

Community Land Trust Checklist

June 2015

A lender or a Community Land Trust (CLT) representative should use this checklist to help determine whether mortgages on CLT properties comply with Fannie Mae eligibility requirements. This document does not modify the provisions of *Selling Guide*.

For more information about Fannie Mae policies, please refer to the Fannie Mae [Selling Guide, Section B5-5.1-04, Community Land Trusts](#).

- **If the answer to each of the following questions is “Yes,” the mortgage on the CLT may be eligible for delivery to Fannie Mae.**
- **If the answer to any of the following questions is “No,” the mortgage is likely not eligible for delivery to Fannie Mae.**

#	Community Land Trust Checklist Items	Yes	No
1	<p>To deliver a mortgage secured by a property held by a CLT, 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 community land trust 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 community land trust’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 community land trust’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 NCLTN. 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 ratio for the CLT mortgage transaction based on the leasehold value per the formula described in the <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?		

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6	<p>Does the lender's title insurance policy expressly confirm the six requirements stated in <i>Selling Guide</i>, which are:</p> <ol style="list-style-type: none"> 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 NOT 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.)		
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	Since restrictions do not survive foreclosure for CLTs, did the lender advise the appraiser that he or she must include the following statement in the appraisal report? "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, does the lender understand that SFC 054 must be included as part of the delivery data on the Loan Schedule (Forms 1068 and 1069) or Schedule of Mortgages (Form 2005) before delivering the mortgage secured by a CLT property?		
16	At delivery, does the lender understand that the value of the leasehold (inclusive of the improvements) must be entered 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 (Servicing Transfer Form) that the CLT property is subject to resale restrictions?		