

Community Land Trust Mortgage: Quick Reference

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, 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.

*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

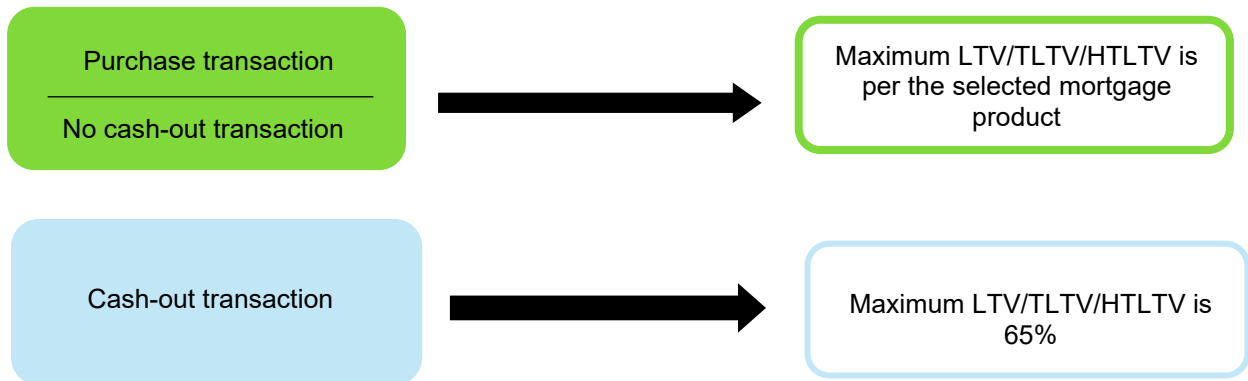
CLT mortgage must be a first lien, conventional fixed-rate mortgage secured by a 1- to 2*-unit primary residence that is not a manufactured home, unless the manufactured home is a CHOICEHome® (refer to Guide Section 5703.9)**. The LTV/TLTV/HTLTV ratios are based upon the appraised value of the leasehold 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 4502.8 and 4502.7. Note, 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.

**You must obtain Freddie Mac’s written approval before selling CLT mortgages secured by a manufactured home that is a CHOICEHome to Freddie Mac. For more information contact your Freddie Mac representative.

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 4502.8.



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 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.

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/Offering 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: Offering Identifier field

Offering Identifier

Select

Home Possible

CHOICEHome

Enhanced Relief Refinance

Refi Possible

Community Land Trust

*Work with your loan origination system (LOS) software partner to implement the new loan program identifier.



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

Mortgage Details	
PRODUCT TYPE 30 Year Fixed	AMORTIZATION TYPE Fixed
LOAN PURPOSE Purchase	PURCHASE PRICE \$225,000.00
PROPERTY TYPE Site Built Detached	OCCUPANCY Primary Residence
OFFERING IDENTIFIER Community Land Trust	INTEREST RATE BUYDOWN No
AFFORDABLE SECOND N/A	SECONDARY FINANCING \$0.00

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

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 document is not a replacement or substitute for the information found in the *Freddie Mac Single-Family Seller/Servicer Guide* or terms of your Master Agreement or other Pricing Identifier Terms.
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