

Home Loan Program for First Time Homebuyers

GENERAL

The TPMG Home Loan Program for First Time Buyers assists physicians with the purchase of their principal residence in the Kaiser Permanente Northern California Service Area. The Program provides a low-interest, secured loan of up to 10% of the purchase price of a home to a maximum of \$250,000. The loan has a ten-year term. No monthly payments are required. At maturity, the loan principal must be repaid. Interest is deferred and forgiven if the physician remains employed with TPMG in an eligible status. The loan is considered subordinate financing, typically a second mortgage with favorable interest terms, and not a down-payment. The loan is funded after a physician's first day of work.

ELIGIBILITY

Eligible physicians include:

- Physicians hired on or after September 19, 2002, who did not own a principal residence in the Service Area on the date they signed an Associate Physician Employment Agreement with TPMG; and
- Physicians hired prior to September 19, 2002, who did not own a principal residence in the Service Area after September 18, 2002.

Additional Eligibility Requirements:

- The loan must be approved by the applicant's Physician-in-Chief.
- Associate, Participant and Senior physicians must maintain a six-unit or greater schedule for the duration of the loan.

INTEREST FORGIVENESS

- Interest is fixed for the term of the loan and is based on the Applicable Federal Rate (AFR) in effect at the time loan documents are signed.
- Interest is deferred each year.
- Two years of deferred interest will be forgiven at the end of each year in years six through ten of the loan, contingent upon continued employment by TPMG in an eligible status.

REPAYMENT

- Principal is due at maturity or earlier when:
 - Employment with TPMG is terminated or the physician no longer meets eligibility requirements; or
- The principal residence securing the loan is sold, transferred, or conveyed. Eligible physicians may qualify for a replacement loan.
- Accrued interest, not yet forgiven, is due within sixty days of ineligibility.
- The loan may be extended two years beyond the initial ten-year term at the current one-year TCM (Treasury Constant Maturity) rate, plus 3%. Payment of a lump sum amount of at least 25% of the principal balance is due before the original maturity date, and the remaining principal and accrued interest is paid through authorized payroll deductions.

TAX REPORTING

- TPMG will report imputed income annually to the Internal Revenue Service (IRS) on the physician's IRS Form W-2 in an amount equal to the interest deferred during the year.
- TPMG will report secured loan interest paid and/or imputed on IRS form 1098. The physician should consult a tax advisor to determine eligibility for a mortgage interest deduction. See IRS Publication 936.
- Physicians required to pay deferred interest (due to termination or change in eligibility) should consult a tax advisor to determine eligibility for a miscellaneous itemized deduction.

This material is a summary of the TPMG, Inc. Home Loan Program for First Time Buyers. The Program is subject to the terms and conditions of the Program's actual documents: Letter of Agreement, Letter of Commitment, Promissory Note, and Deed of Trust. In the event of a conflict between the descriptions in this summary and the actual documents, the actual documents control.

None of the information herein should be construed as financial, tax or legal advice. Physicians are strongly encouraged to discuss the Program with their personal financial, tax and legal advisors.