



Fannie Mae

Community Land Trusts & Mortgage Financing

October 30, 2017



An important note about the training content

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Fannie Mae's Commitment to Affordable Housing

We work on behalf of buyers and renters to ensure access to affordable and sustainable housing

Multifamily

- Affordable Housing Preservation
- Green Financing
- Healthy Housing Rewards

Single Family

- HomeReady[®] Mortgage
- HFA Preferred
- HomeStyle[®] Energy and HomeStyle Renovation

Responding to Market Needs

- Student Loan Solutions
 - Day 1 Certainty[™]
 - Duty to Serve



Fannie Mae and Community Land Trusts

- Policy and guidelines
 - *Selling Guide* [section B5-5.1-04, Community Land Trusts](#)
 - Automated underwriting support
- Lender resources
- Homeownership support
- Leadership and community involvement



Community Land Trust Checklist for Lenders

#	Checklist	Yes	No
1	<p>Can the lender represent and warrant that it has met all of the following requirements?</p> <ul style="list-style-type: none"> • Determined that the CLT organization has the capacity to administer leasehold mortgages. (This could be determined by a business plan that the CLT has in place.) • Confirmed the CLT or its affiliated organization has at least two years' experience in successfully managing affordable housing, which can be evidenced by an organizational resume or history that summarizes the organization's experience in providing affordable housing. • Reviewed a list of the staff responsible for the CLT's homeownership program, their titles, and their resumes to see if they have sufficient experience and skills to manage affordable housing. • Reviewed the most current annual report or other report documenting the history and successful performance of the CLT for the most current year. (This could include an annual tax return or IRS Form 990.) • Reviewed the subject CLT's ground lease to confirm it is based upon either the National Community Land Trust Network (NCLTN) 2011 CLT Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease. The lender can request a copy of either model ground lease from Grounded Solution Network organization. If the ground lease is not based on either of these model leases, the lender must obtain Fannie Mae approval of the ground lease. • Ensured that the Community Land Trust Ground Lease Rider (Fannie Mae Form 2100) has been executed by the borrower to modify the ground lease. 		
2	Is the LTV and CLTV ratio (and HCLTV ratio if applicable) for the CLT mortgage transaction based on the leasehold value per the formula described in <i>Selling Guide</i> section B5-5.1-04, Community Land Trusts?		
3	If third-party notification is required by an agreement between the CLT and the lender, does the lender have in place a mechanism or procedure to ensure that proper notification can be provided as required by the CLT?		
4	Can the lender confirm that all ground lease rents and other payments or assessments that have come due have been paid before the delivery of the mortgage to Fannie Mae?		
5	Can the lender confirm that the borrower is not in default under any provisions of the ground lease, and that the ground lessor has not claimed any default?		

- ✓ CLT experience
- ✓ Proper ground lease rider
- ✓ Leasehold formula
- ✓ Procedures
- ✓ Obligations current



Community Land Trust Checklist (continued)

#	Checklist	Yes	No
6	Does the lender's title insurance policy expressly confirm the six requirements stated in the <i>Selling Guide</i> : 1. The recording of the complete community land trust ground lease or ground lease memorandum; 2. The recording of the Form 2100; 3. The community land trust mortgage is a first lien on the leasehold estate and the improvements; 4. There are no existing mortgages or other liens on the fee estate, except as may be permitted under the Form 2100; 5. The ground lessor's reversionary interest is subordinate to the community land trust mortgage; and 6. There are no related community land trust ground lease occupancy and resale restrictions, covenants, or agreements that "run with the land," and have been recorded apart from the ground lease, except as may be permitted under Form 2100.		
7	Is the ground lease valid, enforceable, and in full force and effect?		
8	Does the leasehold estate created by the ground lease constitute real property under applicable local law?		
9	Does the term of the estate created by the ground lease extend for at least five years beyond the maturity date of the mortgage that is delivered to Fannie Mae?		
10	Is the CLT property an owner-occupied, one-unit, or two-unit property that is the borrower's principal residence and is <i>not</i> a manufactured home or a co-op unit? (Note: Eligible condominium projects and planned unit developments are permitted as eligible property types for CLTs.)		
11	Is the lender using an eligible Fannie Mae loan product? (All Fannie Mae products described in the <i>Selling Guide</i> are eligible except adjustable-rate mortgages with an initial fixed period of five years or less.)		

✓ Clear title

✓ Real property designation

✓ Ground lease extension

✓ Eligible property

✓ Eligible mortgage type



Community Land Trust Checklist (continued)

12	In selecting an appraiser to provide an opinion of value for a leasehold held by a CLT, did the lender make sure that the appraiser is knowledgeable and experienced in the appraisal techniques – direct capitalization and market derivation of capitalization rates – that are necessary to appraise this type of property?		
13	Was the appraisal documented as required, including <ul style="list-style-type: none"> An addendum to provide any information that cannot otherwise be presented on the appraisal report form? Since restrictions do not survive foreclosure for CLTs, the following statement? “This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by the Community Land Trust Ground Lease Rider.” 		
14	If this is a refinance mortgage, did the lender document that the CLT has approved the transaction and that it complies with all other CLT guidelines?		
15	At delivery, will the lender include SFC 054 as part of the delivery data on the Loan Schedule (Form 1068 or Form 1069) or Schedule of Mortgages (Form 2005) before delivering the mortgage secured by a CLT property?		
16	At delivery, will the lender enter the value of the leasehold (inclusive of the improvements) as the appraisal amount in Loan Delivery?		
17	Is the lender able to identify and track CLT mortgages in its systems and does the lender have sufficiently trained staff to originate and service CLT mortgages?		
18	Does the lender understand that if servicing is transferred, it must be noted on revised Fannie Mae Form 629 (Request for Approval of Servicing or Subservicing Transfer) that the CLT property is subject to resale restrictions?		

- ✓ Knowledgeable appraiser
- ✓ Compliant appraisal
- ✓ Refi documented
- ✓ Delivery conditions met
- ✓ Sufficient systems
- ✓ Proper servicing



Additional Resources

www.fanniemae.com/singlefamily

[Community Land Trust Fact Sheet](#)

[Community Land Trust Checklist](#)

Selling Guide [section B5-5.1-04: Community Land Trusts](#)

Selling Guide [section B4-1.4-06: Community Land Trust Appraisal Requirements](#)

[Form 2100, Community Land Trust Ground Lease Rider](#)

