COMMITTEE ON COMPENSATION
DECEMBER 2007

ACTION UNDER INTERIM AUTHORITY – MORTGAGE ORIGINATION PROGRAM LOAN FOR BARBARA ALLEN-DIAZ AS ASSISTANT VICE PRESIDENT - PROGRAMS, AGRICULTURE AND NATURAL RESOURCES, OFFICE OF THE PRESIDENT

Action under interim authority was requested for the approval of a Mortgage Origination Program loan for Barbara Allen-Diaz. This request was in response to a need to refinance Ms. Allen-Diaz' current loan on the property.

RECOMMENDATION

It was recommended that the following be approved in connection with the Mortgage Origination Program (MOP) loan for Barbara Allen-Diaz:

(1) Loan not to exceed the current loan balance of $630,000 plus applicable transaction costs estimated to be up to $8,000. This request represents an exception to policy because Ms. Allen-Diaz used a portion of a previous refinance loan proceeds to pay off a loan which was secured on another property.

(2) Effective upon approval by The Regents.

The compensation described above shall constitute the University's total commitment until modified by The Regents and shall supersede all previous oral or written commitments. All compensation (as defined in the Regents' 1993 Principles for Review of Executive Compensation) in this recommendation will be released to the public immediately following approval by The Regents.

BACKGROUND

In July 2007, approval under interim authority by the Committee on Compensation was received for the appointment salary of $180,000 for Barbara Allen-Diaz as Assistant Vice President-Programs, Agriculture and Natural Resources, Office of the President in the Senior Management Group. The interim item included approval for MOP participation with a loan amount of up to the current allowable threshold of $1,330,000.

Ms. Allen-Diaz has indicated that she wishes to use her MOP loan to refinance the existing debt on her principal residence. MOP policy allows a loan to be used to refinance a loan secured on the applicant's current property, if the property is within a reasonable distance of the work location. Policy authorizes the use of up to 15 percent of MOP loan allocations to refinance existing debt.

Regental policy states that a MOP loan can be used *"to refinance existing housing-related debt secured on a participant's principal residence, including related loan transaction expenses included in the prior loan balance or related to the Program refinancing loan, with the* *understanding that the Program loan cannot be used to pay off loans, secured or not secured, used for non-housing related expenses or for any mortgages on other properties"*.

To comply with Regental policy, all applicants for refinance transactions are required to complete an affidavit listing all loans that have ever been secured on the property, and the purpose of the proceeds of each loan. In the event that secured debt was used for non-housing related expenses, those expenses are excluded from the amount of the refinance.

Ms. Allen-Diaz made extensive renovations to the property over the past nine years. There is currently one loan secured on the subject property. A portion of this loan was used to pay off a mortgage on another property, which does not fall within University policy. Ms. Allen-Diaz indicated that if she had known about this requirement, she would have used other resources to pay off the loan on the other property. She has extensive documentation for the amount of personal funds that were used to renovate the subject property. Under University policy, the use of funds would have been acceptable if she had refinanced the debt on the subject property and had taken cash out in order to recoup the cash invested in the property.

An exception to policy was requested in order to allow Ms. Allen-Davis to refinance the balance of the existing loan secured on the subject property, up to the sum of the original loan amounts, plus all documented renovations, not to exceed the current loan balance of $630,000, plus applicable transaction costs, subject to all other normal Program requirements.