

Ground Lease Basics

The Ground Lease is a very important document and it is vital that you have read and understand the implications of it before you commit to purchasing a CLT home.

This sheet summarizes some of the larger points of the Ground Lease, but it is not a substitute for reading the full Ground Lease. Please read the full Ground Lease!

Article 1:

- Homeowner has the right to review the Ground Lease with an attorney prior to purchase. The Homeowner's Letter of Agreement and the Attorney's Acknowledgment referenced here (Exhibits A and B) will be provided or signed at closing to indicate that an attorney was retained by the Homeowner and that this attorney reviewed the Ground Lease or that the Homeowner declined to consult an attorney.

Article 2:

- HRB will be leasing the land to the Homeowner and the Homeowner has the right to use, possess, and occupy that leased land.
- The Homeowner has no mineral rights to the leased land and no right to remove minerals from the leased land.

Article 3:

- This section states the term of the lease, the possibility of renewing the lease for an additional 99 years, and what would happen if HRB were to sell the leased land.

Article 4:

- This section talks about how the Homeowner can use the leased land.
- It also states that the Homeowner must occupy the home for at least 9 months of the year.

Article 5:

- This section defines the Ground Lease fee and the Repair Reserve fee. It describes how these fees can be changed and how late payments of these fees are managed.

Article 6:

- The Homeowner is responsible for paying all of the taxes and assessments on both the land and the improvement. This section describes what may happen if the Homeowner fails to pay these taxes.

Article 7:

- This section discusses the home and other improvements on the leased land.
- It defines rules related to construction that may be carried out by the Homeowner.
- It also discusses the Repair Reserve fee and the future repairs and maintenance that this fee can be used to complete.

Article 8:

- This section defines financing and refinancing the home. HRB must approve the original financing and any subsequent refinancing or mortgages.
- Should the home ever go into foreclosure, any proceeds received on that sale that are above the Purchase Option Price will go to HRB, not to the Homeowner.

Article 9:

- This section talks about liability and insurance.
- The Homeowner must maintain insurance on their home as described, and must name HRB as additionally insured.

Article 10:

- This section states that the Homeowner must sell the home to another income qualified buyer and defines what this means.
- It also discusses the process for resale of the home.
- It describes the transfer fee that may be charged to the purchaser by HRB.
- This section states that the Homeowner must make all necessary repairs to the home prior to closing.

Article 12:

- This section describes what will happen if the Homeowner fails to make lease payments or violates other terms of the lease.
- HRB does have the right (under certain conditions, as defined) to terminate the lease and force the sale of the home.

Community Land Trust Ground Lease Rider

- Fannie Mae requires this rider for any mortgage that will be sold to Fannie Mae after closing. Don't understand what this means? Ask Phedra!
- Basically the rider states what would happen to the land and the home in the event of foreclosure:
- The bank can foreclose only on the home (not the land, since HRB owns the land).
- But the bank can resell the home to anyone - that person doesn't have to be income qualified.

Exhibit A:

- Referred to in Article 1

Exhibit B:

- Referred to in Article 1

Exhibit C:

- This is the full legal description of the land under the home that is being leased by the Homeowner.

Exhibit D:

- This is the actual Deed for the Home

Exhibit E:

- This defines a permitted mortgage as referred to in Article 8.
- It basically discusses what will happen and what the bank and HRB will do, in the event that Homeowner goes into foreclosure.

Exhibit F:

- This section defines the process for exercising the right of first refusal that is referred to in the Ground Lease. HRB has the first right of refusal when a Homeowner is selling their home, for example.

Exhibit G:

- At Closing, we will record 2 pages of the appraisal of the home: the first page and the page that states the appraised value (usually page 7 or 8 of the appraisal).