

Montana Board of Housing (the Board or MBOH)

TERMS AND CONDITIONS FOR MBOH COMMUNITY LAND TRUST (CLT) PROGRAM

Revised October 2024

Purpose

The purpose of the MBOH Community Land Trust Program (CLT Program) is to provide a first-lien Mortgage Loan secured by a leasehold estate on property owned by a Community Land Trust. Community Land Trusts are created to preserve long-term affordability by building or purchasing homes in their communities, then leasing the land using a long-term ground lease to low- and moderate- income families at affordable monthly ground rents. By removing the cost of land associated with a home purchase, Borrowers can purchase homes they can afford in higher cost areas. Eligible CLTs must be nonprofit organizations or public entities, such as state or local governments, counties, school districts, universities or colleges.

As outlined in Program Details below, there are two options under the MBOH Community Loan Trust Program:

1. CLT Program Option One uses a first-lien Mortgage Loan insured or guaranteed by FHA, VA, RD or HUD 184, where LTV is typically higher than 80%. These loans are purchased by the Master Servicer for delivery to Ginnie Mae under an MBS structure.
2. CLT Program Option Two uses a first-lien Mortgage Loan that is non-insured and requires LTV at 80% or less. These are Conventional Conforming Mortgage Loans purchased by the Master Servicer for delivery to Fannie Mae.

Program Details

1. The term of all CLT Program Mortgage Loans is thirty (30) years and will provide for complete amortization by maturity by equal monthly payments of principal and interest.
2. The fixed rate of interest on the CLT Program Mortgage Loan, Option One and Option Two, shall be posted on the Board's Website and are subject to change from time to time, unless special Set-aside rates have been established.
3. Homebuyer education must be completed prior to the closing of the loan.
4. All Residences must be appraised according to agency Community Land Trust appraisal requirements by an appraiser who is knowledgeable and experienced in the appraisal techniques, namely the direct capitalization and the market derivation of capitalization rates that are necessary to appraise a Residence subject to a leasehold estate held by a Community Land Trust.
5. Borrowers using CLT Program must provide a minimum contribution of \$1,000 from their own funds (cannot be gift funds). No cash back is allowed at closing.

CLT Program Option One Specifics

1. CLT Program option one first-lien Mortgage Loans must be insured or guaranteed by FHA, VA, RD, or HUD 184, and MBS pooling requirements of Ginnie Mae.
2. The leasehold estate created by the community land trust ground lease must constitute real property under applicable law. In all respects, the ground lease must be valid, enforceable, and in full force and effect. Lenders must ensure that any mortgage secured by a community land trust property is supported by the appropriate leasehold interest documents, including the community land trust ground lease and any applicable Land Trust Ground Lease Rider as required by

the agency.

3. CLT Program option one must be reserved in Lender Online using the Single Family Series, SF Regular Bond Program – FHA, VA, RD, HUD 184.

CLT Program Option Two Specifics

1. CLT Program option two requires approval of the Conventional Conforming Mortgage Loan via Fannie Mae's Desktop Underwriter AUS system, "Refer with Caution" findings will NOT be accepted. When using DU, the Participant must enter "Affordable LTV" in the Product Description field in the Additional Data section on the online loan application, which will result in DU calculating the LTV ratio based solely on the appraised value for purchase transactions (and not the lesser of the sales price or appraised value).
2. CLT Program option two must be reserved in Lender Online using the Single Family Series 006 CLT Non-Insured program.
3. The leasehold estate created by the Community Land Trust ground lease must constitute real property under applicable law. In all respects, the ground lease must be valid, enforceable, and in full force and effect. Lenders must ensure that any Mortgage secured by a community land trust property is supported by the appropriate leasehold interest documents, including the community land trust ground lease and any applicable Land Trust Ground Lease Rider as required by the agency.

CLT Program Title Insurance Requirements

The Participant's title insurance policy or an endorsement to the policy must expressly confirm:

- a. the recording of the complete Community Land Trust ground lease or ground lease memorandum;

- b. the recording of the applicable Community Land Trust Ground Lease Rider attached to the lease or memorandum;
- c. the Community Land Trust Mortgage Loan is a first-lien on the leasehold estate and the improvements;
- d. there are no existing Mortgage Loans or other liens on the fee estate, except as may be permitted under the acceptable and applicable Rider;
- e. the ground lessor's reversionary interest is subordinate to the Community Land Trust mortgage;
- f. there are no related Community Land Trust ground lease occupancy and resale restrictions, covenants, or agreements that "run with the land," and that have been recorded apart from the ground lease, except as may be permitted under the acceptable and applicable Rider.

Compliance Review, Reservation and Loan Delivery

In addition to all MBOH MBS Regular Loan Program requirements, Participants must additionally upload a letter from the CLT confirming the eligibility of Mortgagor(s) for the program, a copy of the title commitment for the purchase, and a copy of the proposed new Lease [the lease must be based upon either the National Community Land Trust Network (NCLTN) 2011 CLT Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease and the term of the lease cannot exceed 75 years].

Other Provisions

Except as outlined above, all terms, conditions, definitions and Program criteria applicable to the CLT Program, as set out in the MBOH Mortgage Purchase and Servicing Guide and the associated MBOH MBS Regular Bond Loan Program Terms

and Conditions will apply to the CLT Program. Mortgage Loans under the CLT Program Option Two must adhere to Fannie Mae criteria.