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 Chapters 4502 and 8701.

Note: To sell CLT mortgages to Freddie Mac, Sellers must obtain our written approval. Additionally, Sellers must complete Freddie Mac’s Seller/Servicer Community Land Trust training, available on the Freddie Mac Learning Center. To get started, contact your Freddie Mac account representative or the Customer Support Contact Center (800-FREDDIE).

Verify Ground Lease Meets Minimum Requirements for Mortgage Eligibility

The Freddie Mac Seller must review the CLT’s ground lease, which conforms to either 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. Optional language as provided in either of such models may be selected but no additional changes may be made without prior written approval from Freddie Mac.

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.

Underwriting Requirements

Mortgage Eligibility

A CLT mortgage must be a first lien, conventional fixed-rate mortgage secured by a 1-unit primary residence that is not a manufactured home and may include Home Possible® Mortgages. The LTV/TLTV/HTLTV ratios are determined by dividing the first-lien mortgage amount by the value as determined in accordance with Section 4502.8 (see section 4502.7). Note, mortgage insurance requirements will be governed by the LTV calculation based upon the property value as defined below.
**Property Value / Loan-to-Value**

For both a purchase transaction and a refinance transaction, “value” is the appraised value of the mortgaged premises on the note date determined in accordance with the requirements of Guide Section 4502.8.

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

**Appraisal Requirements**

The 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.

The appraiser must:

- analyze the property subject to the ground lease.
- describe the terms and restrictions of the ground lease and Form 490.
- 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 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.
Entering the Value in Loan Product Advisor®

Because the value is determined based on the hypothetical condition that the restrictions have been removed by Form 490, you must enter the appraised value in both the purchase price field and the appraised value field in Loan Product Advisor®.

**Example**

<table>
<thead>
<tr>
<th>Purchase price in the ratified contract:</th>
<th>$225,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraised value:</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

The appraised value is entered into the purchase price field and appraised value field in Loan Product Advisor.

**PURCHASE PRICE**

$300,000

**APPRaised VALue OF PROPERTY**

$300,000

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. In addition, Servicers must maintain contact information necessary to service such mortgages (e.g., address of the CLT or its duly authorized representative) so that all disclosures and notices required under the ground lease, as amended (see Section 8701.1(e)), are provided on a timely basis.

- 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 available

*Note: 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.*
Community Land Trust Mortgage: Quick Reference

**Breach Letter / Loss Mitigation / Foreclosure Referral**

Form 490 provides the required authorization from the borrower (lessee), to send the CLT or its duly authorized representative (lessor) any notices related to an event of default, including a copy of the breach letter.

Breach Letter / Foreclosure Referral: The Servicer must provide the lessor a copy of the breach letter and provide them 60 days or until the 120th day of delinquency, whichever is later, to notify the Servicer of their intention to exercise certain rights available under the ground lease, as amended. If the lessor expresses their intention to exercise such rights, the foreclosure referral is extended for 60 days or until 181st day of delinquency, whichever is later.

**Pre-Foreclosure Referral Account Review**

In addition to standard pre-foreclosure referral account review requirements detailed in the Guide, CLT mortgages require:

- All disclosures and notices, required to be provided during delinquency and prior to foreclosure referral under the ground lease, as amended, must have been provided on a timely basis.

- In the event the Servicer finds that not all disclosures and notices were provided on a timely basis, or the time frames mentioned above have not yet expired, then the Servicer must not refer the mortgage to foreclosure until such time the Servicer provides all disclosures and notices on a timely basis and the time frames have expired.
Community Land Trust Mortgage: Quick Reference

How Community Land Trust Mortgages Work

A Community Land Trust can either:
- purchase a fee simple property OR
- purchase land and build the property

Improvements and Land

Community Land Trust converts the property into two separate assets.

Land

Becomes a leasehold estate in which the Community Land Trust will collect below market ground rent.

Improvements

Can be sold at a subsidized purchase price to a qualified borrower.

Lender

Note

$ 

Borrower

Ground Lease

Community Land Trust

$ 

✓ The subject property is sold at a subsidized purchase price.
✓ At closing, the borrower signs the note for the subject property and Ground Lease for the Community Land Trust.
✓ Ongoing, borrower pays the mortgage payment to the lender and the ground rent to the Community Land Trust.