

BUCKNELL UNIVERSITY

MORTGAGE GUARANTEE PROGRAM GUIDE

Objective: To provide assistance to new faculty and administrative/professional staff in relocating to a primary residence locally, by guaranteeing a portion of the mortgage amount, and thereby enabling the potential buyer to provide the lowest possible down payment.

Eligibility:

1. Full-time faculty or administrative/professional staff member in a position that does not have a stated termination date, or is not of a temporary nature. For instance, a one-year temporary position would not qualify.
2. Potential buyer must be moving into the area from a distance of over 50 miles, and must apply for the mortgage guarantee program within five years of their date of employment.
3. The guarantee may not be used more than once.
4. Certification: the appropriate Vice President must certify eligibility by signing and forwarding the Certificate of Eligibility (Exhibit A) to the Treasurer, who administers the Mortgage Guarantee Program. The yellow copy should be retained by the Vice President.

Procedure:

1. The potential buyer should, upon determining that they wish to purchase a primary residence, request their respective Vice President to forward their Certificate of Eligibility to the Treasurer. It is strongly recommended that this step be accomplished before any commitments are made with realtors, sellers or banks.
2. Contact the Treasurer for guidance regarding the banks honoring the Bucknell Mortgage Guarantee and what forms will be necessary for Bucknell's files. At present, forms required by the Treasurer include:

- Copy of sales agreement
- Copy of appraisal
- After closing, copy of signed note or bond and mortgage
- Mortgage amortization schedule

The bank must contact the Treasurer prior to making a mortgage commitment, to ensure that the potential buyer is eligible.

It is essential that proper prior planning be done to avoid last minute problems. The aforementioned steps must be followed to ensure that Bucknell's staff has adequate time to review the supporting documents, as well as the language in the

mortgage guarantee. The Treasurer should be contacted to determine time requirements.

Guarantee amount:

1. Bucknell University will guarantee an amount up to 20% of the sales price or appraised value of the property, whichever is less. For instance, if the sales price of the property is \$100,000, and the appraised value is \$102,000, the sales price, being the lesser of the two, would govern. Most banks will offer a mortgage of 80% of the sales price (provided that the appraised value is equal to or higher than the sales price). Bucknell would then guarantee 15% of the sales price in this instance, leaving the buyer to pay cash of 5% of the sales price (plus closing costs).

<u>Example:</u>	\$100,000 sales price	\$102,000 appraised value
	-80,000 normal 80% bank mortgage	
	<u>-15,000</u> portion of mortgage guaranteed by Bucknell	
	\$ 5,000 required cash outlay by purchaser for down payment	

To state this policy in its simplest terms: Bucknell University's Mortgage Guarantee Policy enables a bank to lend up to 95% of the sales price (assuming an adequate appraised value) because Bucknell guarantees that amount between the normal 80% the bank would lend and 95% of the sales price, which historically has been the maximum percentage banks will lend on a mortgage.

Flood Insurance:

At the time of the mortgage closing, the buyer will provide the Treasurer with the Certificate of Flood Insurance (Exhibit B). If the property is in the 1972 flood plain, flood insurance, in the full amount of the outstanding principal balance of the loan must be maintained until the time when Bucknell University is released from the mortgage guarantee.