

Freddie Mac's innovative Community Land Trust (CLT) mortgage offering facilitates the preservation of long-term affordable housing for very low- to moderate-income homebuyers.

CLTs are non-profit organizations, state or local governments or instrumentalities that own land and lease it under affordable long-term ground leases to very low-, low- and moderate-income homebuyers who purchase the structure on the land. The ground lease contains certain land use restrictions that preserve use of the property for affordable housing. CLT borrowers must make monthly ground lease payments directly to the CLT. Freddie Mac purchases mortgages secured by a leasehold interest in land owned by the CLTs and the property improvements on such land owned by the borrower.

This document provides quick tips to assist you in originating and servicing these mortgages. For complete information on CLT mortgages, refer to the *Freddie Mac Single-Family Seller/Servicer Guide* (Guide) Chapters [4502](#) and [8701](#).

Note: Vertical revision bars " | " are also used in the margin of this reference to highlight new requirements and significant changes.

Verify Ground Lease Meets Minimum Requirements for Mortgage Eligibility



Ground Lease

The Freddie Mac Seller must review* the CLT's ground lease and determine whether it is based on the National Community Land Trust Network (NCLTN) 2011 Community Land Trust Network Model Ground Lease, or the Institute for Community Economics (ICE) Model Ground Lease. If the Community Land Trust's ground lease is not based on either of the two model ground leases, Freddie Mac's prior written approval is required. The resale restrictions in the Community Land Trust Ground Lease can be imposed by State or local governments, municipalities, instrumentalities or nonprofit entities to create and preserve affordable housing (including entities administering governmental sponsored subsidy programs). Refer to Guide Section [4502.10](#) for additional requirements.

Seller must ensure that the Freddie Mac Form 490 (CLT Ground Lease Rider) is completed, executed and recorded in the land records, together with the CLT's ground lease or ground lease memorandum.

*CLT's that are certified under a Freddie Mac-approved program may be exempt from Seller review of the CLT's ground lease. Contact your Freddie Mac representative regarding prior written approval.



Underwriting Requirements

Mortgage Eligibility



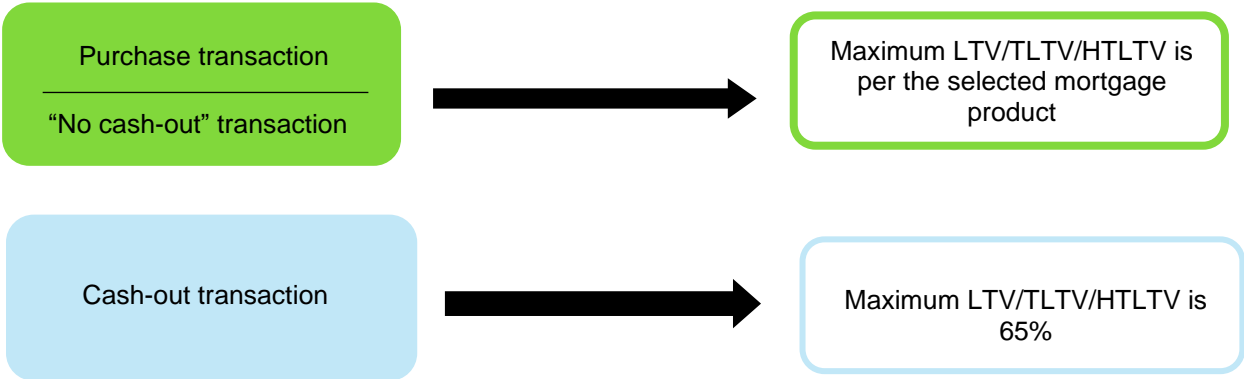
Subject Property

CLT mortgage must be a first lien, conventional fixed-rate mortgage secured by a 1- to 2*-unit primary residence that is not a manufactured home, unless the 1-unit manufactured home is a CHOICEHome® (refer to Guide Section 5703.9). The LTV/TLTV/HTLTV ratios are based upon the appraised value of the leasehold interest, without the resale and other restrictions included in the CLT’s ground lease. The LTV ratio is obtained by dividing the first-lien mortgage amount by the value as determined in accordance with Guide Section 4502.7. Mortgage insurance requirements will be governed by the LTV calculation based upon the property value as defined below.

*For a 2-unit property, at least one qualifying borrower must participate in a landlord education program before the Note Date or have at least one year of previous landlord experience.

Property Value / Loan-to-Value

For both purchase and refinance transactions, “value” is the appraised value of the mortgaged premises on the note date determined in accordance with the requirements of Guide Section [4502.7](#).



Note: Refinance transactions are subject to CLT approval. See Guide Section 4502.4.



Appraisal Requirements



Seller must ensure that the appraiser is knowledgeable and experienced in appraising a property subject to a leasehold estate held by a CLT. The appraisal must be documented as required by the Guide.

Appraisal Report

The appraiser must:

- Analyze the property subject to the CLT ground lease.
- Describe the terms and restrictions of the CLT ground lease and Form 490, CLT ground lease rider.
- 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. Form 490 removes these restrictions upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure. Resale restrictions for CLTs do not survive foreclosure.

For a property subject to a leasehold interest created by a CLT, the appraiser should use sales of similar properties that are subject to other types of leasehold interests as comparable sales. If this is not possible, the appraiser may use sales of properties that are owned in fee simple. The appraiser should make appropriate adjustments to reflect the differences in market value for the properties subject to the other types of leasehold interests based on the terms of leases and the properties that are owned in fee simple.

Loan Product Advisor® Data Entry

When entering the data into your loan origination system (LOS)* or accessing Loan Product Advisor® (LPASM) using Freddie Mac Loan Advisor® single sign-on portal, you **must select** “Community Land Trust” as the **Loan Program Identifier**. LPA will confirm eligibility for program type, occupancy type, property type, product type and maximum LTV/TLTV ratios.

Loan Product Advisor via Loan Advisor: Program Identifier field

Program Identifier(s)

Select

- HFA Advantage
- Home Possible
- CHOICEHome
- CHOICERenovation
- Community Land Trust

*Work with your loan origination system (LOS) software partner on how to identify a Community Land Trust.



Loan Product Advisor Feedback Certificate:

- Review the Loan Product Advisor Feedback Certificate *Loan Details* section (see below) to confirm **Community Land Trust** has been selected.

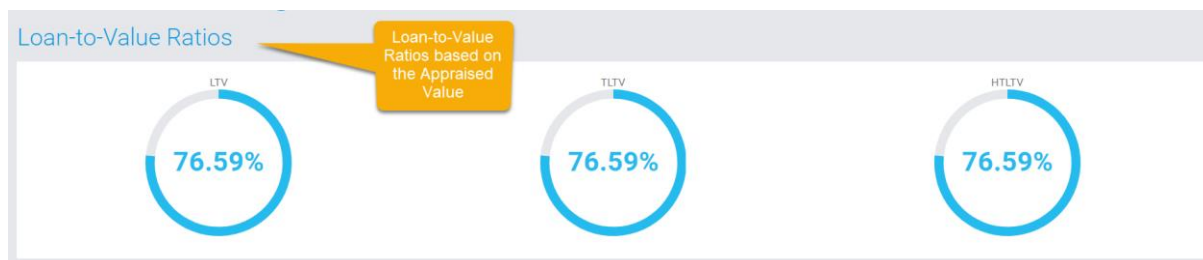
Loan Details	
BORROWER NAME JOHN FREDDIE	ADDITIONAL BORROWER MARY FREDDIE
ADDITIONAL BORROWER N/A	MORTGAGE TYPE Conventional
DOCUMENTATION LEVEL Streamlined Accept	PROPERTY ADDRESS 1234 MAIN ST, WINSTON :
PROGRAM IDENTIFIER(S) Community Land Trust	

Refer to, [Loan Product Advisor Feedback Messages](#), for applicable Community Land Trust messages.

- Review the *Mortgage Details* section to confirm loan data.

Mortgage Details				
PRODUCT TYPE 30 Year Fixed	AMORTIZATION TYPE Fixed	AMORTIZATION MONTHS 360	LOAN AMOUNT \$180,000.00	INTEREST RATE 7.0000%
LOAN PURPOSE Purchase	PURCHASE PRICE \$220,000.00	ESTIMATED PROPERTY VALUE \$235,000.00	APPRAISED PROPERTY VALUE \$235,000.00	NUMBER OF UNITS 1
PROPERTY TYPE Site Built Detached	OCCUPANCY Primary Residence	REFINANCE TYPE N/A	CASH OUT AMOUNT N/A	NEW CONSTRUCTION N/A
INTEREST RATE BUYDOWN No	SALES CONCESSIONS N/A	ARM QUALIFYING RATE N/A	ARM QUALIFYING PITI N/A	LENDER SUBMITTED RESERVES \$100,000.00
AFFORDABLE SECOND N/A	TOTAL SUBORDINATE FINANCING N/A	HELOC BALANCE N/A	HELOC LIMIT AMOUNT N/A	

- If the Program Identifier "Community Land Trust" is selected, LPA applies the LTV ratio calculations per Guide Section 4502.7.





Servicing Requirements



In connection with Freddie Mac's purchase of CLT mortgages, and to provide CLTs (or their duly authorized representatives) opportunities to help resolve borrower defaults and preserve their affordable housing inventory over time, Servicers must implement servicing requirements applicable only to CLT mortgages.

- Servicers must implement policies, procedures and systems to identify and track CLT mortgages to ensure that such mortgages are serviced in accordance with these servicing requirements.
- The ground lease and Form 490 include key servicing provisions that Servicers need to administer.

General Servicing Requirements

In addition to standard servicing requirements detailed in the Guide, CLT mortgages require:



Special servicing welcome letter



Early delinquency counseling must be made available¹

¹Note: If the Servicer has knowledge or reason to believe that a lessor (CLT or its duly authorized representative) has established program requirements to offer early delinquency counseling and/or has offered early delinquency counseling to a delinquent borrower on a CLT mortgage, then the Servicer is not required to offer early delinquency counseling, but the Servicer must document this fact in the Mortgage file.

This information is not a replacement or substitute for the requirements in the Freddie Mac *Single-Family Seller/Servicer Guide* or any other contractual agreements. This information does not constitute an agreement between Freddie Mac and any other party. .

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