

Ground Lease Basics

The Ground Lease is a very important document. It is vital that you have read and understand its implications before you commit to purchasing a community land trust home.

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

Article 1:

- Homeowner has the right to review the Ground Lease with an attorney prior to purchase. The 1) Homeowner's Letter of Agreement, 2) Attorney's Letter of Acknowledgment, and 3) Stipulation Letter are referenced here as Exhibit A and 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. Exhibit B provides the legal description of the 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. It includes Exhibit E: First Refusal.

Article 4:

- This section talks about how the Homeowner can use the leased land.
- Among other things, it states that the Homeowner must occupy the home for at least nine months of the year and cannot use it as a rental property.

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 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 purchased home and other improvements on the leased land, and references Exhibit C: Deed.
- 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. This includes reference to Exhibit D: Permitted 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. A copy of the insurance policy will need to be provided to HRB annually.

Article 10:

- This section discusses the transfer of the home and 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 and the resale formula for determining the price you can sell it for.
- It describes the transfer fee that may be charged to the parties by HRB.
- This section states that the Homeowner must make all necessary repairs to the home prior to closing.
- This section references Exhibit F: Initial Appraisal

Article 11:

- Reserved.

Article 12:

- This section describes what will happen if the Homeowner defaults on the loan, 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.
- This section also makes reference to Exhibit D: Permitted Mortgages.

Article 13:

- States that Mediation and Arbitration between the homeowner and HRB may be used.

Article 14:

- Regards general provisions including that the Homeowner is a member of any Homeowner's Association in which the home is located.
- It also refers to the Community Land Trust Ground Lease Rider:
 - Fannie Mae requires this rider for any mortgage that will be sold to Fannie Mae after closing.
 - 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.