will be credited on the loan anniversary date if received two weeks prior to the anniversary date. Property purchased with any PIRL loan can be resold to anyone without restriction. Faculty members may make repayments without any penalties.

Purchase Details

- Eligible faculty members (the “Borrower”) will be approved by the University of British Columbia (UBC) through the Allocation Committee process;
- The Borrower (Borrower & spouse, if applicable) will need to qualify for a First Mortgage loan amount through a financial institution of their choice to be eligible for this program, unless they have sufficient funds to complete the purchase without a First mortgage loan;
- UBC will be the lender of the PIRL; UBC will take a 2nd mortgage secured by the property.
- There is no maximum home purchase price however the property must be either a newly constructed or resale unit in Metro Vancouver;
- Annual Interest on the PIRL will be set at the CRA prescribed rate at the time the money is advanced (April 2018: 2%). This is the “Initial Interest Rate” that will be charged on the loan for the first 5 years. However, because the CRA reviews the prescribed rate on a quarterly basis, it is possible for the prescribed rate to change if during the first five years :
 - The CRA prescribed interest rate increases above the Initial Interest Rate, UBC will continue to charge the Initial Interest Rate.
 - If the CRA prescribed rate decreases below the initial Interest Rate, UBC will change the newer lower interest rate.
- At the end of five years, the Initial Interest Rate prescribed rate will be reset to the then applicable prescribed rate as determined by CRA. This reset interest rate will then apply for another 5 year period, with adjustments as set out above.
- The home must be the principal residence of the Borrower.
- The Borrower cannot own any other property in Metro Vancouver whilst the PIRL remains outstanding; however they can own a property outside of Metro Vancouver.
- Borrowers will be responsible for all closing costs (including UBC’s costs) including, but not limited to, real estate commission, Property Transfer Tax, legal/ lender/ admin fees, applicable taxes, title insurance, etc.
- Borrowers will not be entitled to refinance their home unless:
 - the refinancing is for the purpose of repaying the PIRL in full; or
 - the purchaser is refinancing or renewing their First Mortgage where the mortgage amount is less than or equal to the then outstanding First Mortgage balance.
- Any other financing related to the property is subject to UBC’s approval.

- The Borrower's minimum equity in the purchased home must be 5%. That means that 5% of the purchase price of the home must be the Borrower's own funds, and not be borrowed funds.

Maintenance & Repairs

- Borrowers must maintain the property in good repair and condition at all times, and all costs will be borne by the Borrower. This includes all operating costs including, but not limited to, insurance, property taxes (or equivalent), utilities, strata fees, special assessments, maintenance & repair, etc.

Repayment of the PIRL

- The PIRL must be repaid upon:
 - 15 years from the date the funds were advanced, or such other date as UBC has, at its sole discretion, agreed to;
 - the sale of the home;
 - demand of repayment of the PIRL (which may occur on the conditions outlined below); or
 - when the Borrower chooses to repay the PIRL
- There are no restrictions on to whom the home may be sold however it must be sold for fair market value.
- When the Borrower chooses to sell, upon closing, the Borrower must repay the loan with the sale proceeds after repaying the first mortgage. As described above, upon sale of the home, repayment of the PIRL will be due. The then outstanding principal balance of the Loan will be fully repayable.
- Borrowers will be responsible for all closing costs and mortgage penalties, if applicable.

Demand of Repayment of the PIRL

- The PIRL becomes due and payable within 180 days of demand upon the earlier of:
 1. After the Loan has been outstanding for 15 years; or
 2. The occurrence of one of the following policy driven repayment triggering events:
 - The Borrower is no longer employed by UBC;
 - The Borrower is no longer a tenured or tenure track faculty at UBC or if retired faculty lose their emeritus/emerita status;
 - Upon full retirement where the Borrower has been a full time employee of UBC for less than 15 years;

- Upon full retirement where the Borrower has been a full time employee of UBC for more than 15 years but has not met professor emeritus/emeriti requirements;
 - Upon the settlement/agreement in the case of divorce/separation where the Borrower is not able to keep the home as their principal residence;
 - The Borrower purchases or acquires, through any means, another dwelling unit in Metro Vancouver; ○ If the home is being rented (outside of a UBC approved leave) and/or not being used as the Borrowers principal residence; or
 - Upon the death of the Borrower, in which case the PIRL becomes due and payable within one year of demand.
- The Borrower will be required to assign a portion of their wages to UBC in the event that they fail to repay the amount due under the PIRL. UBC will have all other remedies available to a creditor to recover the total funds owing.

Reporting

- Borrowers in this program must annually:
 - declare to UBC that they comply with the program policies; and
 - confirm to UBC that the property is adequately insured and that all strata fees, property taxes and utility and service levies are paid and up to date.
- Borrowers in the program will allow the First Mortgage Lender to share information with UBC regarding the First Mortgage