

Community Land Trust Option

A unique way to provide affordable single-family, for-sale housing

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As the cost of land and housing escalates in some markets, the need for long-term affordable for-sale housing becomes even more critical. Fannie Mae and Community Land Trusts (CLT) are teaming up to provide mortgage finance solutions that create and preserve long-term affordable housing for low- and very low-income families.

What are Community Land Trusts?

Community Land Trusts (CLT) are nonprofit organizations that provide homeownership for underserved families by purchasing land, retaining title to the land, and selling only a “ground lease” interest in the home. By removing the cost of the land, homes are purchased at a much lower cost. Resale restrictions guarantee continued affordability of the homes.

Benefits for Lenders

- Utilize another option for reaching low and very low-income families
- Expand lending in underserved communities
- Help fight disinvestment in America’s urban communities
- A streamlined Fannie Mae approval process for both ground leases and CLT organization eligibility makes working with CLT organizations easier than ever

Benefits for Community Land Trust Organizations

New appraisal guidelines, tailored to CLTs, that

- recognize that appraisers may not be familiar with “leasehold” appraisal techniques
- address the fact that leasehold “comps” may not be available
- recognize that the “sales price” is typically subsidized rather than market value
- streamlines the approval process with a new uniform ground lease rider

Benefits for Home Buyers

- Low and very low-income families can build wealth through homeownership
- CLT organizations provide buyers with extensive pre- and post-purchase home-buyer education, on-going financial management assistance, and maintenance and repair assistance
- Combines the benefits of homeownership with the long-term affordability that’s more typical of subsidized rental housing

Benefits for Communities

- Combats home price inflation due to urban sprawl reduction efforts, re-gentrification, resort community economies, etc.
- Empowers low and very low-income residents of urban core neighborhoods to reclaim their communities from absentee landlords and disinvestment through the creation of affordable homeownership
- Resale restrictions guarantee subsequent affordability

Enhancements to the CLT Option

Fannie Mae is pleased to announce the following enhancements to the Community Land Trust option that make this financing solution more attractive to lenders and other partners:

- The CLT option can now be used with any Fannie Mae Community Lending product, including the one-family options available under the MyCommunityMortgage™ suite of products.
- Loan-to-value ratio will NOT be based on the lesser of the CLT sales price or appraised value, but rather will be determined by dividing the unpaid principal balance of the borrower's mortgage by the leasehold "value" of the security property. This unique methodology is exclusive to CLT loans and does not apply to other Fannie Mae products.
- New appraisal guidelines streamline the approval process.

Features of the CLT Option

Features of the CLT Option vary depending upon the base product used but may include:

- purchase money and limited cash-out refinances
- 10- to 30-year fixed-rate mortgages
- Financing for up to 100 percent of the CLT sales price (105 percent CLTV)
- Single qualifying ratio up to 41 percent
- Borrower contribution may be as low as the lesser of \$500 or 1 percent of the appraised leasehold value of the security property
- Cash reserves of zero to two months' mortgage payments
- Borrowers earning up to 100 percent of area median income (AMI) are eligible, with high-cost area exceptions. Income limits do not apply in FannieNeighbors® areas
- Credit scores may as low as 600 with allowances for the use of nontraditional credit histories and Fannie Mae's Enhanced Credit Evaluation

Ground Lease Rider

The Uniform Community Land Trust ground lease rider must be in place on every ground lease. With the rider in place, Fannie Mae will not need to review the ground lease.

For More Information

For more information about Fannie Mae's new CLT Option enhancements, or about how the CLT Option works with Fannie Mae's Community Lending products, please contact Daniel Thompson at 305-603-2305, or your Customer Account Manager at your Fannie Mae regional office:

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