
Loan Eligibility

Eligible transaction types include first mortgages secured by community land trust properties that are either purchase or refinance transactions. The community land trust may permit the borrower to refinance the mortgage loan, including cash-out transactions. However, the community land trust organization guidelines may limit the refinance amount in order to protect the subsidy invested in the property. Lenders must document that the community land trust has approved a refinance transaction and must ensure that the refinance amount complies with the provisions of the lessee's ground lease. Adjustable-rate mortgages with an initial fixed period of less than five years are not eligible.

Underwriting Considerations

These loans may be underwritten manually or with DU. The lender must review the community land trust's ground lease to confirm that 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 each model ground lease from NCLTN. If the ground lease is not based on either of these model leases, the lender must obtain Fannie Mae's approval of the ground lease by contacting their Fannie Mae Account Team.

Ground Lease Requirements

The term of the estate created by the ground lease must extend for at least five years beyond the maturity date of the loan that is delivered to Fannie Mae.

The community land trust ground lease may include certain restrictions limiting future property purchasers to low-income and moderate-income families and to limit the maximum sales price of the property. The resale restrictions in the ground lease must terminate automatically on foreclosure (or the expiration of any applicable redemption period) of, or acceptance of a deed-in-lieu of foreclosure for, the leasehold mortgage. Once any resale restrictions have been terminated, they may not be automatically reinstated for subsequent purchasers of the property.

When a loan is secured by property held by a community land trust, the lender must confirm that all ground lease rents and other payments or assessments that have come due have been paid before it delivers the loan to Fannie Mae. In addition, the borrower must not be in default under any other provisions of the ground lease, nor may the ground lessor have claimed such a default.

LTV Ratio Calculation

The LTV and CLTV ratios (and HCLTV ratio if applicable) will be determined by dividing the original loan amount by the value of the leasehold interest and improvements reported on the property appraisal. The sales price for the improvements situated on the land does not include the subsidy amount used to acquire the land, which means that a borrower will pay a lower purchase price for his or her home (often less than the leasehold interest in the property). Therefore, the community land trust sales price may not be a reliable indicator of market value for the leasehold estate.

When using DU, the lender must enter “Affordable LTV” in the Product Description field in the online loan application, which will result in DU calculating the LTV, CLTV, and HCLTV ratios based solely on the appraised value for purchase transactions (and not the lesser of the sales price or appraised value).

The following table provides an example of a community land trust purchase transaction where the borrower’s LTV ratio at origination is calculated based on the appraised value.

Example of a community land trust affordable LTV ratio calculation	
Appraised value of the property	\$200,000
Implicit subsidy amount	\$50,000
Sales price	\$150,000
Maximum loan amount	\$150,000
Original LTV ratio	75%
Minimum borrower contribution required for down payment	\$0.00

See [B4-1.4-06, Community Land Trust Appraisal Requirements](#), for information when appraising properties in a community land trust.

Delivery Data

Lenders selling and servicing loans secured by properties held by a community land trust must be able to identify and track those mortgages in their systems and must have sufficiently trained staff to originate and service those loans.

When delivering loans secured by community land trust properties, the lender must

- include SFC 054 as part of the delivery data,
- enter the value of the leasehold (inclusive of the improvements) as the appraisal amount in Loan Delivery, and
- calculate the LTV and CLTV ratio using the leasehold value and include this ratio as part of the delivery data.

Notification to Third Parties