HRDC Community Land Trusts

Purpose of Program:

HRDC began using the Community Land Trust (CLT) model in 1994 to provide new homeownership opportunities in Bozeman & Livingston. To keep homes affordable to households earning local wages, the CLT model allows homeowners to purchase the home while they retain ownership of the land through a 75-year legally binding ground lease. The ground lease sets forth the terms for the use of the land including resale restrictions utilized to ensure that the home is affordable for subsequent purchasers. Homeowners are responsible for repairs, maintenance, and taxes just as if it is a regular home, and ground lease fees of $50/ month and HOA dues if applicable. When CLT owners decide to sell, the owner may earn an appreciation capped at 2% annually of the home's base price.

When owners choose to sell their property, HRDC assists in determining eligibility for prospective purchasers and reviewing the ground lease terms with interested parties. The guidelines below are used to determine eligibility for CLT homebuyers. Homebuyers wishing to utilize additional types of down-payment assistance will also be subject to the terms of those programs.

TERMS AND CONDITIONS
COMMUNITY LAND TRUSTS

HOUSEHOLD ELIGIBILITY GUIDELINES:

1. Households may earn no more than the Area Median Income (AMI) by household size for the county the home is in, as defined by HUD. For example, Livingston CLT and West Babcock CLT require 80% AMI, and Willow Springs requires 120% AMI. See the chart below.
2. The household must qualify as a First Time Homebuyer as defined by the Montana Board of Housing. See the definition below.
3. The household is required to contribute $1,500 towards their purchase.
4. The household must complete a HUD-certificated homebuyer education course.
5. The household must complete an HRDC CLT orientation prior to making an offer on a CLT home.
6. Total family liquid assets may not exceed $140,000; net liquid assets may not exceed $15,000 after closing. Additional terms are listed below, including the exception of retirement savings.
7. Exceptions to the above guidelines must be approved by HRDC.

PROGRAM GUIDELINES:

1. Purchasers must execute and comply with all terms of the Community Land Trust Ground Lease Agreement.
2. The residence shall be occupied as the owner's principal residence for at least 10 months of the year, with no more than 15% of the total area of the residence to be used in trade or business.
3. The sum of all financing may not exceed 102% of the base price of the property, plus any normal prepaid expenses.
4. The interest rate of the first mortgage may not exceed the Montana Board of Housing's (MBOH) rate on the day of loan approval plus one and one-half percent. (For example, if the MBOH rate for a zero-point, 30-year mortgage is 5.5%, the first mortgage may not exceed 7%).
5. Front-end ratios (housing cost) for the mortgage cannot exceed **33%**, with the target payment being 30%. A front-end ratio of less than 30% is acceptable if the household has secured the maximum amount of first mortgage financing available. Back-end ratios (total debt, including housing costs) cannot exceed **42%**.
6. HRDC will review the terms, closing costs, fees, and prepaid expenses of all first mortgage loan applications for reasonableness. HRDC will not allow the borrower to proceed with the purchase if the first mortgage's fees or terms are deemed unreasonable or excessive.
7. Any exceptions to the above guidelines must be approved by the HRDC.

INCOME PER DEVELOPMENT AS OF JUNE 2023:
The amount in the chart below is the maximum that a household can earn in the year for the county the house is located in. Households with total gross annual income higher (or substantially lower) than these figures may not qualify for an HRDC CLT home. If self-employed, tax return income will be used.

	Gallatin Co.- 80% West Babcock	**Park Co.- 80% Reservoir St.**	**Gallatin Co.- 120% Willow Springs**	**Park Co.- 120% Lippincott**
1 person-	$58,950	$49,000	$106,176	$74,928
2 people-	$67,350	$56,000	$121,344	$85,632
3 people-	$75,750	$63,000	$136,512	$96,336
4 people-	$84,150	$70,000	$151,680	$107,040
5 people-	$90,900	$75,600	$163,814	$115,603
6 people-	$97,650	$81,200	$175,949	$124,166

FIRST TIME HOME BUYER EXCEPTIONS:
1. An applicant who has previously owned a home but has been displaced due to the death of a spouse, divorce, or legal separation.
2. The applicant owns a dwelling unit that is not in compliance with state or local building codes and cannot be brought into compliance with such codes for less than the cost of constructing or purchasing a complying structure.
3. The applicant owns a mobile/manufactured/modular home that is not affixed to a permanent foundation in accordance with applicable regulations.
4. The home is occupied by a disabled adult or child and the unit cannot be readily adapted to meet their specific needs for less than the cost of constructing or purchasing a suitable structure. Disabled as defined by MBOH is "A permanent disability or disabling condition which limits an individual's ability to walk, reach, bend, climb stairs, or otherwise perform essential physical functions of daily living. The disability or disabling condition requires that the individual's home incorporates accessible features such as ground floor construction, wheelchair lifts, wheelchair ramps, open floor plans, widened doorways, grab bars, roll-in showers lowered cabinets and countertops, oversized rooms, sidewalks, accessible controls and features, other individualized architectural adaptations, and non-toxic environments, which are accessible to people with environmental illnesses or multiple chemical sensitivity." Household is required to contribute $1,500 towards their purchase.

SOURCE OF INCOME TYPICALLY INCLUDE: Wages, Workers Comp, Social Security, Unemployment Benefits, Pensions, Social Security Insurance, Veterans Benefits, Dividends, Interest, Child Support, Alimony, and Self-Employment.

SOURCES OF DEBT TYPICALLY INCLUDE: Loans/ Lines of Credit, Credit Cards, Student Loans, Car/ Recreational Payments, Child Support, and Alimony.

ASSETS TYPICALLY INCLUDE:
- Cash and savings in bank accounts, credit union accounts, certificates of deposit, and money market funds.
- Marketable securities, stocks, bonds, and other forms of capital investment.
- Inheritance, settlements, and insurance payments received in the previous five (5) years.
- Other personal property that is readily convertible into cash.

NOT CONSIDERED ASSETS:
- Ordinary household effects include furniture, fixtures, and personal property that is not readily convertible into cash, including cars for personal use.
- IRAs, pensions, investment accounts, etc. would require a penalty for early withdrawal.
- Balances in specifically designated retirement funds and college savings accounts.
- Securities, stocks, bonds, and other forms of capital are held in a tax-deferred retirement plan recognized by the IRS.