



What is a Community Land Trust?

Community Land Trusts (CLTs), typically run by a government entity or non-profit organization, provide homeownership opportunities for qualified borrowers with low to moderate income.

CLTs:

- Own land which they hold in perpetuity on behalf of their residents
- Grant rights to borrowers to purchase and own a home on the land using an affordably priced long-term ground lease
- Make homeownership affordable by enabling a buyer to purchase only the improvement on a property without including the land value in the cost to purchase
- May work with borrowers to secure down payment and closing assistance
- Generally limit future sales of the home based on income levels

To determine the loan amount for a CLT mortgage:

- 1 Determine the best loan product for the situation**, taking both the borrower and property information into account.
- 2 Determine the home purchase price.**
This is the sale price of the home. It may be less than the leasehold value of the property.
- 3 Determine the down payment requirement.**
Divide the sales price of the home by the leasehold value, found on the appraisal report, to calculate the LTV ratio. If this LTV meets the requirements for the selected loan product, down payment funds from the borrower are not required; if not, the borrower is responsible for the difference.
- 4 Subtract any additional down payment assistance** the borrower may have from the sales price to determine the final loan amount and calculate the LTV ratio.

Fannie Mae CLT Mortgage Financing

Fannie Mae purchases loans secured by a leasehold estate on property owned by a community land trust. Eligible loan terms:

- Fannie Mae's HomeReady®, HFA Preferred™, and standard loan products may be used to finance a borrower's purchase of the improvements on a leasehold estate.
- If a lender is using a HomeReady or HFA Preferred loan and the loan requirements are more restrictive than those for the community land trust, the HomeReady or HFA Preferred income limits apply.
- One- to two-unit principal residences are eligible, with the exception of units in a co-op project. Manufactured homes subject to a community land trust are also ineligible unless they are located in a Fannie Mae-approved condo or PUD project.
- The lender must ensure that the CLT meets Fannie Mae's requirements and have the leasehold estate and improvements appraised by a qualified appraiser.

To learn more about the appraisal process for CLTs, see [Appraising Community Land Trusts](#) and share the document with your appraisers.



Example: Determining a CLT mortgage amount

In the examples below, a family is buying a home with a purchase price of \$100,000 and a leasehold value of \$122,000, as found on the appraisal report, using a 97% LTV HomeReady loan.

In one example, the borrower receives \$3,000 in closing cost assistance and \$3,000 in down payment assistance, which is applied to the principal of the loan.

Note: No additional down payment is required of the borrower, as the loan's LTV (sales price divided by leasehold value) is less than the maximum LTV for the loan.

| | With No Assistance | With Closing Cost and Down Payment Assistance |
|---|--|---|
| Leasehold Value (as found in the appraisal report) | \$122,000 | \$122,000 |
| Sales price | \$100,000 | \$100,000 |
| Maximum LTV | 97% | 97% |
| Initial LTV (sales price / leasehold value) | $\$100,000 / \$122,000 = 82\%$ | $\$100,000 / \$122,000 = 82\%$ |
| Borrower Down Payment Responsibility | \$0 | \$0 |
| Down payment assistance (subtract from the sales price) | \$0 | \$3,000 |
| Closing Cost (estimated at 3%) | \$3,000 | \$3,000 |
| Closing Cost Assistance | \$0 | \$3,000 |
| Final Borrower Responsibility (closing costs + down payment) | \$3,000 | \$0 |
| Final loan amount (purchase price - down payment assistance) | \$100,000 <i>(same as purchase price)</i> | $\$100,000 - \$3,000 = \$97,000$ |
| Final LTV ratio (loan amount / leasehold value) | $\$100,000 / \$122,000 = 82\%$ | $\$97,000 / \$122,000 = 80\%^*$ |

**borrower is not required to pay mortgage insurance*