

# **Chapter 4502: Affordable Housing Preservation: Shared Equity Programs – Community Land Trusts**

## **4502.1: Overview for Community Land Trust (03/05/25)**

Under the Community Land Trust model, the Community Land Trust owns land and leases it under a long-term ground lease to a homebuyer who purchases the structure on the land.

Freddie Mac will purchase Community Land Trust Mortgages that meet the requirements of this chapter and the Guide. The requirements include use of a specified form of ground lease (“Community Land Trust Ground Lease”) and Form 490, Community Land Trust Ground Lease Rider, each as further specified in Section 4502.8.

Unless specifically made applicable to Community Land Trust Mortgages, negotiated underwriting provisions stated in the Purchase Documents do not apply to these Mortgages. In addition, unless specifically permitted, the special negotiated Mortgage products or offerings described in the Purchase Documents may not be used with Community Land Trust Mortgages.

## **4502.2: Eligible Borrowers for Community Land Trust Mortgages (03/05/25)**

Based on its focus on affordability, the Community Land Trust typically has Borrower eligibility requirements in addition to restrictions on the resale of the property improvements. Eligible Borrowers must meet the program requirements established by the Community Land Trust.

Completion, execution and recordation of the Community Land Trust Ground Lease serves as confirmation that the Borrower has met the eligibility requirements set forth by the Community Land Trust.

## **4502.3: Eligible and ineligible Community Land Trust Mortgages (03/05/25)**

This section contains requirements related to:

- [Eligible Mortgages](#)
- [Ineligible Mortgages](#)

### **(a) Eligible Mortgages**

Community Land Trust Mortgages eligible for purchase include:

- First Lien conventional fixed-rate Mortgages
- Condominium Unit Mortgages secured by a Detached Condominium Unit
- Condominium Unit Mortgages not secured by a Detached Condominium Unit, with prior written approval

### **(b) Ineligible Mortgages**

Mortgages with the following characteristics are not eligible for purchase as Community Land Trust Mortgages:

- Construction Conversion and Renovation Mortgages
- Cooperative Share Loans
- Government Mortgages
- Financed Permanent Buydown Mortgages
- Freddie Mac Enhanced Relief Refinance<sup>®</sup> Mortgages
- HeritageOne<sup>®</sup> Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages

## **4502.4: Loan purpose, eligible property and occupancy types and underwriting requirements for Community Land Trust Mortgages (06/04/25)**

This section contains subsections related to:

- [Loan purpose](#)
- [Eligible property and occupancy types](#)
- [Underwriting requirements](#)

**(a) Loan purpose**

A Community Land Trust Mortgage may be a purchase, “no cash-out” refinance or cash-out refinance Mortgage.

In addition to the requirements of Chapter 4301 relating to refinance Mortgages, any refinance transaction must comply with the applicable requirements of the Community Land Trust, including, but not limited to, the amount of the refinance Mortgage and, in the case of a cash-out refinance Mortgage, the amount of proceeds disbursed to the Borrower.

The Seller must obtain and retain in the Mortgage file documentation signed by the Community Land Trust or its authorized representative permitting the Borrower to enter into a refinance transaction.

**(b) Eligible property and occupancy types**

A Community Land Trust Mortgage must be secured by a 1- or 2-unit Primary Residence that is not a Manufactured Home. A Community Land Trust Mortgage secured by a 1-unit Primary Residence may be a CHOICEHome®.

Note: For requirements for CHOICEHome Mortgages, see Section 5703.12.

**(c) Underwriting requirements**

A Community Land Trust Mortgage may be submitted to Loan Product Advisor® or may be a Manually Underwritten Mortgage.

Note: For Community Land Trust Mortgages, minimum Down Payment requirements are based on the purchase price.

## **4502.5: Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios and value for Community Land Trust Mortgages (05/07/25)**

This section contains requirements related to:

- [Maximum loan-to-value \(LTV\)/total LTV \(TLTV\)/Home Equity Line of Credit \(HELOC\) HTLTV ratios](#)
- [Value](#)

**(a) Maximum LTV/TLTV/HTLTV ratios**

The LTV, TLTV and HTLTV ratios are based upon the appraised value of the leasehold interest, without the resale and other restrictions included in the Community Land Trust Ground Lease.

Note: See Section 4203.1(b) for maximum LTV/TLTV/HTLTV ratios for purchase and “no cash-out” refinance Mortgages.

The maximum LTV/TLTV/HTLTV ratio for cash-out refinance Mortgages is 65%.

**(b) Value**

For both purchase and refinance transactions, “value” is the appraised value of the Mortgaged Premises on the Note Date. The appraised value must be determined in accordance with Section 4502.6.

The LTV ratio is obtained by dividing the First Lien Mortgage amount by the appraised value as illustrated below:

LTV ratio calculation	
Example	Amount
Appraised value	\$300,000
Purchase price	\$225,000
Subsidy amount	\$75,000
First Lien Mortgage amount	\$225,000
LTV ratio	75%
Minimum required Borrower contribution for Down Payment*	\$0

\*Minimum required Borrower contribution for Down Payment is determined by the product selected for Mortgages with an LTV of greater than 80%. See Section 5501.3(k).

The purchase price excludes the subsidy amount that was provided to acquire the property. For this reason, the purchase price may not be a reliable indicator of appraised value since it reflects the subsidy amount.

The LTV ratio is obtained by dividing the First Lien Mortgage amount by the “value” as described above.

## 4502.6: Appraisal requirements for Community Land Trust Mortgages (03/05/25)

In addition to the other Guide requirements related to appraisals, an appraisal for each Community Land Trust Mortgage must meet the requirements in this section.

Freddie Mac requires the appraiser to develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490, Community Land Trust Ground Lease Rider, upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure.

Appraisal requirements include:

- The Seller must ensure that the appraiser is knowledgeable and experienced in appraising a property subject to a leasehold estate held by a Community Land Trust
- The appraiser must analyze the property subject to the Community Land Trust Ground Lease
- The appraiser must describe the terms and restrictions of the Community Land Trust Ground Lease and Form 490
- The appraised value of the property must be well supported and correctly developed by the appraiser
- The appraiser must develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490 upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure
- On the appraisal report form, the appraiser must:
  - ☐ Indicate “leasehold” as the property rights appraised
  - ☐ Report the applicable ground rent paid to the Community Land Trust
- For a property subject to a leasehold interest created by a Community Land Trust, the appraiser should use sales of similar properties that are subject to other types of leasehold interests as comparable sales. If this is not possible, the appraiser may use sales of properties that are owned in fee simple. The appraiser should make appropriate adjustments to reflect the differences in market value for the properties subject to the other types of leasehold interests based on the terms of leases and the properties that are owned in fee simple.

- When the Market Area has sales activity for other leasehold interests created by a Community Land Trust, the appraiser should analyze and report them in the appraisal report but not use them as comparable sales if their sales prices were impacted or limited by restrictions in the ground lease
- Because Freddie Mac’s appraisal report forms do not include space to provide all the details required for appraising a property subject to a leasehold interest held by a Community Land Trust, the appraiser must attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form. The appraiser must check the box “as is” and include in the addendum an expanded discussion of the comparable sales used and considered. The addendum must also include the following statement:

“This appraisal is made based on the hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by Form 490 upon foreclosure.”

## 4502.7: Requirements for Community Land Trust Ground Leases and Ground Lease Riders (03/05/25)

This section contains sub-sections related to:

- [Community Land Trust Ground Lease](#)
- [Leasehold estate eligibility requirements](#)
- [Community Land Trust Ground Lease Rider](#)
- [Mortgage file requirements](#)

### (a) Community Land Trust Ground Lease

#### (i) Ground lease requirements

The Seller must review the Community Land Trust’s ground lease and determine whether it is based on the National Community Land Trust Network (NCLTN) 2011 Community Land Trust Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease.

If the Community Land Trust is included in Fannie Mae’s Certified Shared Equity Program list, which is available at <https://singlefamily.fanniemae.com/originating-underwriting/mortgage-products/shared-equity-programs>, and on the “Shared Eq – Model Forms” tab, the Seller may sell such Community Land Trust Mortgages to Freddie Mac without review of the additional ground lease requirement in Section 4502.7(a)(ii).

For each Community Land Trust Mortgage sold to Freddie Mac, the Seller represents and warrants that the Community Land Trust Ground Lease is valid, enforceable and in full force and effect.

**(ii) Additional ground lease requirements**

In addition, the Community Land Trust Ground Lease must:

- Have a term of at least 30 years
- Include a resale formula that limits the homeowner's proceeds at resale. The restrictions must be binding on current and subsequent property owners and remain in effect (i.e., survive) until they are formally removed, are modified or terminate automatically in accordance with their terms, such as at a foreclosure sale or upon recordation of a deed-in-lieu of foreclosure
- Provide the Community Land Trust or its assignee the right to a preemptive option to purchase the home from the homeowner at resale ("the right of first refusal")
- State that the Community Land Trust must review and approve any refinances and home equity lines of credit

**(iii) Freddie Mac prior written approval**

If the Community Land Trust's ground lease is not based on either of the two model ground leases or is not included in Fannie Mae's Certified Shared Equity Program list, Freddie Mac's prior written approval is required. The resale restrictions in the Community Land Trust Ground Lease can be imposed by State or local governments, municipalities, instrumentalities or nonprofit entities to create and preserve affordable housing (including entities administering governmental sponsored subsidy programs).

With prior written approval from Freddie Mac, Community Land Trusts certified under a Freddie Mac-approved certification program may be exempt from Seller review of the Community Land Trust's ground lease, and Sellers will be relieved from enforcement of representations and warranties that the Community Land Trust Ground Lease is valid, enforceable and in full force and effect. The Seller must obtain Freddie Mac's written approval before selling Mortgages without review of the Community Land Trust's ground lease by contacting its Freddie Mac representative or Customer Service at 800-FREDDIE.

**(b) Leasehold estate eligibility requirements**

The leasehold estate created by the Community Land Trust Ground Lease must constitute real property under applicable law.

### **(c) Community Land Trust Ground Lease Rider**

Freddie Mac has developed Form 490, Community Land Trust Ground Lease Rider, that must be completed, executed and recorded in the land records, together with the Community Land Trust Ground Lease.

### **(d) Mortgage file requirements**

The Mortgage file must contain an original executed or certified copy of the Community Land Trust Ground Lease and the Form 490 containing the recordation information.

If the Community Land Trust is included in Fannie Mae's Certified Shared Equity Program list, the Seller must include in the Mortgage file evidence that the Community Land Trust is included in Fannie Mae's list as of the Note Date.

## **4502.8: Security Instruments for Community Land Trust Mortgages (03/05/25)**

The Uniform Security Instrument must describe the Mortgaged Premises as a leasehold interest created by a recorded ground lease in the property described in the legal description. In addition, the Seller must comply with Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, Section IV, for Leasehold Estates.

## **4502.9: Title insurance requirements for Community Land Trust Mortgages (03/05/25)**

Community Land Trust Mortgages must be insured by a title insurance policy or a policy and endorsements that meet the requirements of Chapter 4702. The title insurance policy or an endorsement to the policy must ensure the following:

- The Community Land Trust Ground Lease or ground lease memorandum was recorded
- Form 490, Community Land Trust Ground Lease Rider, was recorded
- The Community Land Trust Mortgage is a First Lien on the leasehold estate and the improvements
- There are no existing mortgages, loans or other liens on the fee estate, except as may be permitted under Form 490
- The Community Land Trust Ground Lease reversionary interest is subordinate to the Community Land Trust Mortgage; and



- There are no related Community Land Trust Ground Lease occupancy and resale restrictions, covenants or agreements that are valid, existing or effective as of the date of the policy except as may be permitted under Form 490

## 4502.10: Other requirements for Community Land Trust Mortgages (03/05/25)

Additional Guide requirements for Community Land Trust Mortgages	
Guide topic	Guide location
Special Servicing requirements for Community Land Trust Mortgages	Chapter 8701
Special delivery requirements for Community Land Trust Mortgages	Section 6302.42
Special Mortgage file requirements for Community Land Trust Mortgages	Section 3401.29

## 4502.11: Landlord education (03/05/25)

For Mortgages secured by a 2-unit property, at least one qualifying Borrower must meet one of the following requirements:

- Participate in a landlord education program before the Note Date, or
- Have at least one year of previous landlord experience

Landlord education cannot be provided by the originating lender, the Seller or any other interested party to the transaction.

The Seller must retain in the Mortgage file a copy of the certificate evidencing successful completion of the landlord education program.