Community Land Trust Property
Program Guidelines

	Fannie Mae	Freddie Mac
What is Virginia Housing's CLT Property Program?	Virginia Housing's Community Land Trust (CLT) Property Program supports financing properties under the CLT Shared Equity model using Virginia Housing's Conventional first mortgage programs. Virginia Housing will accept single-family residences secured by a leasehold estate on properties owned by a CLT. The subject property must comply with Virginia Housing and the applicable GSE's property eligibility requirements as published in the Origination Guide (excluding fee simple) and Fannie Mae or Freddie Mac's Selling Guide. Refer to the applicable GSE resources - Fannie Mae's Community Land Trust Checklist or Freddie Mac's Quick Reference Guide to assist in evaluating the CLT.	
What is Leasehold Value?	Leasehold value is defined as the appraiser's value with the market-derived capitalization rate factor applied. In general, the appraiser arrives at a fee simple value and reduces that value by the leased fee value. This value then equals the appraised value. Note: Leasehold value and appraised value are interchangeable within this document.	
Eligible CLTs	The CLT Entity must be on Fannie Mae's Duty to Serve (DTS) Certified Shared Equity list to be eligible for both Fannie Mae and Freddie Mac. Note: Lender must validate the CLT Entity's certification is current on the DTS list.	
Eligible First Mortgages	• Virginia Housing Conventional • Virginia Housing Conventional Bond	
Ineligible First Mortgages	• Virginia Housing FHA • Virginia Housing FHA Bond • Virginia Housing VA • Virginia Housing VA Bond • Virginia Housing RD • Virginia Housing RD Bond • Any refinance • Any Non-Virginia Housing loan	
Loan-to-Value (LTV)	• Maximum LTV and CLTV are based on the appraised value, applying the Affordable LTV feature. The CLT Maximum Loan Amount Matrix provides examples of how to calculate maximum mortgage amounts applying the Affordable LTV feature with or without assistance. • Maximum Affordable LTV (inclusive of financed MI) is 97% of appraised value. • No minimum LTV. Note: Fannie Mae designated Affordable LTV as a special feature that allows the loan-to-value to be driven off the higher appraised value versus the lower sales price, when the subject property's Income & Resale deed restriction meets their Shared Equity and Duty-to-Serve requirements. Freddie Mac allows the same loan-to-value calculation, when the subject property's deed restriction is Income Restricted.	

<table>
<tr><th></th><th>Fannie Mae</th><th>Freddie Mac</th></tr>
<tr><td>Combined Loan-to-Value (CLTV)</td><td>

Maximum CLTV is also based on the appraised value applying the Affordable LTV feature. The CLT Maximum Loan Amount Matrix provides numerous examples of how to calculate maximum mortgage amounts applying the Affordable LTV feature with or without assistance.
Affordable maximum CLTV is 105% of appraised value (Fannie Mae eligible Community Seconds* only allowed).

*The Originating Lender is responsible for ensuring the Community Second is acceptable to Fannie Mae. Refer to Fannie Mae’s Community Seconds Checklist to assist in evaluating the Community Second program. This may be used in lieu of Exhibit LL (Note that Exhibit LL is not required due to the CLT property type).</td><td>

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Affordable maximum CLTV is 105% of appraised value (Freddie Mac eligible Affordable Seconds* only allowed).

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<tr><td>Loan Amount Calculations</td><td colspan="2">Loan amount calculations cannot exceed the following:

100% of sales price when there is no down payment assistance applied towards the loan amount, and the loan meets the maximum Affordable LTV calculation stated above under Loan-to-Value (LTV).
If originated with Virgnina Housing’s DPA Grant, the maximum loan amount is 100% of sales price minus any dollar amount portion of the DPA Grant used towards down payment (instead of closing costs), and the loan meets the maximum Affordadable LTV calculation stated above under Loan-to-Value (LTV). Unlike other Virginia Housing programs originated with the DPA, where the DPA Grant must be used for down payment, the DPA Grant may be used towards the down payment and/or closing costs for this CLT Property Program. The DPA Grant is only eligible with Conventional Bond; Conventional is ineligible.
If originated with the Plus Second Mortgage, the maximum loan amount is 100% of sales price minus any dollar amount portion of the Plus Second Mortgage used towards down payment (instead of closing costs), and the loan meets the maximum Affordable LTV calculation stated above under Loan-to-Value (LTV).

Note: The DPA Grant or Plus Second Mortgage amount are calculated off the lesser sales price, not the appraised value, and there is no cash back allowed to borrower except verified EMD / POCs.
If originated with outside down payment assistance, the maximum loan amount is 100% of sales price minus any dollar amount portion of the outside assistance used towards down payment (instead of closing costs), and the loan meets the maximum Affordable LTV calculation stated above under Loan-to-Value (LTV).

The CLT Mortgage Amount Calculation Worksheet (page 1) provides additional support when calculating the loan amount.
</td></tr>
<tr><td>Mortgage Insurance</td><td colspan="2">Below is the required coverage. The required MI coverage amount is determined by the Affordable LTV. Follow Conventional first mortgage requirements for all other mortgage insurance requirements.
<table>
<tr><th>LTV</th><th>Conventional and Conventional Bond Programs</th></tr>
<tr><td>95.01 – 97.00</td><td>18</td></tr>
<tr><td>90.01 – 95.00</td><td>16</td></tr>
<tr><td>85.01 – 90.00</td><td>12</td></tr>
<tr><td>80.01 – 85.00</td><td>6</td></tr>
<tr><td>≤ 80.00</td><td>0</td></tr>
</table></td></tr>
</table>

<table>
<tr><th></th><th>Fannie Mae</th><th>Freddie Mac</th></tr>
<tr><td>First-time Homebuyer</td><td colspan="2">Follow first mortgage requirements.</td></tr>
<tr><td>Income Limits</td><td colspan="2">
<table>
<tr><th>Income Limit Type:</th><th>Conventional</th><th>Conventional Bond</th></tr>
<tr><td></td><td>Fannie Mae / Freddie Mac 80% AMI Limits for qualifying income</td><td>Standard limits for all household member income</td></tr>
<tr><td>with Plus Second Mortgage</td><td>Fannie Mae / Freddie Mac 80% AMI Limits for qualifying income</td><td>Standard limits for all household member income</td></tr>
<tr><td>with DPA Grant</td><td>N/A - Ineligible</td><td>Lower limits for all household member income</td></tr>
</table>
Click here to see Virginia Housing's income limits.
*See Origination Guide for more information on how to calculate household income, what income types must be included, and what may be excluded.</td></tr>
<tr><td>Sales Price / Acquisition Cost Limits</td><td colspan="2">Refer to Virginia Housing Sales Price / Loan Limits, which apply to the Conventional and Conventional Bond programs when using this CLT Property program.
The limit is the highest of the gross loan amount of the first mortgage (including any financed mortgage insurance premium, when applicable) and the Plus Second mortgage, sales price, and acquisition cost. See Origination Guide for more information on how to determine acquisition cost.
• Virginia Housing Sales Price / Loan Limits apply (even when the standard conforming loan limit is higher).
• Ground lease value must be included in acquisition cost. The ground lease value is determined by the annual leasehold expense x number of years on leasehold (Example: $100 annual leasehold expense x 99 years = $9,900 that must be added to the acquisition cost).</td></tr>
<tr><td>Maximum Loan Amount</td><td colspan="2">Follow applicable Conventional and Conventional Bond first mortgage requirements. See above Loan-to-Value (LTV) section for details on loan amount calculations.</td></tr>
<tr><td>Eligible Purpose</td><td colspan="2">Primary residence purchase (no refinances).</td></tr>
<tr><td>Programs Disclosure and Borrower Affidavit (Exhibit E)</td><td colspan="2">Required. Ground lease value must be added to #8(d) and be included in the total (this is typically where unfinished area dollar amounts are disclosed but is suitable to use for the ground lease value until further notice).
• If the first mortgage is Conventional Bond, income of all household members must be included on page 4.
• If the first mortgage is Conventional, qualifying income of all borrowers must be included on page 4.</td></tr>
<tr><td>Seller Affidavit (Exhibit F)</td><td colspan="2">Required. Ground lease value must be added to #2(d) and be included in the total (this is typically where unfinished area dollar amounts are disclosed but is suitable to use for the ground lease value until further notice).</td></tr>
<tr><td>Originating Lender's Loan Submission Cover Letter (Exhibit O)</td><td colspan="2">Required.</td></tr>
</table>

<table>
<tr><th></th><th>Fannie Mae</th><th>Freddie Mac</th></tr>
<tr><td>Automated Underwriting System (AUS) / Manual Underwrites</td>
<td>Follow applicable Conventional and Conventional Bond first mortgage requirements and:

Affordable LTV feature in DU must be used to calculate LTV using higher appraised value and the Estate Will be Held in field must be blank for leasehold estates granted by community land trusts.

<table><tr><th>Conventional</th><th>Conventional Bond</th></tr><tr><td>DU must indicate the qualifying income does not exceed Fannie Mae's 80% AMI limits.</td><td>It is acceptable to exceed Fannie Mae's 80% AMI limits.</td></tr></table></td>
<td>Follow applicable Conventional and Conventional Bond first mortgage requirements and:

The Program Identifier of "Community Land Trust" must be selected in LPA to calculate LTV using higher appraised value. LPA must also be run showing leasehold (not fee simple).

<table><tr><th>Conventional</th><th>Conventional Bond</th></tr><tr><td>LPA must indicate the qualifying income does not exceed Freddie Mac's 80% AMI limits.</td><td>It is acceptable to exceed Freddie Mac's 80% AMI limits.</td></tr></table></td></tr>
<tr><td>Interested Party Contributions</td><td colspan="2">Follow the applicable GSE requirements for interested party contributions (IPCs). Maximum IPCs allowed are determined by the Affordable LTV.</td></tr>
<tr><td>Property</td><td colspan="2">• Follow applicable Conventional and Conventional Bond first mortgage programs guideline requirements and:
• Property is secured by a leasehold estate owned by a Fannie Mae approved CLT for both Fannie Mae and Freddie Mac. The subject property must comply with Virginia Housing and the applicable GSE's property eligibility requirements as published in the Origination Guide and Fannie Mae or Freddie Mac's Selling Guide.

<u>Note</u>: Freddie Mac only allows manufactured housing with a CHOICEHome designation under the CLT program.</td></tr>
<tr><td>Acreage</td><td colspan="2">Follow Conventional Bond first mortgage requirements, even if not Conventional Bond.</td></tr>
</table>

	Fannie Mae	Freddie Mac
Lender Eligibility Requirements	Virginia Housing's Community Land Trust Property Program, requires participating lender's staff complete the CLT Property Training. • Reach out to your Business Development Officer (BDO) to schedule training.	

Lock-In

Conventional	Conventional Bond
Loans locked on Virgina Housing's LOS – Mortgage Cadence – Select **C30F_CONV.**	Loans locked on Virgina Housing's LOS – Mortgage Cadence – Select **C30F_CONV_BOND.**

Different pricing for the Conventional and Conventional Bond programs. Follow steps outlined in the Mortgage Cadence User Guide for registering and locking.The Affordable LTV feature allowing the LTV to be calculated using the appraised value when the appraised value is higher than the sales price, can only be applied in Mortgage Cadence, Virginia Housing's Loan Origination System, after the lender completes the following:

Loans must be registered and locked following the standard purchase calculation (LTV based on the lower sales price if applicable). Once loan(s) are registered and locked, lender completes the CLT Mortgage Amount Calculation Worksheet (page 1), uploads completed worksheet into MC Attachments, submits an email to LockDesk@VirginiaHousing.com requesting system application of the Affordable LTV feature.

Examples:

1. Conventional with Plus Second Mortgage

$300,000	Sales Price
$330,000	Appraised Value
$291,000	Conventional First Mortgage (97% calculated using lower sales price)
$9,000	Plus Second Mortgage (3% Plus Second Mortgage LTV calculated using the lower sales price, all of which to be applied towards closing costs in this example)

- Lender locks with lower first loan amount at 97% LTV and Plus Second Mortgage at 100% CLTV.
- Lender then completes steps noted above to request system application of the Affordable LTV feature and a higher loan amount. In this example to allow a $300,000 first mortgage, which is 100% of the sales price, is acceptable since the Plus Second Mortgage is not being used towards down payment as long as all other requirements are met. If any of the Plus Second Mortgage is applied towards down payment then the first mortgage must be reduced.
- The Affordable LTV / CLTV in this example is 90.9% / 93.63%.

Continued on next page

	Fannie Mae	Freddie Mac
Lock-In	*Continued* 2. <u>Conventional Bond with DPA Grant</u> $305,000 Sales Price $330,000 Appraised Value $295,850 Conventional First Mortgage (97% calculated using lower sales price) $6,100 DPA Grant (2% DPA Grant calculated using lower sales price, all of which to be applied towards closing costs in this example) • Lender locks with lower first loan amount at 97% LTV and reserves DPA Grant up to 2% maximum based on the lower sales price in this example; maximum is $6,100 DPA Grant and may be applied towards down payment and/or closing costs. • Lender then completes steps noted above to request system application of the Affordable LTV feature and a higher loan amount. In this example to allow a $305,000 first mortgage, which is 100% of the sales price since the DPA Grant is being applied towards closing costs. This makes the Affordable LTV 92.43%. **Virginia Housing Down Payment and Closing Cost Assistance Programs Lock-In / Reservation Requirements:** <u>DPA Grant</u> • Must be reserved prior to requesting system application of the Affordable LTV on the first mortgage; • Only eligible with Conventional Bond first mortgage; • Any amount of assistance contributed towards down payment must be deducted from the sales price to determine maximum loan amount; • Grant percentage amount based on the lesser of the sales price or appraised value, and • The amount of the assistance contributed towards closing costs cannot exceed actual costs. <u>Plus Second Mortgage</u> • Must be locked prior to requesting system application of the Affordable LTV on the first mortgage; • Plus percentage LTV amount based on the lesser of the sales price or appraised value; • Any amount of assistance contributed towards down payment must be deducted from the sales price to determine maximum loan amount; and • The amount of the assistance contributed towards closing costs cannot exceed actual costs.	
LLPAs	No additional Loan Level Price Adjustments (LLPAs) apply because the Conventional program does not allow the qualifying income to exceed Fannie Mae or Freddie Mac's 80% AMI and the Conventional Bond programs do not have LLPAs.	
Underwriting	Follow Conventional and Conventional Bond first mortgage requirements and: • Loans underwritten in accordance with CLT guidelines, applicable Conventional / Conventional Bond program guidelines, the applicable GSE guidelines, and AUS requirements. • Lending underwriter must complete the CLT Underwriter Certification (page 2) and upload to Mortgage Cadence at time of Delegated Confirmation or include in the loan package sent to Virginia Housing for purchase (delegated loans), or submission to Virginia Housing Underwriting (non-delegated). • If the loan amount changes or if any down payment / closing cost assistance changes the CLT Mortgage Amount Calculation Worksheet (page 1) must be updated accordingly and uploaded to Mortgage Cadence.	
Closing	Follow applicable Conventional and Conventional Bond first mortgage requirements and: *Continued on next page*	

<table>
<tr><th></th><th>Fannie Mae</th><th>Freddie Mac</th></tr>
<tr><td>Closing</td><td colspan="2">Continued

Lender responsible to ensure the Settlement Agent has experience closing leaseholds and CLT properties. Additional documentation include:

• Lender Closer must complete the CLT Closer & Shipper Certification (page 3) and upload to Mortgage Cadence or include in the loan package sent to Virginia Housing for purchase.
• Fully executed Community Land Trust Ground Lease and Ground Lease Memorandum, if applicable;
• Fully executed Community Land Trust Ground Lease Rider (Fannie Mae Form 2100 or Freddie Mac Form 490);
• The Closing Disclosure must confirm the ground lease rent is paid-in-full for the current calendar year;
• See Post-Closing section below for title policy requirements.</td></tr>
<tr><td>Documents</td><td colspan="2">Follow applicable Conventional and Conventional Bond first mortgage requirements and AUS and URLA must also show leasehold (not fee simple) and title held in a land trust.</td></tr>
<tr><td>Post-Closing</td><td>Follow applicable Conventional and Conventional Bond first mortgage requirements and:
• Lending Shipper must complete the CLT Closer & Shipper Certification (page 3) and upload to Mortgage Cadence or include in the loan package sent to Virginia Housing for purchase.

Final title insurance policy must confirm:
• The complete Community Land Trust Ground Lease or Ground Lease Memorandum is recorded. The ground lease term must extend at least 5 years beyond the mortgage term.
• The complete Community Land Trust Ground Lease Rider Fannie Mae Form 2100 or Freddie Mac Form 490 is recorded with the Ground Lease or Ground Lease Memorandum.
• The CLT mortgage is in first lien position on the leasehold estate and improvements.
• There are no existing mortgages or other liens on the fee estate, except as may be permitted under Fannie Mae Form post-close.
• The ground lessor’s reversionary interest is subordinate to the CLT mortgage; and there are no related CLT 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 Fannie Mae or Freddie Mac Form.</td><td>Follow applicable Conventional and Conventional Bond first mortgage requirements and:
• Lending Shipper must complete the CLT Closer & Shipper Certification (page 3) and upload to Mortgage Cadence or include in the loan package sent to Virginia Housing for purchase.

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• The complete Community Land Trust Ground Lease Rider Fannie Mae Form 2100 or Freddie Mac Form 490 is recorded with the Ground Lease or Ground Lease Memorandum.
• The CLT mortgage is in first lien position on the leasehold estate and improvements.
• There are no existing mortgages or other liens on the fee estate, except as may be permitted under Freddie Mac Form post-close.
• The ground lessor’s reversionary interest is subordinate to the CLT mortgage; and there are no related CLT 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 Fannie Mae or Freddie Mac Form.</td></tr>
<tr><td colspan="3">Important: Refer to the Origination Guide for more information about Virginia Housing eligibility requirements.</td></tr>
</table>