



# Community Land Trust (CLT) Mortgage

Community land trust (CLT) mortgages: Community land trusts create and preserve affordable homeownership opportunities by retaining ownership of land and leasing it under a long-term ground lease to homebuyers who purchase the improvements on the land (typically, houses) at prices below market rates.

For complete requirements about originating and servicing CLT mortgages, please see the [Freddie Mac Seller/Servicer](#) Guide Chapters 4502 and 8701.

## BENEFITS FOR COMMUNITY LAND TRUSTS

### **Our mortgage offerings will help CLTs:**

Preserve affordability over time and keep affordable homes in their inventory.

## BENEFITS FOR LENDERS

### **We provide guidance, so lenders feel more comfortable increasing their participation in the shared equity homeownership field:**

Simpler requirements to evaluate eligibility.

Clearer and simpler requirements for appraising leasehold interests.

## BENEFITS FOR BORROWERS

### **Borrowers have:**

Additional options to finance homes for sustainable homeownership.

Access to housing counseling and support before and after purchase.

Access to Freddie Mac low down payment mortgage products allowing higher loan-to-value ratios.

## CLT TRAINING

We encourage you to complete the Freddie Mac Community Land Trust Mortgage Overview training, available on the Freddie Mac Learning Center website at [learn.freddielearning.com](https://learn.freddielearning.com) or [sf.freddie.com/CLT-training](https://sf.freddie.com/CLT-training).

## ELIGIBLE PROPERTY TYPES

1-or 2-unit Primary Residence that is not a Manufactured Home except when secured by a 1-unit Primary ® Residence CHOICEHome.

The leasehold estate created by the CLT Trust Ground Lease must constitute real property under applicable law.

## ELIGIBLE BORROWERS

Must be an eligible borrower under the community land trust's program requirements.

## ELIGIBLE MORTGAGES

First-lien, conventional fixed-rate mortgages only.

Purchase.

No cash-out refinance (NCOR).

Cash-out refinance.

The CLT or its authorized representative must permit the borrower to enter into a refinance transaction.

## MAXIMUM LTV/TLTV/HTLTV RATIOS

For purchase and no cash-out refinance mortgages, see Freddie Mac [Single-Family Seller/Servicer Guide](#) (Guide) Section 4203.4 for maximum loan-to-value (LTV)/total LTV (TLTV)/home equity line of credit (HELOC) TLTV (HTLTV) ratios.

65% maximum LTV/TLTV/HTLTV for cash-out refinance mortgages.

For purchase and refinance transactions, "value" is the appraised value of the mortgaged premises on the Note Date. Additionally, there is a special value determination requirement.

## UNDERWRITING

May be submitted to Loan Product Advisor® LPA<sup>SM</sup>). When using LPA, the seller must select the new community land trust loan program identifier. With this loan program identifier, the loan-to-value (LTV)/total LTV (TLTV)/home equity line of credit (HELOC) TLTV ratios will be calculated automatically without having to enter the appraised value in the purchase price field.

May be manually underwritten.

Minimum down payments are based on the subsidized purchase price.

## APPRAISAL REQUIREMENTS

The opinion of value for the leasehold interest must be developed based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the ground lease because the restrictions are removed by the ground lease rider at foreclosure or recordation of any deed-in-lieu of foreclosure.

For purchase and refinance transactions, "value" is the appraised value of the mortgaged premises on the Note Date.

For complete information on our appraisal requirements for CLT mortgages, please review Guide 4502.8.



**Note: CLTs typically subsidize the sale price of the property. As a result, the price paid may be significantly less than the market value of the property rights being appraised. The resale restrictions include a resale.**

## COMMUNITY LAND TRUST GROUND LEASE & GROUND LEASE RIDER REQUIREMENTS

### 1. CLT Ground Lease:

The Seller must review the Community Land Trust'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 Seller must review the Community Land Trust'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 CLT's 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).

#### IN ADDITION, THE CLT GROUND LEASE MUST:



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 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 home equity lines of credit. For each CLT mortgage sold to Freddie Mac, the Seller represents and warrants that the CLT Ground Lease is valid, enforceable and in full force and effect.

## 2. Community Land Trust Ground Lease Rider

Freddie Mac has developed Form 490, Community Land Trust Ground Lease Rider, that must be completed, executed and recorded in the land records, together with the Community Land Trust Ground Lease.

### OTHER SPECIAL REQUIREMENTS

CLT Mortgages may be delivered under the fixed-rate Cash Program or Guarantor Execution.

Special Delivery Requirements: see Guide section 6302.42

Sellers must enter:

The valid value of "Leasehold" for ULDD Data Point Property Estate Type (Sort ID 63).

For CLTs that have completed the [Florida Housing Coalition Certification and Training Program](#) lenders with prior written approval are no longer required to review their CLT Ground Lease to determine if the CLT conforms to a Model Ground Lease standard.

Mortgage File Requirements: See Guide section 3401.29.

### DELINQUENCY MANAGEMENT

When a borrower obligated under a CLT mortgage is delinquent in his or her mortgage payments, the Servicer of such mortgage must follow the steps outlined in Guide section 8701.4, which include, but are not limited to:

With certain exceptions, offering early delinquency counseling as described in Guide sections 9101.2 and 9102.4 as applicable, regardless of the mortgage product type.

If such written notice is given to the Servicer timely, upon receipt, the Servicer may suspend foreclosure proceedings to allow the lessor to exercise such rights. If a foreclosure sale is scheduled, the Servicer may, to the extent possible and in accordance with applicable law, extend the foreclosure sale date.

Completing a pre-foreclosure referral account review of the CLT mortgage file in addition to the requirements in Guide section 9301.4.

### SERVICING REQUIREMENTS

See Chapter 8701 for servicing requirements for CLT mortgages, including, but not limited to, requirements for Seller/Servicers to notify third parties (such as community land trust program administrators, housing authorities or government agencies) upon the borrower's default, referral to foreclosure, and foreclosure or recordation of a deed-in-lieu of foreclosure.

### TRACKING COMMUNITY LAND TRUST MORTGAGES

Servicers of CLT mortgages must implement policies, procedures, and systems to identify and track CLT mortgages to ensure that such mortgages are serviced in accordance with the Guide's servicing requirements, including Chapter 8701.

### FORM 490, COMMUNITY LAND TRUST GROUND LEASE RIDER

The Servicer must comply with the provisions of Form 490 when servicing the CLT mortgage, including, but not limited to, provisions related to the following:

The Server must honor the lessor's timely exercise of certain rights that may be available to it under the ground lease, as amended.

The termination of any resale restrictions contained in the Ground Lease, as amended, upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure.

For a borrower being considered for an alternative to foreclosure, the servicer is not required to obtain the lessor's approval of any proposed workout or relief options.

**Learn more about CLT mortgages:**

[Review chapters 4502 and 8701 of the Single-Family Seller/Servicer Guide](#) | [Contact your Freddie Mac account executive at 800-FREDDIE.](#)

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