



## Building Effective Lending Partnerships with Freddie Mac's Mortgage Offering



NOTE: This document is not a replacement or substitute for the information found in the *Freddie Mac Single-Family Seller/Service Guide*, or if applicable, terms of your Master Agreement or other Pricing Identifier Terms.



- **Increasing access to credit for very low-, low- and moderate-income borrowers**
- **Shared equity programs that provide permanent affordable homeownership opportunities**
- **Putting qualified borrowers on the path to sustainable homeownership**

## **We have taken a strategic approach to facilitate the preservation of long-term affordable housing for very low- to moderate-income homebuyers**

### **Lenders**

- More opportunities to expand their offerings in the marketplace
- Additional and simpler collateral valuation guidance
- Simpler guidance to evaluate shared equity homeownership programs

### **Borrowers**

- Increased access to sustainable homeownership
- Opportunities to build wealth
- Access to pre- and post-home purchase support and counseling

### **Community Land Trusts (CLTs)**

- Earlier notice means more time to help borrowers who fall behind on their mortgage payments
- Facilitate communications with servicers in response to events of default
- More opportunities to maintain resale restricted units in their affordable housing inventory

# CLT Mortgage: Readiness Checklist



## Freddie Mac Community Land Trust Mortgage-Readiness Checklist for Shared Equity Homeownership Providers

We've reimagined the mortgage process for Community Land Trusts (CLTs). We believe we've found the right balance among the interests of lenders, shared equity homeownership providers and borrowers. Freddie Mac's Community Land Trust mortgage will help you:

- Preserve affordability over time and keep affordable homes in your inventory.
- Become aware when a borrower has fallen behind on their mortgage payments.
- Help borrowers avoid foreclosure.

When lenders underwrite borrowers under Freddie Mac's CLT mortgage, the lender will be seeking the following information about your program.

The following is a checklist of items to assist you in helping lenders underwrite mortgages in accordance with Freddie Mac's CLT mortgage requirements:

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>✓ <b>A copy of your ground lease:</b><ul style="list-style-type: none"><li>• Does it conform to either 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?</li><li>• Is the lease term at least 30 years?</li><li>• Does it include a resale formula that limits the homeowner's proceeds at resale?</li><li>• Does it provide the CLT or its assignee the right to a preemptive option to purchase the home from the homeowner at resale ("the right of first refusal")?</li><li>• Does it state that the CLT must review and approve any refinances and home equity lines of credit?</li></ul></li><li>✓ <b>Are the resale restrictions imposed by state or local governments, municipalities, instrumentalities or nonprofit entities to create and preserve affordable housing (including entities administering governmental sponsored subsidy programs)?</b></li></ul> | <ul style="list-style-type: none"><li>✓ <b>Does the CLT or its duly authorized representative administering resale controls and restrictions provide home counseling services or have established partnerships with, at least, one organization that does?</b></li><li>✓ <b>Can you provide information about the home counseling services your organization provides or the name of, at least, one home counseling organization with which you have an established partnership?</b></li><li>✓ <b>A copy of your most current IRS Form 990 or, if the Form 990 is not available, a copy of your most current financial statements.</b></li><li>✓ <b>If your CLT is a nonprofit entity, do you have confirmation that your organization is current in filing its Internal Revenue Service (IRS) Form 990<sup>1</sup>, Return of Organization Exempt from Income Tax?</b></li></ul> |
|--|---|

[www.freddiemac.com/singlefamily/duty-to-serve/docs/CLT\\_checklist.pdf](http://www.freddiemac.com/singlefamily/duty-to-serve/docs/CLT_checklist.pdf)

- Ground Lease Form: must conform to either...
  - » National Community Land Trust Network (NCLTN) 2011 Model Ground Lease or,
  - » Institute for Community Economics (ICE) Model Ground Lease.

Note:

- » Optional language as provided in either of such models must be selected but no additional changes may be made without Freddie Mac's prior written approval.
  - » Must include Freddie Mac's new **Community Land Trust Ground Lease Rider, Form 490.**
- Ground Lease Terms: must...
  - » Have a term of at least 30 years
  - » Include a resale formula that limits the homeowner's proceeds at resale.
  - » Provide the CLT 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 CLT must review and approve any refinances and home equity lines of credit



# Requirements: CLT Mortgages

- **Borrower:** must meet the CLT's affordable housing program requirements in addition to Guide eligibility requirements
- **Mortgage:** must be a first lien, conventional fixed-rate mortgage
- **Property:** mortgage must be secured by a 1-unit primary residence that is not a Manufactured Home
- **Loan Purpose:** Purchase and "no cash out" refinance transactions. As permitted by the CLT, cash-out refinance transactions, are eligible.



# Community Land Trust Ground Lease Rider: Default Provisions

## Community Land Trust Ground Lease Rider

THIS COMMUNITY LAND TRUST GROUND LEASE RIDER (the “Rider”) is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, and amends and supplements a certain ground lease (the “CLT Ground Lease”) dated \_\_\_\_\_, \_\_\_\_\_, that is by and between \_\_\_\_\_ as lessor (herein referred to as the “Lessor” but may otherwise be referred to in the CLT Ground Lease as the “CLT”) and \_\_\_\_\_, as lessee (herein referred to as the “Lessee” but may otherwise be referred to in the CLT Ground Lease as “Homeowner”). This Rider shall be deemed

2. Lessee authorizes and consents to the Specified Mortgagee, Freddie Mac, and any mortgage servicer of such entity, to send to the Lessor copies of any notices related to an Event of Default under the Specified Mortgage, including, but not limited to, notice of default, notice of acceleration, and any other foreclosure and pre-foreclosure notices related to the Specified Mortgage. In addition, Lessee authorizes and consents to the Specified Mortgagee, Freddie Mac, and any mortgage servicer of such entity, to disclose to Lessor any of the Lessee’s personal or financial non-public information related to any evaluation of the Lessee for loss mitigation assistance. Any such notices or other information to be sent under this paragraph to the Lessor shall be sent to the Lessor’s address at \_\_\_\_\_ or at such other address provided by the Lessor in writing to the sender of such notices or other information.

3. The Lessee and the Specified Mortgagee agree that the Lessor shall have the right, but not the obligation, to cure an Event of Default in the Lessee’s name and on the Lessee’s behalf. If such cure is not effective and continuing, nothing herein shall be construed to prevent or delay the Specified Mortgagee from its pursuit of foreclosure and any other available remedies. The Lessee shall be responsible to the Lessor for all payments made, and expenses incurred, by the Lessor in curing such default.



# Community Land Trust Ground Lease Rider: Foreclosure Impacts

6. In the event of foreclosure or assignment in lieu of foreclosure, which results in the conveyance of the Leasehold Estate on the Leased Premises from the Lessee, any adjustment of the Ground Lease Fee to reflect then current fair market rental value as provided in the Lease, shall be subject to the approval of the Specified Mortgagee. The Specified Mortgagee and the Lessor shall attempt to resolve any dispute concerning such adjustment of the Ground Lease Fee, through the normal interaction of the parties, or through formal mediation as the case may warrant. If the dispute remains unresolved, the Specified Mortgagee and the Lessor shall submit the dispute as to the fair market rental value to binding arbitration.
7. In the event the Specified Mortgagee acquires title to the Leasehold Estate on the Leased Premises through foreclosure or assignment in lieu of foreclosure of the Specified Mortgage, all provisions of the Lease regarding (a) occupancy of the Leased Premises as a primary residence by the Lessee, (b) any limitation on the assignment of, or sublease under, the Lease, (c) any obligation to target certain populations in marketing the Leasehold Estate to potential transferees, (d) the price at which the Leasehold Estate on the Leased Premises may be transferred, and (e) the income of successive transferees, and their successors and assigns, shall be of no further force or effect with respect to such Specified Mortgagee. The foregoing sentence shall not be construed to invalidate other Lease provisions regarding permitted use of the Leased Premises. Any transfer or assignment of the



# Special Requirements for Determining LTV ratios for CLT Mortgages

The appraiser must develop an 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 restrictions*** included in the Community Land Trust Ground Lease.

## Purchases:

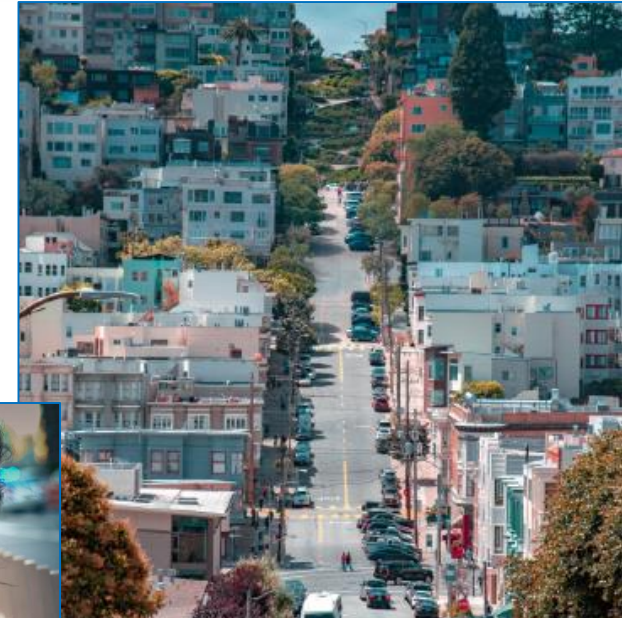
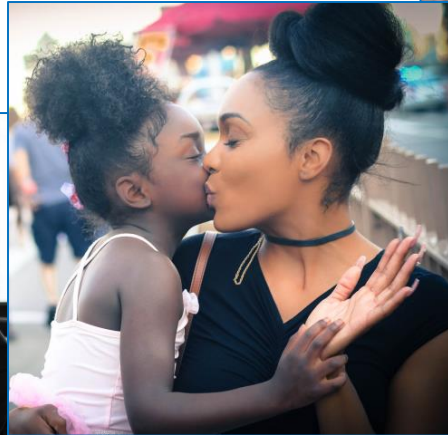
The LTV ratio is obtained by dividing the first lien mortgage amount by the “value”. Value is the appraised value of the mortgage premises on the Note Date.

## Refinances:

Value is the appraised value of the mortgage premises on the Note Date.

# Borrower Eligibility

- 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.



# Special Servicing and Early Delinquency Counseling



## Special Servicing Welcome Letter

Retain copy in mortgage file



## Early Delinquency Counseling (if applicable)

- **Non-profit third party counseling agency**
- **Includes household budget management**
- **Exceptions:** If the Servicer has knowledge or reason to believe that a lessor (Community Land Trust or its duly authorized representative) has established program requirements to offer early delinquency counseling and/or has offered early delinquency counseling to a delinquent Borrower on a Community Land Trust Mortgage, then the Servicer is not required to offer Early Delinquency Counseling.



# Notice of Default

## CLT Ground Lease Rider: Form 490



### Community Land Trust Ground Lease Rider

THIS COMMUNITY LAND TRUST GROUND LEASE RIDER (the "Rider") is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, and amends and supplements a certain ground lease (the "CLT Ground Lease") dated \_\_\_\_\_, \_\_\_\_\_, that is by and between \_\_\_\_\_ as lessor (herein referred to as the "Lessor" but may otherwise be referred to in the CLT Ground Lease as the "CLT") and \_\_\_\_\_, as lessee (herein referred to as the "Lessee" but may otherwise be referred to in the CLT Ground Lease as "Homeowner"). This Rider shall be deemed

2. Lessee authorizes and consents to the Specified Mortgagee, Freddie Mac, and any mortgage servicer of such entity, to send to the Lessor copies of any notices related to an Event of Default under the Specified Mortgage, including, but not limited to, notice of default, notice of acceleration, and any other foreclosure and pre-foreclosure notices related to the Specified Mortgage. In addition, Lessee authorizes and consents to the Specified Mortgagee, Freddie Mac, and any mortgage servicer of such entity, to disclose to Lessor any of the Lessee's personal or financial non-public information related to any evaluation of the Lessee for loss mitigation assistance. Any such notices or other information to be sent under this paragraph to the Lessor shall be sent to the Lessor's address at \_\_\_\_\_ or at such other address provided by the Lessor in writing to the sender of such notices or other information.

3. The Lessee and the Specified Mortgagee agree that the Lessor shall have the right, but not the obligation, to cure an Event of Default in the Lessee's name and on the Lessee's behalf. If such cure is not effective and continuing, nothing herein shall be construed to prevent or delay the Specified Mortgagee from its pursuit of foreclosure and any other available remedies. The Lessee shall be responsible to the Lessor for all payments made, and expenses incurred, by the Lessor in curing such default.



# Pre-Foreclosure Referral Account Review: Community Land Trust Mortgages



**IN ADDITION TO.....**The Servicer must review the Mortgage file to verify that:

- All disclosures and notices, required to be provided during Delinquency and prior to foreclosure referral under the ground lease, as amended by Form 490 (see Section 8701.1(e)), were provided on a timely basis; and
- Following any disclosure or notice provided to the lessor from the Servicer during Delinquency and prior to foreclosure referral, as required under the ground lease, as amended:
  - The lessor did not express, in writing, its intention to exercise certain rights available to it under the ground lease, as amended, and the time frame to notify the Servicer of such intent has expired; or
  - Via written notice to the Servicer, the lessor timely expressed its intention to exercise certain rights available to it under the ground lease, as amended, but failed to exercise such rights prior to the expiration of the applicable time frame to exercise such rights as set forth in the ground lease, as amended
- In the event the Servicer finds that not all disclosures and notices were provided on a timely basis, or the time frames mentioned above have not yet expired, then the Servicer must not refer the Community Land Trust Mortgage to foreclosure until such time the Servicer provides all disclosures and notices on a timely basis and the timeframes have expired.
- The Servicer must document the results of its review in its Mortgage file or Servicing system and make such information available to Freddie Mac upon request.

4. The Specified Mortgagee or its mortgage servicer must send to the Lessor a copy of the first notice of the Event of Default related to the Lessee's Event of Default under the Specified Mortgage (the "First Notice of Default") upon sending the First Notice of Default to the Lessee. Following delivery of the First Notice of Default to the Lessor, the Lessor may give notice to the Specified Mortgagee by sending such notice to its mortgage servicer, notifying it of the Lessor's intent to cure the Event of Default through (a) reinstatement by payment of all delinquent amounts due under the Specified Mortgage, or (b) full payoff of all amounts secured by the Specified Mortgage, (the "Notice of Intent to Cure"). Provided Lessor sends a Notice of Intent to Cure no later than the 120<sup>th</sup> day following the Event of Default, the Specified Mortgagee will not undertake the first legal action to commence foreclosure on the Specified Mortgage earlier than the 180<sup>th</sup> day following the related Event of Default.

## How can a CLT help lenders get comfortable with a transaction?

- » Educating and preparing potential homebuyers for underwriting
- » Providing information about the CLT program to lenders:
  - CLT organization and capacity
  - Any processes it leverages to get the borrower ready (pre-purchase counseling for example)
  - CLT organization requirements for borrowers to qualify for the program
  - Information about the ground lease and its provisions
  - Information about CLT's financial stability
- » Providing information about the CLT's capabilities to assist during a delinquency or foreclosure
- » Information about property taxes
- » Assuring that you will act on the notification(s) of default and coordinate your efforts with the servicers, in executing a loss-mitigation strategy and maintaining the affordable unit.

# Thank-You!

