



COMMUNITY LAND TRUST

Homebuyer Education Buyer's Guide

Designed to educate potential purchasers of community land trust (CLT) homes about what it means to be a CLT homeowner.



Our Mission

The Housing Fund provides resources and creative leadership to help individuals and communities create and maintain affordable and healthy places in which low and moderate income people live.

Welcome to Community Land Trust Homeownership!

Everyone deserves the opportunity to provide a home for their family. Depending on where you live, being able to afford a home can be tough. The cost of land, building materials and even established homes continue to go up. So, what can you do? A community land trust homeownership is an affordable way to own your own home.

There is so much to know and understand when buying a home - legal documents, attorneys, mortgage lenders, and closing are just a few of the terms you start to become familiar with. It can be overwhelming and confusing. This booklet will help explain how community land trusts homeownership works and help put you on the path to true homeownership.



INTRODUCTION

What is a Community Land Trust

SECTION 1

The Keys to Home Ownership

- What is a Title?
- How Does the Mortgage Work?
- Estates: Fee Simple and Leasehold Explained
- What Type of Estate Do I Have?
- Quiz 1

SECTION 2

Setting the Ground Rules Understanding Your Ground Lease

- Ground Lease Fees
- Missing a Payment
- Property Maintenance
- Property Taxes
- Refinancing
- Selling Your Home
- Default and Foreclosure
- Inheritance
- Review of Key Concepts
- Quiz 2

SECTION 3

It's All Mine – Now What?

- Home Maintenance
- Home Improvements
- Utilities, Cable and Everything Else
- End of Module Exam



The Housing Fund, Inc was established in 1996 as a private, 501(c)(3) organization to finance affordable housing and neighborhood revitalization projects throughout Middle Tennessee.

What is The Community Land Trust (CLT)

Community land trusts (CLT) are non-profit, community-based organizations or programs that offer affordable housing to those who need it. CLT's own land and houses are built on that land. The community land trust leases you the land and sells you the house – making you a homeowner.

The CLT is a program of The Housing Fund. Our goal is to build permanent, affordable housing for low- and moderate-income families in the greater Nashville area.

In partnership with the City of Nashville, The Housing Fund is responsible for the operations, development and stewardship of CLT properties. The program's focus is to serve as the permanent place for a community's land and as the permanent steward for any residential or commercial buildings that are located upon its land.

Long-term stewardship of land and residential or commercial buildings allows for after remediation and redevelopment, preserves affordability, maintains deferred maintenance, and protects against foreclosure.

LOWER PRICE – You will be able to buy your home for a lower price because you won't be buying the land it sits on, only leasing it. You will be paying for the "improvements" – the legal term for any structure that sits on a piece of a land.

STABILITY – You don't have to worry about rent going up or not having your lease renewed.

EQUITY – Equity is the difference in how much you owe on your home and how much the home is currently worth. So, if or when you decide to sell your home, you will benefit from the increase.

TAX ADVANTAGES – You will receive all the tax advantages of being a homeowner.

CLT STEWARDSHIP – You own the home and will be responsible for it. The CLT is here to help you work through any challenges you may face related to your mortgage or maintaining your property.

REAL ESTATE TAX SAVINGS – You will be responsible for the property taxes for your home and your land.

The Keys to Homeownership

With a CLT you become a true homeowner. A CLT can help make the dream of homeownership an affordable one by selling you the home and leasing the land it sits on to you. You buy the home and are responsible for it. You can take pride in knowing the home you're living in belongs to you and your family.

When buying a home from the CLT, it's important to know and fully understand how it works, the legal terms associated with home buying and what you are responsible for as the homeowner.

What is a Title?

When you buy a piece of land or a home, you get a title to it. The title gives you these five rights to the property:



POSSESSION

You own the property, and it is yours to take care of.



ENJOYMENT

You can do anything on the property you find enjoyable, as long as it's legal.



EXCLUSION

You, with approval from the CLT, can decide who can use the property.



CONTROL

You control who can use the property.



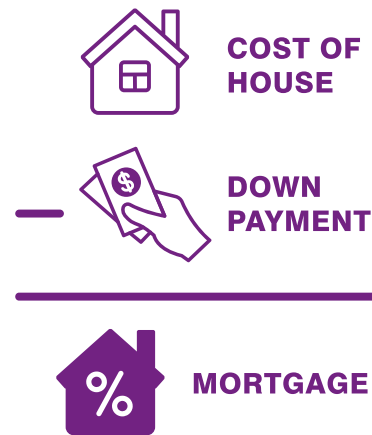
DISPOSITION

You have the right to sell the property or transfer ownership (either temporarily or permanently).

How Does the Mortgage Work?

When you buy a home and don't have enough cash to pay for it – you must borrow money from a bank or lender. You will sign a Deed of Trust, which is an agreement that places a mortgage on your new home. The mortgage becomes the money you must pay back. If a homeowner can't pay the mortgage, the home will be sold and the money from the sale will go to the bank or lender to cover the debt.

So, while you will have the title to your home when you buy it, you must make the monthly mortgage payments on time to keep it. Not paying your ground lease fee, property taxes, homeowner's insurance or homeowner association dues can also threaten your ownership rights.



! When signing a mortgage document – the bank or lender will be called the Mortgagee. That means they are owed money. You will be called the Mortgagor. That means you owe money.

Estates: What is Fee Simple and Leasehold?

We often think of estates as large amounts of property or everything you own in its entirety. But legally, when you buy any piece of property, you own an estate. There are two types of estates to be aware of when considering a CLT Homeownership – Fee Simple and Leasehold.

FEE SIMPLE

Fee Simple is the most common form of real estate ownership. It means that you own the property completely and are free to do whatever you want on or to the property as long as it is legal and falls within any local or community guidelines.

LEASEHOLD

Leasehold requires you to sign a lease, which lays out what you can and cannot do on and with the property. Leasehold means you have the right to use the property for a certain amount of time. When that time is up – the rights of the property are returned to the owner.

What Type of Estate Do I Have with a CLT Homeownership?

With a CLT homeownership, you will have both types of estates – you will have a Fee Simple Estate in the house (also known as the 'improvements') and a Leasehold Estate in the land.



HOUSE

A **Fee Simple Estate** means you will buy the home and it will belong to you. You will be responsible, like every other homeowner, for making the monthly mortgage payment, paying for any and all repairs, as well as routine upkeep and maintenance to the home.



LAND

A **Leasehold Estate** means you will pay a reasonable and relatively low fee every month to the CLT to maintain the lease on the land where your house sits. The CLT keeps ownership of the land and leases it to you for 99 years. You will still have to maintain the land by keeping it mowed, manicured and in good condition.

! **DID YOU KNOW?** Even though there is a lease on the land, the CLT is not your landlord. A 99-year lease on the land allows you to have legal ownership of it.

Section 1 Review Quiz

1. What is “title” in real estate?

- a. Bundle of rights
- b. The name of the street
- c. Your name listed on the mailbox
- d. None of the above

2. Which of these is part of the “bundle of rights” in title to real estate?

- a. Possession
- b. Disposition
- c. Exclusion
- d. All of the above

3. What is the most common form of ownership?

- a. Fee Simple
- b. Leasehold
- c. Life estate
- d. None of the above

4. What is the legal term for the house and structures built on the land?

- a. Buildings
- b. Improvements
- c. Environment
- d. None of the above

5. What kind of estate(s) does one receive in CLT homeownership?

- a. Fee simple in land and improvements
- b. Fee simple in land and leasehold on improvements
- c. Leasehold on land and fee simple in improvements

NOTES:

SECTION 2

Setting the Ground Rules

As previously mentioned, you own the home and will receive a deed to it but you will lease the land from the CLT. The lease on the land is called a ground lease. You will pay a moderately low monthly fee for the lease of the land. Just like anything else you may lease - the land will be yours to take care of. And just like so many other pieces of property, there will be things you can and cannot do to and with it.

It's important to thoroughly review the ground lease with the CLT or an attorney so you can fully understand the requirements. But this section will help you become familiar with some of the important dos and don'ts involved with the ground lease.

Let's start with some of the main requirements of your ground lease:

- Once you purchase your home, it must become your primary residence – which means you have to occupy the home for at least nine months of the year.
- The ground lease comes with a term of 99 years.
- You will be responsible for the monthly fee to keep your lease.
- At the end of the 99 years, the lease may be renewed for another 99-year term.

GROUND LEASE FEES

Ground lease fees are not expensive. They are kept low intentionally to help make things more affordable. They are a recurring monthly expense for you as the homeowner and are paid to the CLT as long as you own the home.



You will find a complete explanation of the ground lease fees in the ground lease agreement.

MISSING A PAYMENT

You will be responsible for the payment every month. If you miss a payment or two on your monthly ground lease – you will be contacted by the CLT to discuss the reasons for the lack of payment and determine how to get you back on track.

PROPERTY MAINTENANCE

Just like any homeowner, it will be your responsibility to maintain the property. You can't let the yard get overgrown or the land become unkept. You can landscape as long as what you add or take away falls within the ground lease agreement with CLT.

PROPERTY TAXES

The 99-year ground lease of the land your home sits on gives you the functional equivalent of ownership. So, you will be responsible for paying the property taxes on the land and your home.

Your Property Appraiser determines the taxable value of the land and your home with the following:



LAND

The amount someone who wants to buy the land would pay for a leasehold interest in the land.



IMPROVEMENTS (HOME)

The amount someone who wants to buy the home would pay based on the resale restrictions instead of the market value of your home.



HOME IMPROVEMENTS

Like any homeowner, you can make improvements to your home.

A Property Assessor will use the three categories above to determine your yearly property tax amount.

SELLING YOUR HOME

Since you own the home, you are able to sell it. But there are requirements under the CLT of what you can sell your home for and to whom.

Things to Know About Resale:

- The selling price is controlled by the resale formula
- You can only sell your home to another income-eligible buyer

The specific requirements are laid out in Section 10.10 and 10.2 of the ground lease and can be explained in detail by the CLT.

REFINANCING

If you want to lower your mortgage or pay for home improvements, you may consider refinancing. The ground lease (Section 8.3) requires you to get permission from the CLT before doing so.

Default and Foreclosure

DEFAULT

Default happens when you don't use your home as your primary residence or you don't make the required payments on the ground lease to the CLT. If you default, the CLT will have the right to end your ground lease and repossess both the land AND your home at the Purchase Option Price defined in the ground lease. The CLT will also have the right to recover any unpaid fees you may owe on the ground lease.

FORECLOSURE

Foreclosure happens when you experience financial trouble and fail to make several mortgage payments on your home. Your lender will begin to take steps to repossess your home to recoup the money. If you cannot make your mortgage payment – contact the CLT right away. The CLT may be able to help you stay in your home and avoid foreclosure. If you are facing a financial hardship preventing you from paying your mortgage, please discuss options with your CLT as soon as possible.

INHERITANCE

Because you own the home, it becomes part of your estate when you pass away and can be inherited by:

- Your spouse
- Your child or children
- Someone who has lived in the home with you for at least one year prior to death

Your spouse, children of another household member are considered heirs and may not have to meet the income qualifications required when the home is purchased. Any other heirs of your estate other than those listed above must meet the CLT's income qualifications to inherit your property. Otherwise, the home must be sold to an income-qualified person or family.

It's important to read the full ground lease to fully understand all the provisions and requirements. Your CLT and your attorney can help ensure you understand the terms before you buy your home.

Section 2 Review Quiz

1. You are required to use the CLT home you purchase as your primary residence.

- a. True
- b. False

2. You can sell your home to any buyer who can qualify for a mortgage.

- a. True
- b. False

3. The CLT may be able to help you avoid foreclosure by curing default of your mortgage on your behalf.

- a. True
- b. False

4. Your cousin, who does not live with you, can inherit and take possession of your house, even though he does not income-qualify.

- a. True
- b. False

5. As the homeowner, you are responsible for paying the property taxes on both your home and land.

- a. True
- b. False

NOTES:

Section 2 Terms

BUNDLE OF RIGHTS	Rights received when one receives title. These include possession, control, enjoyment, exclusion, and disposition
IMPROVEMENT	The home and other structures built on land
FEE SIMPLE	The most common and most complete form of real estate ownership conveyed from the seller to the purchaser. It can also be inherited, encumbered, and/or legally limited
LEASEHOLD	The right to use the property for a certain amount of time, after which that right returns to the owner of the land (the CLT)
MORTGAGE	A legal document which "secures" the loan on a home purchase
MORTGAGOR	The homeowner in a mortgage document
MORTGAGEE	The lender in a mortgage document
TITLE	The legal term for ownership and its bundle of rights

SECTION 3

It's All Mine – Now What?

HOME MAINTENANCE

The home is yours and so is the maintenance that comes with it. If things like shingles or walls need to be replaced because of Mother Nature or just general wear and tear, it will be up to you as the homeowner to take care of those things.

Routine maintenance around the home and the property are also your responsibility. Having things like appliances or heat and air units routinely serviced will be up to you. If you have any questions about what your maintenance responsibilities are as a homeowner, be sure and discuss this with the CLT when purchasing your home. You may also visit <https://thehousingfund.org/home-maintenance-guide/> for tips and ways to keep your home well-maintained. This website should answer any questions you may have.

HOME IMPROVEMENTS

Like any homeowner, you may decide to remodel or upgrade areas of your home. You will be responsible for paying for any upgrades you make – like new cabinetry, counter tops, flooring, room remodels or additions like a patio or deck. All upgrades or improvements must be completed in a lawful and professional manner and follow state, county, local and CLT guidelines.

Any improvements that do not fall within the CLT guidelines – like adding on to the house - will require permission from the CLT. Before you buy the home, make sure you talk to the CLT to understand what kind of improvements are allowed and what type of credit you will receive for home improvements if/when you decide to sell the home.

UTILITIES, CABLE AND EVERYTHING ELSE


You own the home so you will be responsible for anything that needs to be hooked up, installed or run to the existing home, as well as any monthly fees associated with those services.

THE CLT IS HERE FOR YOU

Once the papers are signed and the home is yours, the CLT will still be available to help answer any questions you may have. Don't hesitate to reach out to us. We would rather you ask the question, than end up in an unwanted position later. Consider us your partner in helping you to own your own home. This model of affordable homeownership can put you on the path to traditional homeownership – helping you ensure your family is taken care of from now on.

CLT Responsibilities VS Homeowner Responsibilities

	HOMEOWNER RESPONSIBILITY	CLT RESPONSIBILITY
PROPERTY TAXES	✓	✗
GROUND LEASE FEE	✓	✗
HOME MAINTENANCE	✓	✗
LAND MAINTENANCE	✓	✗
FORECLOSURE	✗	✓
DEFAULT ON LOAN	✗	✓
REFINANCING	✓	✗
HOME IMPROVEMENTS	✓	✗
INHERITANCE	✓	✓

 For matters that require the CLT, please call (615) 780-7000

End of Module Exam

1. Rights received when one receives title. These include possession, control, enjoyment, exclusion, and disposition?

- a. Bundle of rights
- b. Your name on the front door
- c. The name of the property
- d. None of the above

2. You are required to use the home you purchase as your primary residence.

- a. True
- b. False

3. What is the term of your ground lease?

- a. Forever
- b. 100 years
- c. 99 years
- d. As long as you want

4. What kind of estate(s) does one receive in CLT homeownership?

- a. Fee simple in land and improvements
- b. Fee simple in land and leasehold on improvements
- c. Leasehold on land and fee simple in improvements
- d. Leasehold on land and improvements

5. Who pays taxes on the land?

- a. You, the Homeowner
- b. The CLT
- c. The Homeowner and CLT split the bill
- d. There are no taxes on the land

6. The CLT may be able to help you avoid foreclosure.

- a. True
- b. False

7. In a mortgage document, the lender is referred to as the...

- a. Mortgagee
- b. Mortgagor
- c. Lender
- d. Financier

8. Your nephew, who does not live with you, can inherit and take possession of your house, even though he does not income-qualify.

- a. True
- b. False

9. In a mortgage document, you the homeowner are referred to as the...

- a. Borrower
- b. Mortgagee
- c. Mortgagor
- d. Recipient

10. What is the most common form of ownership?

- a. Fee simple
- b. Leasehold
- c. Life estate
- d. None of the above

11. You can sell your home to any buyer that can qualify for a mortgage.

- a. True
- b. False

12. Since the CLT owns the land, the CLT functions like a landlord.

- a. True
- b. False

13. Which of these is part of the bundle of rights in title to real estate?

- a. Possession
- b. Disposition
- c. Exclusion
- d. All of the above

14. As a CLT homeowner, you are responsible for maintaining both your home and land.

- a. True
- b. False

15. If you want to make a major renovation to your home. What should you do?

- a. Proceed – it's your house!
- b. Contact the CLT to make sure your plans are allowable by the ground lease
- c. Wait until the ground lease ends
- d. None of the above

NOTES:



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