



Best Practices



Community Land Trusts (CLTs)

July 14, 2023

- ☐ Correspondent Lending
- ☒ Housing Finance Agency (HFA)

Summary

Community Land Trusts (CLTs) are nonprofit organizations created to increase and maintain the supply of affordable housing by providing homeownership opportunities to low- and moderate-income families. Properties are acquired by the CLT, and the homes are sold to borrowers using standard mortgage products. The land under the houses is held by the CLT and leased to the homeowners at very low monthly rates. By eliminating the cost of land ownership, this low monthly lease rate helps keep the home affordable in higher cost areas.

U.S. Bank currently permits CLTs on Agency (Fannie Mae and Freddie Mac) loans; this best practice focuses on CLT eligibility requirements, specifically calling attention to those differing requirements between the two agency deliveries. Lenders acknowledge that U.S. Bank has relied upon the accuracy, completeness and truth of the Lender's representations, warranties, covenants, and upon Lender compliance with terms and conditions.

Please also review HFA program guidelines to confirm HFA offering and applicability.

Who are Community Land Trust (CLT) Mortgages for?

- Borrowers looking for additional options to finance homes for sustainable homeownership.
- Borrowers who want access to housing counseling and support before and after purchase.
- People interested in access to low down payment mortgage products allowing higher loan-to-value ratios.

Eligibility Requirements

Requirement	Fannie Mae	Freddie Mac
Eligible Mortgages	<ul style="list-style-type: none"> First-lien conventional fixed-rate 30-year term <ul style="list-style-type: none"> Primary Residence only 1-2 Unit Condo secured by a detached condo unit PUD Projects Not Permitted: <ul style="list-style-type: none"> Manufactured homes Attached condos <p>Note: items highlighted in orange denote a U.S. Bank Overlay.</p>	<ul style="list-style-type: none"> First-lien conventional fixed-rate 30-year term <ul style="list-style-type: none"> Primary Residence only 1-2 Unit Condo secured by a detached condo unit Not Permitted: <ul style="list-style-type: none"> Manufactured homes Attached condos <p>Note: items highlighted in orange denote a U.S. Bank Overlay.</p>
Loan Purpose	<ul style="list-style-type: none"> Purchase or refinance transactions Lenders must document that the CLT has approved the refinance transaction and that it complies with their guidelines. 	<ul style="list-style-type: none"> Purchase, no cash-out or cash-out refinance Refinance transactions must be reviewed and approved by the CLT.
AUS	<ul style="list-style-type: none"> DU only. When submitting to DU, enter "Affordable LTV" in the product description field. 	<ul style="list-style-type: none"> LPA only. When submitting to LPA, select the Community Land Trust Offering Identifier.



Eligibility Requirements, continued

Requirement	Fannie Mae	Freddie Mac
Maximum LTV/TLTV Ratios	<p>The LTV and total LTV (TLTV) ratios are based upon the appraised value that factors in the leasehold interest and improvements.</p> <ul style="list-style-type: none"> When submitting to DU, enter “Affordable LTV” in the product description field. <p>Example: Refer to Fannie Mae’s example of a community land trust affordable LTV ratio calculation here.</p>	<p>The LTV and total LTV (TLTV) ratios are based upon the appraised value that factors in the leasehold interest and improvements.</p> <ul style="list-style-type: none"> When submitting to LPA, select the Community Land Trust Offering Identifier. <p>Example: Refer to Freddie Mac’s Maximum LTV/TLTV ratios and value for Community Land Trust Mortgages here.</p>
Down Payment	<ul style="list-style-type: none"> Minimum down payment requirements are based on the appraised value. 	<ul style="list-style-type: none"> Minimum down payment requirements are based on the purchase price.
Ground Lease Requirements	<p>Review the CLT Ground Lease to confirm it is based upon either the National CLT Network (NCLTN) 2011 CLT Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease. The Ground Lease must:</p> <ul style="list-style-type: none"> The term of the estate created by the ground lease must extend for at least five years beyond the maturity date of the loan that is delivered to FNMA. The Ground Lease may include certain restrictions limiting future property purchasers to low-income and moderate-income families and to limit the maximum sales price of the property. The resale restrictions in the ground lease must terminate automatically on foreclosure (or the expiration of any applicable redemption period) of, or acceptance of a deed-in-lieu of foreclosure for, the leasehold mortgage. Once any resale restrictions have been terminated, they may not be automatically reinstated for subsequent purchasers of the property. Lender must confirm that all ground lease rents and other payments or assessments that have come due have been paid. The borrower must not be in default under any other provisions of the ground lease, nor may the ground lessor have claimed such a default. <p>Refer to Fannie guidelines for complete details.</p>	<p>Review the CLT Ground Lease to confirm it is based upon either the National CLT Network (NCLTN) 2011 CLT Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease. The Ground Lease must:</p> <ul style="list-style-type: none"> Have a term of at least 30-years Include a resale formula that limits the homeowner’s proceeds at resale. The restrictions must be binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or modified, or terminate automatically in accordance with their terms, such as at a foreclosure sale or upon recordation of a deed-in-lieu of foreclosure. Provide the Community Land Trust or its assignee the right to a preemptive option to purchase the home from the homeowner at resale (“the right of first refusal”). State that the Community Land Trust must review and approve any refinances and HELOC. <p>Refer to Freddie guidelines for complete details.</p>
Ground Lease Rider	<p>A certified true copy of the recorded rider (Form 2100) and lease must be executed and delivered to U.S. Bank as a final document.</p>	<p>A certified true copy of the recorded rider (Form 490) and lease must be executed and delivered to U.S. Bank as a final document.</p>

Eligibility Requirements, continued

Requirement	Fannie Mae	Freddie Mac
Title Insurance	<p>The lender's title insurance policy or an endorsement to the policy must expressly confirm:</p> <ul style="list-style-type: none"> the recording of the complete community land trust ground lease or ground lease memorandum; the recording of Form 2100; the community land trust loan is a first lien on the leasehold estate and the improvements; there are no existing mortgage loans or other liens on the fee estate, except as may be permitted under Form 2100; that the ground lessor's reversionary interest is subordinate to the community land trust loan; and there are no related community land trust ground lease occupancy and resale restrictions, covenants, or agreements that "run with the land," and that have been recorded apart from the ground lease, except as may be permitted under Form 2100. 	<p>Must be insured by a title insurance policy or a policy and endorsements that meet the requirements of Chapter 4702. The title insurance policy or an endorsement to the policy must insure the following:</p> <ul style="list-style-type: none"> The CLT Ground Lease was recorded Form 490, CLT Ground Lease Rider, was recorded The CLT mortgage is a first lien on the leasehold estate and the improvements There are no existing mortgages, loans or other liens on the fee estate, except as may be permitted under Form 490. The CLT Ground Lease reversionary interest is subordinate to the CLT mortgage; and There are no related CLT Ground Lease occupancy and resale restrictions, covenants, or agreements that are valid, existing, or effective as of the date of the policy except as permitted under Form 490.
Appraisal	<p>The appraiser must develop the opinion of value for the leasehold interest under the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions that the ground lease rider removes when Fannie Mae has to dispose of a property acquired through foreclosure.</p> <ul style="list-style-type: none"> Lenders must ensure that the appraiser is knowledgeable and experienced in appraising a property subject to a leasehold estate held by a CLT. Because Fannie Mae's appraisal report forms do not include space to provide all of the details required for appraising a property subject to a leasehold held by a community land trust, the appraiser must attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form. As previously mentioned, the appraiser must check the box "as is" and include in the addendum the development of the capitalization rate and an expanded discussion of the comparable sales used and considered. The addendum must also include the following statement: <p><i>This appraisal is made on the basis of the hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by the CLT Ground Lease Rider.</i></p>	<p>The appraiser must develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the CLT Ground Lease, which are removed by Form 490, CLT Ground Lease Rider, upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure.</p> <ul style="list-style-type: none"> Lenders must ensure that the appraiser is knowledgeable and experienced in appraising a property subject to a leasehold estate held by a CLT. Because Freddie Mac's appraisal report forms do not include space to provide all the details required for appraising a property subject to a leasehold interest held by a CLT, the appraiser must attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form. The appraiser must check the box "as is" and include in the addendum an expanded discussion of the comparable sales used and considered. The addendum must also include the following statement: <p><i>This appraisal is made based on the hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by Form 490 upon foreclosure.</i></p>

HFA Lending Guide Updates

The following sections of the HFA Lending Guide have been updated:

- 700: Underwriting Guidelines
 - 713.5: Eligible Borrowers
 - 713.17: Eligible Properties
 - 1100: Exhibits, Forms & Checklists
 - Conventional Loan Delivery Checklist
 - Government Loan Delivery Checklist
 - 1400: HFA Overlay Matrices
 - 1400.01: Delegated HFA Agency Overlays
 - 1400.03: Non-Delegated HFA Agency Overlays
-

Additional Resources

Both Fannie Mae and Freddie Mac publish an extensive list of resources including Frequently Asked Questions specific to Community Land Trusts as shown and linked below:

Fannie Mae

- [Selling Guide section B5-5.1-04: Community](#)
- [Selling Guide section B4-1.4-06: Community Land Trust Appraisal Requirements](#)
- [Community Land Trust Checklist](#)
- [Form 2100](#), CLT Ground Lease Rider
- [Community Land Trust \(CLT\) FAQ](#)

Freddie Mac

- [Community Land Trust Overview PDF](#)
 - [Community Land Trust Mortgage Overview training](#)
 - Delivery requirements: [See Guide Section 6302.42](#)
 - Mortgage file requirements: [Section 3401.29](#)
 - [Community Land Trust Readiness Checklist PDF](#)
 - [Form 490](#), CTL Ground Lease Rider
 - [Community Land Trust \(CLTs\) and Resale Restrictions FAQ](#)
-

Questions



HFA: Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.
