

# Supporting Shared Equity Homeownership with Community Land Trust Mortgage

June 8, 2021

**ALL FOR HOME**

Freddie Mac  
Single-Family

# Agenda

1. Market Environment
2. Shared Equity Homeownership in Action
3. Freddie Mac's Shared Equity Offerings
  - Community Land Trust Mortgage
  - Income-based Resale-restricted Programs
5. Pairing with Home Possible® and HomeOne<sup>SM</sup>
6. Effective Communications with Shared Equity Homeownership Stewards
7. Q&A
8. Resources





# Today's Speakers



**Dennis Smith**

**Freddie Mac**  
Affordable Lending  
manager



**Sandra Heidinger**

**Freddie Mac**  
Affordable Lending  
manager



**Jenee Gaynor**

**Grounded Solutions Network**  
Capacity Building  
manager



# Market Environment





# Shared Equity Homeownership in Action



## What is shared equity homeownership?

Homeownership opportunities with lasting affordability under programs administered by community land trusts, not-for-profit organizations, and state and local government agencies

Most shared equity homeownership programs apply resale restrictions to keep the properties affordable as they are resold over time

# Supporting Two Models of Shared Equity Homeownership



## Income-based Resale Restrictions

The program steward reduces the home's sale price to below-market levels through deed covenants, government or philanthropic subsidy, inclusionary zoning, or affordability incentive



## Community Land Trusts

The program steward leases the land under a long-term ground lease to a homebuyer who purchases the improvements on the land (house) at a below-market rate

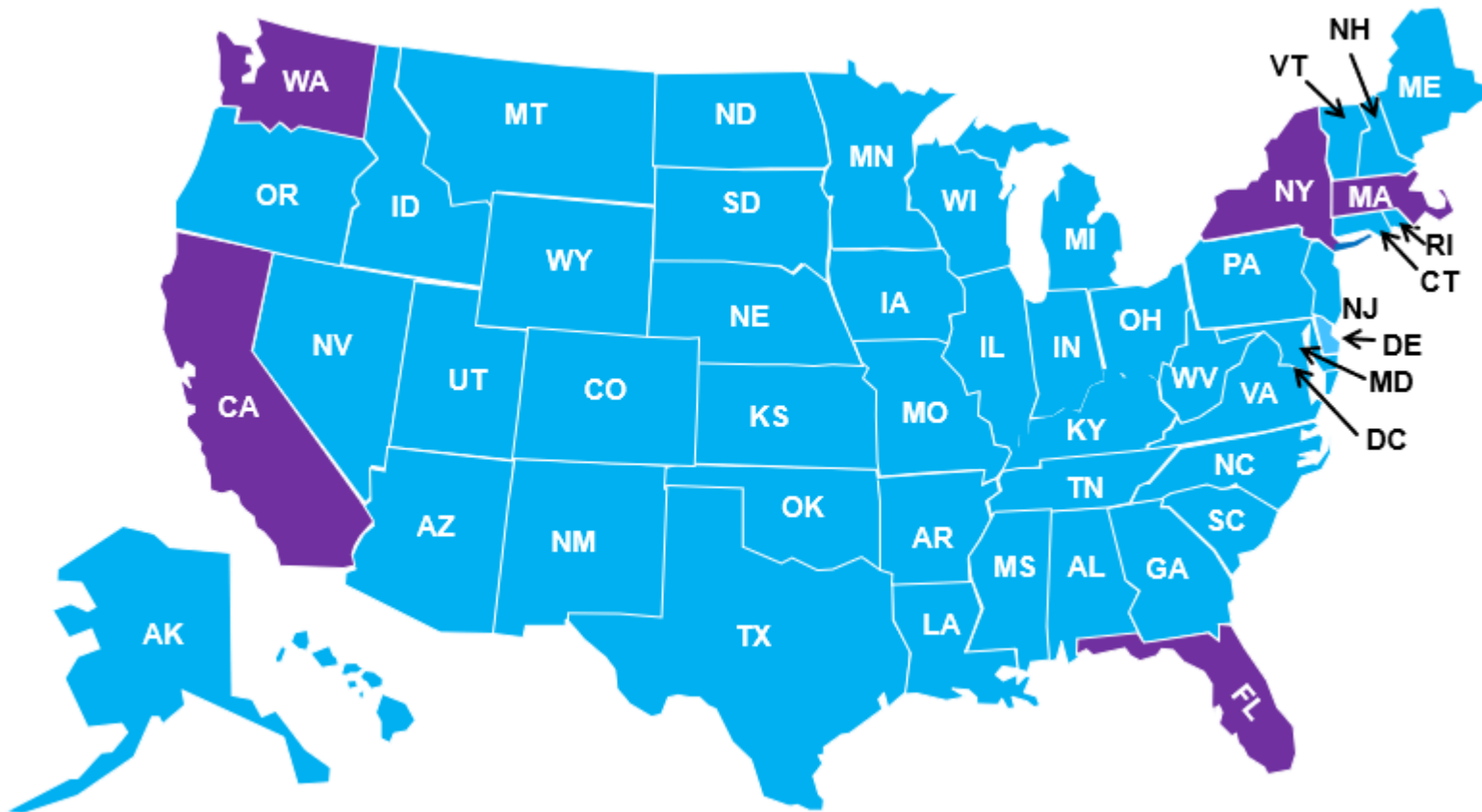


Shared Equity Homeownership in Action

# Shared Equity by the Numbers



# Where Are the Opportunities?



**More than 200 CLTs nationwide**

## States with the most CLTs

California (21)  
Florida (20)  
Washington (20)  
New York (15)  
Massachusetts (12)

Go to the CLT Directory for a full list  
of regionally based CLTs

<https://centerforneweconomics.org/apply/community-land-trust-program/directory>



# Freddie Mac's Shared Equity Offerings

## Common features of our shared equity offerings

- May be combined with most of our standard products, including low down payment options Home Possible® and HomeOne<sup>SM</sup>
- Provide flexible and explicit appraisal guidance; for CLT mortgages, allow the hypothetical condition of value
- Require loan-to-value calculations to be based on the affordable sales price (the resale-restricted price) for income-based deed restricted mortgages
- Permit appreciation-sharing under certain conditions
- Preserve housing affordability for decades in markets nationwide
- Encourage building relationships with program providers, which could become referral sources

# Freddie Mac's Shared Equity Offerings

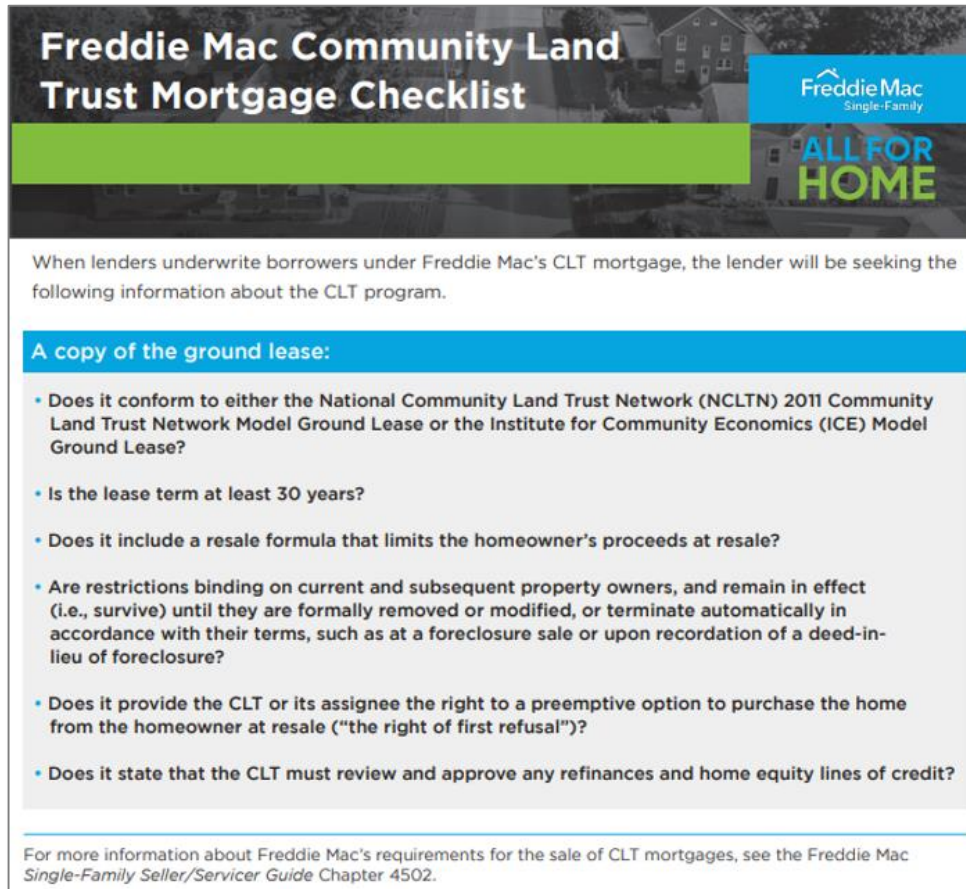
## CLT Mortgage

**CLT Mortgage simplifies requirements for evaluating CLTs and clarifies requirements for appraising leasehold interests**

<b>Property Eligibility</b>	<ul style="list-style-type: none"><li>• 1-unit, primary residence that is not a manufactured home</li><li>• The leasehold estate created by the CLT Ground Lease must constitute real property under applicable law</li></ul>
<b>Product Eligibility</b>	<ul style="list-style-type: none"><li>• Most of our standard fixed-rate mortgages, including Home Possible, HFA Advantage®, and HomeOne</li></ul>
<b>Transaction Types</b>	<ul style="list-style-type: none"><li>• Purchase</li><li>• “No cash-out” refinance</li><li>• Cash-out refinance with steward’s permission</li></ul>
<b>Underwriting</b>	<ul style="list-style-type: none"><li>• May be submitted through Loan Product Advisor® or manually underwritten</li></ul>
<b>Delivery to Freddie Mac</b>	<ul style="list-style-type: none"><li>• Fixed-rate Cash Window program</li><li>• Not eligible for sale under Cash-Released Xchange®</li></ul>



# Making CLT Mortgage Originations Easier



**Freddie Mac Community Land Trust Mortgage Checklist**

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

**A copy of the ground lease:**

- 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?
- Is the lease term at least 30 years?
- Does it include a resale formula that limits the homeowner's proceeds at resale?
- Are restrictions binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or 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?
- 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")?
- Does it state that the CLT must review and approve any refinances and home equity lines of credit?

For more information about Freddie Mac's requirements for the sale of CLT mortgages, see the Freddie Mac Single-Family Seller/Service Guide Chapter 4502.

**Find the checklist at**  
[https://sf.freddiemac.com/content/assets/resources/pdf/fact-sheet/clt\\_checklist.pdf](https://sf.freddiemac.com/content/assets/resources/pdf/fact-sheet/clt_checklist.pdf)

# Freddie Mac's Shared Equity Offerings

# Freddie Mac 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 incorporated into the CLT Ground Lease, and the CLT Ground Lease as amended by this Rider, shall hereafter be referred to as the "Lease," unless otherwise indicated.

The CLT Ground Lease is a long-term lease of the Lessor's fee interest in the land located at \_\_\_\_\_, referred to herein as the "Leased Land," as improved by a residential structure or unit, referred to herein as the "Improvements." The Leased Land and the Improvements are collectively referred to herein as the "Leased Premises."

This Rider amends the CLT Ground Lease for the purpose of enabling the Lessee to obtain financing eligible for sale to Freddie Mac in the form of a mortgage or deed of trust (the "Specified Mortgage") given this \_\_\_\_\_ day of \_\_\_\_\_, by Lessee to \_\_\_\_\_ (including its successors and assigns, and any indorsee of the promissory note secured by such Specified Mortgage, the "Specified Mortgagee"), and the interest of the holder of the Specified Mortgage in the Leased Premises as secured by such Specified Mortgage may be referred to herein as the "Leasehold Estate." The Specified Mortgage is recognized by Lessor as a "Permitted Mortgage" (or as such concept is otherwise defined) under the CLT Ground Lease, and the Specified Mortgagee is recognized as a "Permitted Mortgagee" (or as such concept is otherwise defined) under the CLT Ground Lease.

**ADDITIONAL COVENANTS.** Notwithstanding anything to the contrary contained in the CLT Ground Lease, and in addition to the covenants and agreements made in the CLT Ground Lease, the Lessor and the Lessee further covenant and agree, so long (but only so long) as the Specified Mortgagee shall have an interest in the Leased Premises as a holder of the Specified Mortgage or as an owner of the Lessee's interest pursuant to any foreclosure sale or assignment in lieu of foreclosure, the following provisions shall apply to the CLT Ground Lease as modifications thereof:

**A. No Assignment or Transfer.** The making of the Specified Mortgage shall not be deemed to constitute an assignment or transfer of the Lease or Leasehold Estate so as to require the Specified Mortgagee to assume the performance of any of the Lessee's obligations under the Lease.

**B. Status of the Fee Estate.** The Lessor represents and warrants that there is no existing mortgage on the fee estate, and so long as the Specified Mortgage shall remain on the Leased Premises, the Lessor and the Lessee shall not subordinate the Lease to any mortgage or lien that may hereafter be placed on the fee estate. Notwithstanding the foregoing, a state- or local-government entity ("Government Entity") may hold a prior recorded interest (represented by recorded covenants, a mortgage or deed of trust, other lien) on the fee estate if the Government Entity has agreed that in the event it (including its successors and assigns) succeeds to the interest of the Lessor under the Lease by any remedy available to the Government Entity by law or pursuant to its lien, the Government Entity shall recognize all the terms of the Lease and this Rider as though the

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- Must be completed, executed, and recorded in the land records with the CLT Ground Lease
- Provides flexibility in the appraised value by permitting the appraiser to develop the value as if the resale and other restrictions are not present



# CLT Mortgage Appraisal and Valuation Guidelines

- 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 Seller/Servicer Guide [Section 4502.8](#)
- The appraiser develops the opinion of value for the leasehold interest based on 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 recordation of a deed-in-lieu of foreclosure
- The appraiser must analyze the property subject to the CLT Ground Lease

# Calculating the LTV Ratio

## Appraised Value

Purchase price

Subsidy amount

**\$300,000**

\$275,000

\$75,000

## First-lien mortgage amount

**\$225,000**

## LTV ratio

**75%**

## Minimum required borrower contribution for down payment\*

**\$0**

Divide the first-lien mortgage amount by the appraised value

Purchase price may not be a reliable indicator of appraised value because it excludes the subsidy amount

\*Determined by the product selected for mortgages with LTV > 80%. See Guide Section 5501.3(b)(i).



# Income-based Resale-restricted Programs

<b>Property Eligibility</b>	1- and 2-unit primary residences, including <a href="#">CHOICEHome®</a>
<b>Offering Eligibility</b>	<ul style="list-style-type: none"><li>• Most of our standard mortgages, including Home Possible, HFA Advantage, HomeOne</li><li>• Affordable seconds allowed; subsidy provider or program administrator may be the source of affordable seconds as well as the property seller in some instances</li></ul>
<b>Transaction Types</b>	<ul style="list-style-type: none"><li>• Purchase</li><li>• “No cash-out” refinance</li><li>• Cash-out refinance with steward’s permission</li></ul>
<b>Underwriting</b>	<ul style="list-style-type: none"><li>• May be submitted through Loan Product Advisor or manually underwritten</li></ul>

# Pairing with Home Possible and HomeOne

Home Possible	Eligibility	HomeOne
Qualifying income at or below 80% of area median income	<b>Income</b>	No income limits
<ul style="list-style-type: none"> <li>1 unit: 97% LTV/105% TLTV/97% HTLTV</li> </ul>	<b>LTV ratio</b>	1 unit: 97% LTV/105% TLTV/97% HTLTV
<ul style="list-style-type: none"> <li>1-unit primary residence</li> <li>Manufactured homes up to 95% LTV/TLTV/HTLTV</li> </ul>	<b>Property type</b>	<ul style="list-style-type: none"> <li>1-unit primary residence</li> <li>No manufactured homes</li> </ul>
<ul style="list-style-type: none"> <li>Fixed-rate</li> <li>Purchase and “no-cash out” refinance</li> </ul> <div>NO 50 BPS REFI ADD ON WITH HOME POSSIBLE!!</div>	<b>Loan type</b>	<ul style="list-style-type: none"> <li>Fixed-rate purchase</li> <li>“No cash-out” refinance if existing loan owned by Freddie Mac or secured by affordable second</li> </ul>
Reduced MI coverage (25% max.)	<b>Mortgage insurance</b>	Standard MI coverage (35% max.)
Borrowers must occupy as primary residence;	<b>Occupancy</b>	All borrowers must occupy as primary residence; for purchases, at least 1 occupant must be first-time homebuyer
Borrower can own up to two financed properties (includes the Home Possible property)	<b>Additional properties</b>	Standard Guide requirements apply
Loan Product Advisor Accept; may be manually underwritten (see Guide Section 4501.8 for requirements)	<b>Underwriting</b>	Loan Product Advisor Accept Risk Class only



Pairing with Home Possible and HomeOne

# Home Possible Income Limits

- Gross qualifying income eligible up to 80% of area median income (AMI)
- Applies to all Home Possible mortgages in all geographic areas, including low-income census tracts

This allows Freddie Mac to sharpen our focus on serving very low- to moderate-income borrowers and first-time homebuyers. At the same time, it'll help us better manage to the overall market environment, regulatory requirements and the interest of taxpayers.

Pairing with Home Possible and HomeOne

# Home Possible Income & Property Eligibility Tool

Loan Product Advisor will determine whether income limits are met ... or use our Home Possible Income & Property Eligibility Tool

## Find it at

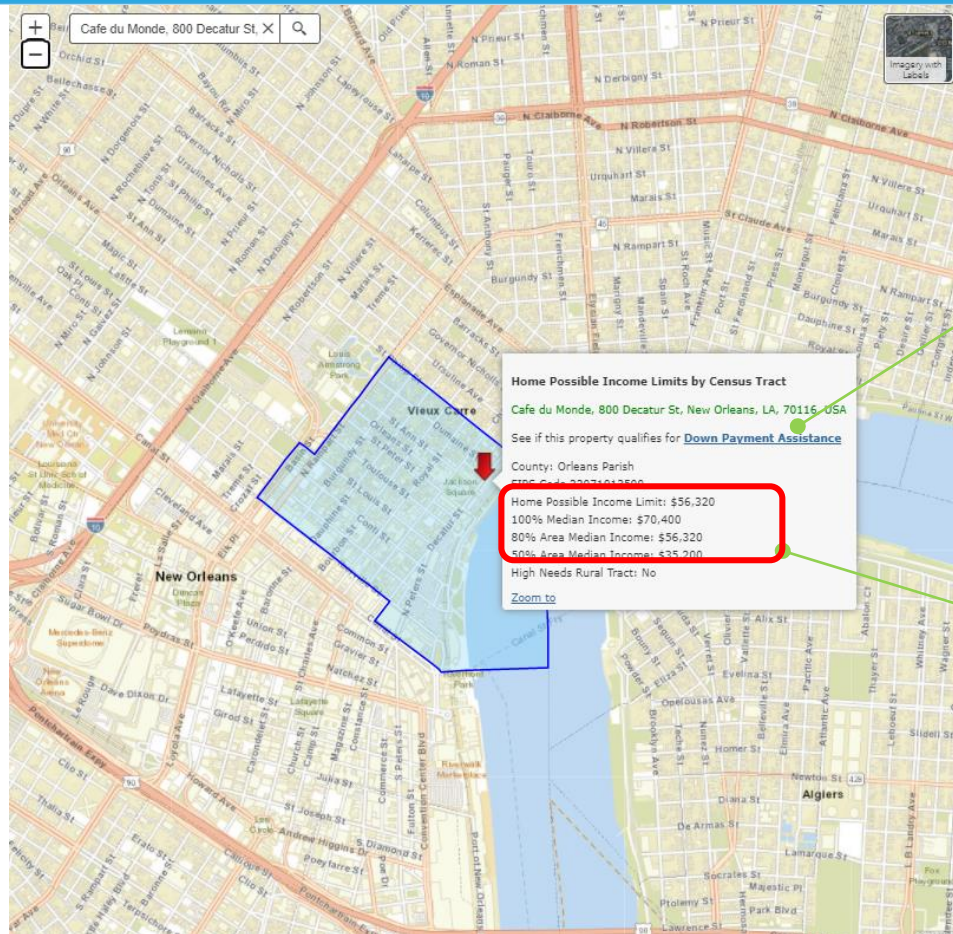
<https://sf.freddiemac.com/working-with-us/affordable-lending/home-possible-eligibility-map>





# Pairing with Home Possible and HomeOne

## Home Possible Income & Property Eligibility Tool



Allows you to check for available down payment assistance on the Down Payment Resource website

Provides Home Possible income limits based on property location

# Pairing with Home Possible and HomeOne

## Down Payment Assistance

### Down Payment Resource website\*

Helps lenders connect their borrowers with homeownership programs that can help with down payment

### Find it at

<https://downpaymentresource.com/are-you-eligible>



# Pairing with Home Possible and HomeOne

## Benefits for Lenders

### Opening Doors for Your Business

- Provides the flexibility to **allow you to compete**
- **Reduces your borrowers' monthly payments** with lower-than-standard MI
- Can **differentiate you** with your referral sources to make you a preferred resource
- May help you **meet your CRA goals**
- Gives you **underwriting confidence** with Loan Product Advisor – identifies potentially eligible loans
- Helps you **build your role as a trusted advisor** by offering the right offering to the right borrower

# Effective Communications with Shared Equity Homeownership Stewards





# Q&A



# Resources

## Grounded Solutions Network

- **Recorded Webinar:** <https://groundedsolutions.org/events/community-land-trusts-101-permanently-affordable-homeownership>
- **CLT Overview:** <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>
- **Shared Equity Homeownership:** <https://groundedsolutions.org/strengthening-neighborhoods/shared-equity-homeownership>
- **Shared Equity Housing by the Numbers:** <https://groundedsolutions.org/shared-equity-housing-numbers>
- **Model Ground Leases:** <https://groundedsolutions.org/tools-for-success/resource-library/model-ground-leases>





# Resources

## Freddie Mac

- **CLT Mortgage product page:** <https://sf.freddie.mac.com/working-with-us/origination-underwriting/mortgage-products/community-land-trust-clt-mortgages>
- **CLT Mortgage Readiness Checklist:** [https://sf.freddie.mac.com/content/assets/resources/pdf/fact-sheet/clt\\_checklist.pdf](https://sf.freddie.mac.com/content/assets/resources/pdf/fact-sheet/clt_checklist.pdf)
- **CLT training:** [https://learn.freddie.maclearning.com/Saba/Web\\_spf/NA3P1PRD0123/guest/ledetail/cours000000000007022](https://learn.freddie.maclearning.com/Saba/Web_spf/NA3P1PRD0123/guest/ledetail/cours000000000007022)
- **Form 490 CLT Ground Lease Rider:** [https://guide.freddie.mac.com/ci/okcsFattach/get/1001319\\_5](https://guide.freddie.mac.com/ci/okcsFattach/get/1001319_5)
- **Home Possible product page:** <https://sf.freddie.mac.com/working-with-us/origination-underwriting/mortgage-products/home-possible>
- **HomeOne product page:** <https://sf.freddie.mac.com/working-with-us/origination-underwriting/mortgage-products/home-one>
- **HFA Advantage product page:** <https://sf.freddie.mac.com/working-with-us/origination-underwriting/mortgage-products/hfa-advantage>

# Thank you

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