BUYER'S GUIDE

COMMUNITY LAND TRUST

Homebuyer Education

MODULE

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The Florida Housing Coalition

PREFACE

ABOUT THE FLORIDA HOUSING COALITION

The Florida Housing Coalition, Inc., is a nonprofit, statewide membership organization whose mission is to bring together housing advocates and resources so that all Floridians have a quality affordable home and suitable living environment. The Coalition provides professional consultation services through training and technical assistance on affordable housing and related issues; supports community-based partnerships in leveraging resources; and advocates for policies, programs and use of funding resources that maximize the availability and improve the quality of affordable housing in Florida. The Coalition carries out this mission recognizing that affordable housing is an integral part of community revitalization and economic development.

The Florida Community Land Trust Institute is a program of the Florida Housing Coalition which began in January 2000. The Florida Community Land Trust Institute (Florida CLT Institute) supports excellence in Florida-based community land trusts and other shared-equity housing models, as well as policy initiatives such as inclusionary zoning and linkage fee ordinances. In regard to community land trusts in Florida, the Florida CLT Institute provides assistance to government and nonprofit entities with assessing whether a community land trust is appropriate for a particular community and if so, direction for choosing the best model along with startup and capacity-building activities.

ABOUT THIS PRE- PURCHASE CLT HOMEBUYER MODULE

This module is designed to education potential purchasers of community land trust (CLT) homes about what it means to be a CLT homeowner. It should be presented to those whom have chosen CLT homeownership or to those for whom CLT homeownership is their best option for purchasing a home.

This module is intended to supplement the general homebuyer education required by many purchase assistance programs for first time homebuyers.

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Introduction

Welcome to community land trust homeownership! Whether you are a prospective homeowner, or recently purchased, this manual is designed to help you better understand community land trust homeownership. Purchasing a community land trust home provides an opportunity for homeownership as an alternative to renting for those who may not otherwise be able to purchase a home due to the high cost of housing or limited household income. CLT homeownership allows you to experience most of the benefits of ownership – building equity, tax exemptions, etc. – albeit limited in such a way as to permanently preserve the affordability of the home for similarly-situated subsequent purchasers of that home.

As you enter CLT homeownership, there are key concepts, documents, and information you should understand. We will cover these in the following order:

- **Understanding your ownership interest** – CLT homeownership is different from purchasing a home in fee simple, or "on the market". We will explain what this phrase means and the differences, so you have a clear understanding of what you own through CLT homeownership.
- **Understanding your Ground Lease** – This is the key document used to provide CLT homeownership. The ground lease provides you with the right to use the land, as if you owned it in fee simple, but with significant restrictions on that ownership in terms of the sales price to you and to subsequent homebuyers.

The manual concludes with a Financial Counseling Module for Moving from CLT Homeownership to Fee Simple Homeownership. This will prepare the CLT homeowner for purchasing their next home on the market, fee simple. As this may not be your last home, this module provides tips and helpful information for preparing to continue your homeownership journey, including procedures for selling your home and determining how much you can sell your home for.

Are you ready? *Let's begin!*

SECTION 1:

Understanding Your Ownership Interest

We'll start your understanding with some legal terminology.

About "Title"

When you purchase real estate, you receive what is commonly known as title. Whomever has title to the property has received a bundle of rights:

RIGHT	EXPLANATION
Possession	The property is in your care
Control	You can control how the property is used
Exclusion	You decide who can use the property
Enjoyment	You can do anything on the property you find enjoyable, as long as it's legal
Disposition	You have the right to sell the property, or otherwise transfer ownership (either temporarily or permanently)

When you purchase a home, unless you have the cash to pay for it in full, you will borrow the money to make the purchase. Upon borrowing that money, your lender will record a mortgage, which is a legal document which "secures" the debt. This means that if you are unable to pay the debt, the home will be sold, and the value of the home should provide enough proceeds to pay the lender back the amount you borrowed. So, although you have title to your property, it is advisable that you maintain your property in good condition. Also, please note that failure to pay such things as property taxes and homeowners association dues will always threaten your ownership rights, even if your home has no mortgage.

A Couple of Other Things about Mortgages

In the mortgage, your lender is referred to as the Mortgagee, the party that receives the mortgage. You are referred to as the Mortgagor, the party that gives the mortgage.

In other words, you as Mortgagor are pledging the value of your home to the Mortgagee to pay the lender back if you do not continue to make monthly payments.

Estates: Fee Simple and Leasehold

When you purchase property, what you really own from a legal perspective is an estate. To understand CLT homeownership, we will focus on two types of estates: fee simple and leasehold.

Fee simple is the most common form of real estate ownership. When most people buy a house, they are purchasing a fee simple estate. It is the most complete form of ownership, conveyed from the seller to the purchaser. It can be inherited, and it can be legally limited. The most common ways a fee simple estate is limited is by a mortgage, which must be paid if the property is sold, and by deed restrictions, oftentimes called Restrictive Covenants and Conditions, which may control such things as requiring a certain level of property maintenance or limiting the types of paint colors and fencing.

The other type of estate is leasehold. A leasehold estate simply means you have the right to use the property for a certain amount of time, after which that right returns to the owner. You sign a lease, which describes the terms of your use of the property. So long as you abide by the terms of the lease, you can use the property in much the same way as if you owned it.

CLT Homeownership: Fee Simple estate in the House and Leasehold estate in land

Now that we have explained title and estates, what makes CLT homeownership different from ordinary homeownership? First understand that the sales price of a home on the open market includes the value of the land and the value of the house and other structures built on the land. The legal term for the house and other structures is "improvements" (not to be confused with upgrades or addition to the house). As stated in the section above, when one purchases a home, one usually purchases a fee simple estate in both the land and improvements.

With CLT homeownership, you purchase a fee simple estate in the improvements only. Ownership of the land is retained by the CLT, which leases the land to you for 99 years. This separation of ownership, removing the value of the land from the home purchase, is what makes the home purchase affordable. However, a 99-year lease functions like legal ownership, and your CLT does NOT serve as your landlord. We will explain in more detail in the next section.

Understanding these concepts of ownership are necessary to understanding your interest in your home, and your legal rights. Please be sure you firmly understand this prior to purchasing your home from the CLT. Take the quiz on the following page to test your understanding.

With CLT homeownership, you purchase a fee simple estate in the improvements only. Ownership of the land is retained by the CLT, which leases the land to you for 99 years. This separation of ownership, removing the value of the land from the home purchase, is what makes the home purchase affordable. However, a 99-year lease functions like legal ownership, and your CLT does NOT serve as your landlord.

Quiz 1

1. What is "title" in real estate?
   a. Bundle of rights
   b. Your name on the front door
   c. The name of the property
   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

SECTION 2:

Understanding Your Ground Lease

As stated in the previous section, CLT homeownership involves owning the house and leasing the land. You will receive a deed to the house, and a ground lease to the land. In this section, we discuss the ground lease in detail, referring to the Form of Ground Lease in Appendix A. However, before we do that, let's talk about some of the benefits of CLT homeownership.

First let's reiterate that CLT homeownership is an alternative to renting, providing an avenue to homeownership to those that otherwise would not be able to own a home of their liking. CLT homeownership affords all the same benefits as regular ownership , (fee simple in house and land) including:

Stability – You can stay in your home without fear of rent increases or non-renewal of your lease.

Equity – You benefit from the increase in value of your home if/when you decide to sell it. However, this benefit is limited in order to keep the house affordable to the next homebuyer. We will cover how this is limited by the ground lease.

Tax advantages – CLT homeownership affords you all the same income tax benefits as regular homeownership, as well as homestead tax exemption (exemption from paying property taxes on a certain portion of the value of your home) which is not afforded to rental properties.

Other benefits unique to CLT homeownership include:

Lower price – The primary benefit is a lower sales price for your home compared to a similar home purchased on the open market. This lower price creates a lower barrier to entry for homeownership.

CLT stewardship – As the owner, you bear the responsibilities of ownership. Remember, your 99-year leasehold interest is the functional equivalent of ownership. Therefore, you are responsible for making repairs and maintaining both the house and the land. However, the CLT is there as a resource to help you in the event you become unable to maintain your property either physically or financially, or you desire to sell your property. The CLT also has the option to repurchase your property to avoid foreclosure.

Real estate tax savings – In Florida, the CLT home is taxed based on the resale-restricted formula in the ground lease. Therefore, while property taxes are your responsibility, you pay considerably less as the land carries a nominal tax liability, and the value of the home is limited by the resale formula.

The community also benefits from the presence of CLT homes. The main benefit is that they create a permanent stock of affordable housing. All communities need housing affordable to all income levels, just like a community needs roads, parks and schools. The resale restrictions in the ground lease treat these homes like infrastructure, preserving their affordability for buyer after buyer in perpetuity.

Key Provisions in the Ground Lease

Terms and Use

In CLT homeownership, you receive a leasehold interest in the land. Your ground lease will have a term of 99 years. This is the functional equivalent of ownership and enables the primary mortgage lender to loan you the funds to purchase your home.

Section 4.4 of your lease requires that you use the home as your primary residence. This means you must occupy the home for a minimum number of months per year. Also, at the end of 99 years, the lease may be renewed for another 99-year team.

Ground Lease Fees

The ground lease fees are described in Section 5.1 of the ground lease. Ground lease fees are intentionally low to keep the house affordable, and mainly function as a means for the CLT to perform its stewardship functions. If you miss a ground lease payment or two, the CLT will likely contact you to find out if you are falling behind on your mortgage payments and in need of assistance due to a loss of employment or illness, for example.

Home Maintenance

As stated in Section 4.2 of your ground lease, it is your responsibility to maintain the home and the land. You are also responsible for furnishing services to the home, such as electricity and water, and the maintenance of those facilities.

To help with home maintenance, some CLTs collect fees that are paid into a home maintenance reserve monthly as part of the ground lease fee listed in Section 5.1. This reserve may be accessed to pay for certain items as described in Section 7.6 of your ground lease.

Property Taxes

Payment of property taxes is addressed in Article 6 of your ground lease. While you do not have fee simple title to the land, the 99- year ground lease gives you the functional equivalent of ownership. You are responsible for paying the property taxes on the land and the home.

Please note that by state statute, your Property Appraiser should determine the taxable value of the land and your home according to the following:

Land – the amount a willing purchaser would pay for a leasehold interest in the land

Improvements (home) – the amount a willing purchaser would pay based on the resale restrictions (discussed further under "Selling your home" below)

In other words, your property taxes should be based on your resale formula price instead of the market value of your home.

Home Improvements

As you continue to live in your home, you may desire to make improvements to your home, such as upgrades to cabinetry and counter tops, new flooring, or the addition of a patio or deck. Section 7.3 allows you to make improvements provided you pay for them, they are completed in a lawful and professional manner (e.g. necessary permits are pulled), do not expand the house, or cause it to be used in a manner not permitted in the ground lease. Any improvements not within these guidelines will require permission from the CLT. Common examples are the addition of a room or second floor to a one-story home. It is good to consult with the CLT prior to purchasing your home to understand what kinds of improvements are generally allowed and not allowed. For example, the addition of an in-ground pool may be expressly forbidden in your ground lease. (Remember, the term "improvements" was previously discussed as a legal term used to describe the home and structures on the land. This should not be confused with the everyday use of this term, referring to upgrades, renovations and additions.)

Refinancing

As time proceeds, you may want to refinance your mortgage to lower your monthly payment or finance home improvements. Section 8.3 of your ground lease requires

that you receive permission from the CLT for any refinancing or other subsequent mortgages on the property. If you are considering this option, please speak with the CLT first before proceeding with a loan application to understand how the terms of the ground lease will affect the refinance.

Selling Your Home

There are two main things you should know about selling your home: what you can sell it for and to whom you can sell it. The selling price is controlled by the resale formula in Section 10.10 of your ground lease. It is imperative that you understand how to calculate your resale price, referred to as the Formula Price. You are also required to sell your house to another income-eligible buyer in accordance with the income limits set forth in Section 10.2 of the ground lease. Please ask your CLT for further details on resale procedures, including how to calculate your resale price and who is responsible for identifying a buyer.

Default and Foreclosure

Failure to occupy the home as your primary residence or failure to make required payments to the CLT are the primary reasons for default under the ground lease. Please be aware that default will give the CLT the right to terminate the ground lease and repossess both the land and your home at the Purchase Option Price defined in the ground lease. In addition to repossession, the CLT will also have the right to recover any unpaid fees according to the ground lease.

Failure to make ground lease payments typically signals to the CLT that a homeowner is experiencing financial trouble. If you are unable to make your mortgage payments, please 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

According to Section 10.3 of the ground lease, ownership of the home and rights to the land can transfer to the following people upon death of the homeowner:

- Spouse of the homeowner
- Child or children of the homeowner
- A member of the homeowner's household who lived in the home for at least one year prior to the homeowner's death

These heirs may not need to income-qualify. That is, they may not need to meet income qualifications as if purchasing the home. Any other heirs or those that legally should receive the property upon death of the homeowner must meet the CLT's income qualifications. Otherwise, the home must be sold to an income-qualified household.

There are several other provisions within the ground lease that may be of interest to you. Please read the form of ground lease in Appendix A, make notes, and discuss with your CLT and your attorney prior to purchasing your home to ensure you have a thorough understanding of the ground lease. The Florida Housing Coalition may be able to refer a CLT homebuyer to an attorney who will provide pro bono services.

Review of Key Concepts

CONCEPT	EXPLANATION
Bundle of Rights	Rights received when one receives title. These include possession, control, enjoyment, exclusion, and disposition
Improvements	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

Quiz 2

1. You are required to use the home you purchase as your primary residence.
   a. T
   b. F

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 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

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

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

Moving from CLT Homeownership to Market Homeownership:

A Financial Education Module for CLT Homeowners

Community land trust (CLT) homeownership will most likely put you in a better position to move into fee simple homeownership or market rate housing, should you desire. This desire may be driven by such things as changes in your family size or the need to be closer to a new job. This module is designed to help you financially prepare for this move. First, we will discuss selling procedures for CLT homes. Then we will provide tips for maintaining and improving your finances as you prepare for your next home purchase.

Selling your CLT Home

One of the benefits of owning a CLT home is the assistance you receive when selling your home. Ideally, your CLT should handle the entire process. The Florida Housing Coalition recommends that:

- ✓ When a CLT homeowner wishes to sell their home, they should notify the CLT of their intent to sell according to the ground lease.
- ✓ Upon receiving notice, the CLT should execute a purchase and sale agreement with the homeowner for the Formula Price in the ground lease.
- ✓ The CLT should identify a buyer for the property. This buyer should come from a list of current eligible buyers identified through homebuyer education and counseling activities performed by the CLT and/or its partners, and perhaps even a waiting list of buyers.
- ✓ Once an income-eligible, mortgage-ready buyer is identified, the CLT should assign the purchase and sales contract to that buyer. The CLT should then continue to work with the buyer to close on the purchase.

If your CLT does not follow this procedure, you are still required to notify the CLT of your intent to sell according to the ground lease. Upon providing your notice, discuss resale procedures with your CLT, including your role in identifying a buyer and what assistance the CLT offers in the selling process. At a minimum, the CLT will ensure that the subsequent buyer is income-eligible.

What Can You Afford to Buy When You Sell?

To answer this question, you will need to estimate your equity at the time you plan to sell. To estimate equity, you will need to calculate two numbers:

1. Your resale price according to your ground lease
2. The principal balance of your mortgage at the time you plan to sell

Resale Price

Another benefit of CLT homeownership is the ability to calculate what you will be able to sell your house for at any time. This is called the Formula Price in your ground lease. It is often also referred to as your resale price.

All CLTs utilize three main types of formulas:

Appraisal based – the resale price is based on the change in appraised value; as the name implies, it requires an appraisal to accurately calculate

Fixed Rate – the resale price increases annually based on a fixed rate determined by the CLT; set to increase at a lower rate than the market

Indexed Rate – the resale price increases annually based on a published index, such as the Consumer Price Index

Your specific resale price can be calculated based on the formula in Section 10.10 of your ground lease. To illustrate how to calculate your resale price, let's apply the three formula options to the following scenario:

Suppose you purchased your home for $160,000. You plan to sell your home in 10 years. Your home initially appraised for $180,000 and you estimate it will appraise for $240,000 in 10 years based on current market trends. When you purchased, you qualified for $10,000 in repayable down payment assistance from your local government, which provided the down payment assistance to the CLT on your behalf. This down payment assistance reduced the sales price of your home. The down payment assistance will not be required to be repaid as long the house is sold to another income-eligible buyer and you are not otherwise in default of the ground lease. Additionally, you contributed $4,000 of your own funds towards the purchase of the home.

Resale Scenario 1 – Appraisal-Based

Follow the steps in the table below to determine the resale price for a ground lease with an appraisal-based formula, that allows you to receive 25% of the appreciated (increase in) value.

1	Homeowner's Initial Purchase Price	$160,000
2	Homeowner's Based Price (Reduction in Sales Price = Initial Sales Price – Down Payment Assistance Amount)	$160,000 - $10,000 = $150,000
3	Initial Appraised Value	$180,000
4	Homeowner's Share of the Initial Purchase Price (Line 2 ÷ Line 3)	$150,000/$180,000 = 83% or 0.83
5	Estimated Appraised Value in Anticipated Year of Resale	$240,000
6	Total Appreciation (Line 5-Line 3)	$240,000 - $180,000 = $60,000
7	Portion of Appreciation to be shared (Line 6 x Line 4)	$60,000 x 0.83 = $49,800
8	Homeowner's Share of the Appreciation (Line 7 x 25%)	$49,800 x .25 = $12,450
9	Resale Price (Line 2 + Line 8)	$150,000 + $12,450 = $162,450

So, in ten years, with this appraisal-based formula, you can plan for selling your house for around $162,450. Remember your purchase price of $160,000 was further reduced by $10,000.

Resale Scenario 2 – Fixed Rate

Follow the steps in the table below to determine the resale price for a ground lease with formula that allows for a 1% annual increase in the sales price on each anniversary of the original purchase. The increase compounds, which means the increase is applied to the current year's resale price.

1	Homeowner's Initial Purchase Price	$160,000
2	Homeowner's Based Price (Reduction in Sales Price = Initial Sales Price – Down Payment Assistance Amount)	$160,000 - $10,000 = $150,000
3	Compound rate	1% or 0.01
4	Resale Value using Compound Rate (multiply Line 2 x (1 + Line 3); multiply product x (1 + Line 3) as many more times to equal total number of years in house – in this case, repeat 9 times for a total of 10)	$150,000 x 1.01 = $151,500 $151,500 x 1.01 = $153,015 $153,015 x 1.01 = $154,545 $154,545 x 1.01 = $156,090 $156,090 x 1.01 = $157,652 $157,652 x 1.01 = $159,228 $159,228 x 1.01 = $160,820 $160,820 x 1.01 = $162,429 $162,429 x 1.01 = $165,693 $165,693 x 1.01 = $167,350

So, in ten years, with this fixed-rate formula, you can plan for selling your house for around $167,350, an increase of $17,350 from your reduced sales price of $150,000. Resale formulas utilizing a fixed rate are desirable, as they can be calculated accurately at any time, and do not involve any estimated values or third-party reports.

Resale Scenario 3 – Indexed Rate

Follow the steps in the table below to determine the resale price for a ground lease with formula that allows for increase in the sales price on each anniversary of the original purchase based on the most recent reported percentage change in the Consumer Price Index at the time of purchase. At press time, this is 2.2% , so we will use this figure for the illustration. The increase compounds, which means the increase is applied to the current year's resale price.

1	Homeowner's Initial Purchase Price	$160,000
2	Homeowner's Based Price (Reduction in Sales Price = Initial Sales Price – Down Payment Assistance Amount)	$160,000 - $10,000 = $150,000
3	Compound rate	1% or 0.01
4	Resale Value using Compound Rate (multiply Line 2 x (1 + Line 3); multiply product x (1 + Line 3) as many more times to equal total number of years in house – in this case, repeat 9 times for a total of 10)	$150,000 x 1.022 = 153,300 $153,300 x 1.022 = $156,673 $156,673 x 1.022 = $160,119 $160,116 x 1.022 = $163,642 $163,642 x 1.022 = $167,242 $167,242 x 1.022 = $170,921 $170,921 x 1.022 = $174,682 $174,682 x 1.022 = $178,525 $178,525 x 1.022 = $182,452 $182,452 x 1.022 = $186,466

So, in ten years, with this fixed-rate formula, you can plan for selling your house for around $186,466, an increase of $36,366 from your reduced purchase price of $150,000.

Mortgage Principal Reduction

Now that you understand how to calculate your resale price, you next need to determine your principal balance at the time of resale. There are several tools you can use to get this figure. However, before we get to that, let's quickly review the elements of your monthly mortgage payment. Your monthly payment will always include the following two elements:

Principal – the amount applied towards the balance of the loan

Interest – the amount applied towards payment of loan interest, based on your loan interest rate

The other common elements are for escrows. These are amounts that the lender collects and pays on your behalf, which also protects the lender's investment. These are:

Property Taxes – lenders will estimate your annual property tax amount and collect the amount in monthly installments

Property Insurance – lenders require property insurance, and will collect the annual premium amount in monthly installments

Mortgage Insurance – If you borrowed over 80% of the value of the loan, you may be required to have private mortgage insurance, with coverage paid through a monthly premium.

These elements together are commonly referred to in the acronym PITI + MIP. That is principal, interest, taxes, insurance plus mortgage insurance premium. If you have a fixed rate mortgage, the amount of your monthly payment associated with principal and interest will remain the same throughout the entire term of the loan. Over time, more and more of that amount will get applied to reducing the principal balance. However, at the beginning of your term, most of your payment goes towards interest. You can see this monthly by reading your loan statement. In the first years of making payments, your principal balance reduces very little.

As mentioned, you can use several tools to find your principal balance in the year you intend to sale. We recommend using web-based tools, such as Bankrate to produce what is called an amortization schedule based on key terms of your loan. The amortization schedule will tell you what your principal balance is at any given time over the term of your loan.

Going back to our scenario, and keeping it simple, assume you borrowed $156,000, that is $160,000 plus $10,000 in selling costs, minus $10,000 in down payment assistance and minus $4,000 in your own cash. Assume your interest rate was 4.5% on a fixed rate loan with a 30-year term. With this information, you can use Bankrate's web tool to determine your principal balance at year 10. Using the tool, when you make your payment in December 2029, your principal balance will be $120,996, for a total principal reduction of $35,004.

Proceeds at Resale

Now that you know your resale price, and your total principal reduction, you can estimate your proceeds at resale. This is the amount you can expect to use towards purchase of your next house. Suppose your ground lease uses the fixed-rate formula above. You can estimate your proceeds at resale to be:

You can estimate in ten years, you will make $42,313 from the sale of your CLT home to apply to the purchase of your next home.

Increase in sales price	$17,350
PLUS Principal reduction	+ $35,004
MINUS Selling Costs (about 6% of sales price)	– $10,041
TOTAL PROCEEDS	**=$42,313**

Now to the original question: what can you afford to buy when you sell? This requires the same considerations as at the time of your CLT home purchase.

What is your income? While it is difficult to forecast your income years into the future, you can make some assumptions. If you are pursing more education to increase your earning potential, planning a change to a higher-paying career, or planning to pursue promotion in your current line of work, you can assume your income will increase over time. Your estimate of your monthly income at the time you sell, will be the primary factor in determining the monthly payment (PITI plus MIP, if required) you can afford.

How much have you saved? Your income, combined with lifestyle choices, will also determine how much you

can save through the time you intend to sell your home. Your savings combined with your proceeds from the sale of your CLT home will be used to make the down payment on your next home.

What is your credit? You should aim to maintain or, if possible, improve your credit during the years you own your CLT home. As you may recall, your credit score is the result of a mathematical formula based on the following components:

- ✓ Payment history
- ✓ Level of indebtedness
- ✓ Length of credit history
- ✓ Types of credit in use
- ✓ Pursuit of new credit

Payment history and level of indebtedness make up most of your credit score. Therefore, it is important that you take advantage of your increasing income and level monthly payment to maintain a good payment history and eliminate or reduce debt. Fewer or no debt payments can greatly increase your buying power. For instance, if you use your time in your CLT home to pay off a car loan, and then not replace that car loan with a new debt, the amount you once paid towards the car loan could now go towards a higher monthly mortgage payment.

It may be tempting as a new homeowner to obtain and use credit cards to buy items for your home, or to purchase a new car to match your new home. These things could negatively affect your credit in the short term and prevent you from purchasing your desired next home in the long run. Things you should do to maintain your credit (and overall finances) as you prepare for fee simple homeownership:

Make your debt payments on time. Payment history is the largest component of your credit score. For credit cards, it is also advisable to pay more than the minimum payment monthly, as it may not even cover your interest.

Resolve any past due, collection or judgment accounts. If any monthly bills are past due, do your best to catch them up as soon as possible. Then pay off judgment and collection accounts. Judgments are particularly problematic, as the creditor could potentially place a lien against your home if the debt is not paid.

Monitor your credit card balances. Generally, keeping balances to 50% of your available credit or less will help you maintain or improve your credit score.

Monitor your credit report. You can do this by obtaining annual credit reports from the three major credit bureaus: Equifax, Experian and TransUnion. You are entitled to receive one FREE report annually, which you can obtain at www.annualcreditreport.com. You can get the reports from the site once every 12 months (from the date of your initial use of the service). Check your reports annually to determine if any errors are dragging your credit score down.

Moving Up and Moving On

Armed with the knowledge of how to calculate your resale price, principal loan reduction amount, and estimated proceeds at resale along with good personal financial practices, you can successfully plan another home purchase. Soon you will be moving up and moving on to fee simple homeownership, and another income-eligible household can enjoy and benefit from your CLT home as you did.

End of Module Exam

1. You've made a final decision to sell your home. What should you do first?

a. List your home right away
b. Notify your CLT of your intent to sell
c. Enter a contract on your next home
d. None of the above

2. What are some elements of your credit score?

a. Payment history
b. Length of credit history
c. Level of indebtedness
d. All of the above

3. What does the acronym PITI stand for?

a. Principal, Interest, Testaments, Insurance
b. Principal, Interest, Taxes, Insurance
c. Principal, Inheritance, Taxes and Insurance
d. None of the above

4. What are the 3 main types of resale formulas?

a. Appraisal, Fixed, Indexed
b. Addition, Fixed, Indexed
c. Appraisal, Fixed, Interest
d. None of the above

5. Where can you get your fee annual credit report from all three major credit bureaus?

a. Freecreditreport.com
b. Annualcreditreport.com
c. Allcreditreports.com
d. None of the above

6. You purchased your CLT home for $175,000. You received $15,000 in down payment assistance to lower your sales price. You also contributed $5,000 in cash towards your purchase. The resale formula in your ground lease allows for an increase in price of 1% annually. You plan to sell your house in 5 years. Use the table below to calculate your resale price, rounding to the nearest dollar.

1.	Homeowner's Initial Purchase Price	
2.	Homeowner's Base Price (Reduction in Sales Price = Purchase Price – Down Payment Assistance Amount)	
3.	Compound Rate in decimal form	
4.	Resale Value using Compound Rate (multiply Line 2 x (1 + Line 3); multiply product x (1 + Line 3) as many more times to equal total number of years in house)	

7. Continuing the scenario from Question 6, suppose you calculate you will reduce your mortgage by $15,000 in five years. Assuming selling costs of 6% of the sales price, what are the estimated proceeds from your sale? Round to the nearest dollar.

1	Increase in sales price (Question 6, Line 4 – Question 6, Line 2)	
2	Principal reduction amount	
3	Selling Costs (Line 1 x 6%)	
4	Proceeds = Line 1 + Line 2 – Line 3	

APPENDIX A:

FORM OF GROUND LEASE

Chapter 11-A

THE 2011 CLT NETWORK MODEL GROUND LEASE

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Exhibit Leased Land Exhibit Deed
Exhibit Permitted Mortgages
Exhibit First Refusal

Other Exhibits to be Attached as Appropriate

Exhibit Zoning
Exhibit Restrictions
Exhibit Initial Appraisal

APPENDIX: Alternative versions of Article 10

MODEL CLT LEASE

THIS LEASE ("this Lease" or "the Lease") entered into this _____ day of _____, 20___, between COMMUNITY LAND TRUST ("CLT") and _____("Homeowner").

RECITALS

A. The CLT is organized exclusively for charitable purposes, including the purpose of providing homeownership opportunities for low and moderate income people who would otherwise be unable to afford homeownership.

B. A goal of the CLT is to preserve affordable homeownership opportunities through the long-term leasing of land under owner-occupied homes.

C. The Leased Land described in this Lease has been acquired and is being leased by the CLT in furtherance of this goal.

D. The Homeowner shares the purposes of the CLT and has agreed to enter into this Lease not only to obtain the benefits of homeownership, but also to further the charitable purposes of the CLT.

E. Homeowner and CLT recognize the special nature of the terms of this Lease, and each of them accepts these terms, including those terms that affect the marketing and resale price of the property now being purchased by the Homeowner.

F. Homeowner and CLT agree that the terms of this Lease further their shared goals over an extended period of time and through a succession of owners.

NOW THEREFORE, Homeowner and CLT agree on all of the terms and conditions of this Lease as set forth below.

DEFINITIONS: Homeowner and CLT agree on the following definitions of key terms used in this Lease.

Leased Land: the parcel of land, described in Exhibit: LEASED LAND, that is leased to the Homeowner.

Home: the residential structure and other permanent improvements located on the Leased Land and owned by the Homeowner, including both the original Home described in Exhibit: DEED, and all permanent improvements added thereafter by Homeowner at Homeowner's expense.

Base Price: the total price that is paid for the Home by the Homeowner (including the amount provided by a first mortgage loan but not including subsidy in the form of deferred loans to the Homeowner).

Purchase Option Price: the maximum price the Homeowner is allowed to receive for the sale of the Home and the Homeowner's right to possess, occupy and use the Leased Land, as defined in Article 10 of this Lease.

Lease Fee: The monthly fee that the Homeowner pays to the CLT for the continuing use of the Leased Land and any additional amounts that the CLT charges to the Homeowner for reasons permitted by this Lease.

Permitted Mortgage: A mortgage or deed of trust on the Home and the Homeowner's right to possess, occupy and use the Leased Land granted to a lender by the Homeowner with the CLT's Permission. The Homeowner may not mortgage the CLT's interest in the Leased Land, and may not grant any mortgage or deed of trust without CLT's Permission.

Event of Default: Any violation of the terms of the Lease unless it has been corrected ("cured") by Homeowner or the holder of a Permitted Mortgage in the specified period of time after a written Notice of Default has been given by CLT.

ARTICLE 1: Homeowner's Letter of Agreement and Attorney's Letter of Acknowledgment are Attached as Exhibits.

Attached as Exhibit HOMEOWNER'S LETTER OF AGREEMENT AND ATTORNEY'S LETTER OF ACKNOWLEDGMENT and made part of this Lease by reference are a Letter of Agreement from the Homeowner, describing the Homeowner's understanding and acceptance of this Lease (including the parts of the Lease that affect the resale of the Home), and a Letter of Acknowledgment from the Homeowner's attorney, describing the attorney's review of the Lease with the Homeowner.

ARTICLE 2: Leasing of Rights to the Land

2.1 CLT LEASES THE LAND TO HOMEOWNER: The CLT hereby leases to the Homeowner, and Homeowner hereby accepts, the right to possess, occupy and use the Leased Land (described in the attached Exhibit LEASED LAND) in accordance with the terms of this Lease. CLT has furnished to Homeowner a copy of the most current title report, if any, obtained by CLT for the Leased Land, and Homeowner accepts title to the Leased Land in its condition "as is" as of the signing of this Lease.

2.2 MINERAL RIGHTS NOT LEASED TO HOMEOWNER: CLT does not lease to Homeowner the right to remove from the Leased Land any minerals lying beneath the Leased Land's surface. Ownership of such minerals remains with the CLT, but the CLT shall not remove any such minerals from the Leased Land without the Homeowner's written permission.

ARTICLE 3: Term of Lease, Change of Land Owner

3.1 TERM OF LEASE IS 99 YEARS: This Lease shall remain in effect for 99 years, beginning on the _____ day of _____, 20 ___, and ending on the _____ day of _____, 20 ___, unless ended sooner or renewed as provided below.

3.2 HOMEOWNER CAN RENEW LEASE FOR ANOTHER 99 YEARS: Homeowner may renew this Lease for one additional period of 99 years. The CLT may change the terms of the Lease for the renewal period prior to the beginning of the renewal period but only if these changes do not materially and adversely interfere with the rights possessed by Homeowner under the Lease. Not more than 365 nor less than 180 days before the last day of the first 99- year period, CLT shall give Homeowner a written notice that states the date of the expiration of the first 99-year period and the conditions for renewal as set forth in the following paragraph ("the Expiration Notice"). The Expiration Notice shall also describe any changes that CLT intends to make in the Lease for the renewal period as permitted above.

The Homeowner shall then have the right to renew the Lease only if the following conditions are met: (a) within 60 days of receipt of the Expiration Notice, the Homeowner shall give CLT written notice stating the Homeowner's desire to renew ("the Renewal Notice"); (b) this Lease shall be in effect on the last day of the original 99-year term, and (c) the Homeowner shall not be in default under this Lease or under any Permitted Mortgage on the last day of the original 99-year term.

When Homeowner has exercised the option to renew, Homeowner and CLT shall sign a memorandum stating that the option has been exercised. The memorandum shall comply with the requirements for a notice of lease as stated in Section 14.12 below. The CLT shall record this memorandum in accordance with the requirements of law promptly after the beginning of the renewal period.

3.3 WHAT HAPPENS IF CLT DECIDES TO SELL THE LEASED LAND: If ownership of the Leased Land is ever transferred by CLT (whether voluntarily or involuntarily) to any other person or institution, this Lease shall not cease, but shall remain binding on the new land- owner as well as the Homeowner. If CLT agrees to transfer the Leased Land to any person or institution other than a non-profit corporation, charitable trust, government agency or other similar institution sharing the goals described in the Recitals above, the Homeowner shall have a right of first refusal to purchase the Leased Land. The details of this right shall be as stated in the attached Exhibit FIRST REFUSAL. Any sale or other transfer contrary to this Section 3.3 shall be null and void.

ARTICLE 4: Use of Leased Land

4.1 HOMEOWNER MAY USE THE HOME ONLY FOR RESIDENTIAL AND RELATED PURPOSES: Homeowner shall use, and allow others to use, the Home and Leased Land only for residential purposes and any activities related to residential use that were permitted by local zoning law when the Lease was signed, as indicated in the attached Exhibit ZONING.

[To be added when needed: Use of the Leased Land shall be further limited by the restrictions described in the attached Exhibit RESTRICTIONS.]

4.2 HOMEOWNER MUST USE THE HOME AND LEASED LAND RESPONSIBILY AND IN COMPLIANCE WITH THE LAW: Homeowner shall use the Home and Leased Land in a way that will not cause harm to others or create any public nuisance. Homeowner shall dispose of all waste in a safe and sanitary manner. Homeowner shall maintain all parts of the Home and Leased Land in safe, sound and habitable condition, in full compliance with all laws and regulations, and in the condition that is required to maintain the insurance coverage required by Section 9.4 of this Lease.

4.3 HOMEOWNER IS RESPONSIBLE FOR USE BY OTHERS: Homeowner shall be responsible for the use of the Home and Leased Land by all residents and visitors and anyone else using the Leased Land with Homeowner's permission and shall make all such people aware of the restrictions on use set forth in this Lease.

4.4 HOMEOWNER MUST OCCUPY THE HOME FOR AT LEAST _____ MONTHS EACH YEAR: Homeowner shall occupy the Home for at least _____ months of each year of this Lease, unless otherwise agreed by CLT. Occupancy by Homeowner's child, spouse *[or domestic partner, in states with such legislation]* or other persons approved by CLT shall be considered occupancy by Homeowner. Neither compliance with the occupancy requirement nor CLT's permission for an extended period of non-occupancy constitutes permission to sublease the Leased Land and Home, which is addressed in Section 4.5 below.

4.5 LEASED LAND MAY NOT BE SUBLEASED WITHOUT CLT'S PERMISSION. Except as otherwise provided in Article 8 and Article 10, Homeowner shall not sublease, sell or otherwise convey any of Homeowner's rights under this Lease, for any period of time, without the written permission of CLT. Homeowner agrees that CLT shall have the right to withhold such consent in order to further the purposes of this Lease.

If permission for subleasing is granted, the sublease shall be subject to the following conditions.

a) Any sublease shall be subject to all of the terms of this Lease.

b) The rental or occupancy fee charged the sub-lessee shall not be more than the amount of the Lease Fee charged the Homeowner by the CLT, plus an amount approved by CLT to cover Homeowner's costs in owning the Home, including but not limited to the cost of taxes, insurance and mortgage interest.

4.6 CLT HAS A RIGHT TO INSPECT THE LEASED LAND: The CLT may inspect any part of the Leased Land except the interiors of fully enclosed buildings, at any reasonable time, after notifying the Homeowner at least 24 hours before the

planned inspection. No more than ____ regular inspections may be carried out in a single year, except in the case of an emergency. In an emergency, the CLT may inspect any part of the Leased Land except the interiors of fully enclosed buildings, after making reasonable efforts to inform the Homeowner before the inspection.

If the CLT has received an Intent-To-Sell Notice (as described in Section 10.4 below), then the CLT has the right to inspect the interiors of all fully enclosed buildings to determine their condition prior to the sale. The CLT must notify the Homeowner at least 24 hours before carrying out such inspection.

4.7 HOMEOWNER HAS A RIGHT TO QUIET ENJOYMENT: Homeowner has the right to quiet enjoyment of the Leased Land. The CLT has no desire or intention to interfere with the personal lives, associations, expressions, or actions of the Homeowner in any way not permitted by this Lease.

ARTICLE 5: Lease Fee

5.1 AMOUNT OF LEASE FEE: The Homeowner shall pay a monthly Lease Fee in an amount equal to the sum of (a) a Land Use Fee of $_____ to be paid in return for the continuing right to possess, occupy and use the Leased Land, plus (b) a Repair Reserve Fee of

$_____ to be held by the CLT and used for the purpose of preserving the physical quality of the Home for the long term in accordance with Section 7.6 below.

5.2 WHEN THE LEASE FEE IS TO BE PAID: The Lease Fee shall be payable to CLT on the first day of each month for as long as this Lease remains in effect, unless the Lease Fee is to be escrowed and paid by a Permitted Mortgagee, in which case payment shall be made as directed by that Mortgagee.

5.3 HOW THE AMOUNT OF THE LAND USE FEE HAS BEEN DETERMINED: The amount of the Land Use Fee stated in Section 5.1 above has been determined as follows. First, the approximate monthly fair rental value of the Leased Land has been established, as of the beginning of the Lease term, recognizing that the fair rental value is reduced by certain restrictions imposed by the Lease on the use of the Land. Then the affordability of this monthly amount, plus the amount of the Repair Reserve Fee, for the Homeowner has been analyzed and, if necessary, the Land Use has been reduced to an amount considered to be affordable for Homeowner.

5.4 CLT MAY REDUCE OR SUSPEND THE LEASE FEE TO IMPROVE AFFORDABILITY: CLT may reduce or suspend the total amount of the Lease Fee for a period of time for the purpose of improving the affordability of the Homeowner's monthly housing costs. Any such reduction or suspension must be in writing and signed by CLT.

5.5 FEES MAY BE INCREASED FROM TIME TO TIME: The CLT may increase the amount of the Land Use Fee and/or the Repair Reserve Fee from time to time, but not more often than once every _____ years. Each time such amounts are increased, the total percentage of increase since the date this Lease was signed shall not be greater than the percentage of increase, over the same period of time, in the Consumer Price Index for urban wage earners and clerical workers for the urban area in which the Leased Land is located, or, if none, for urban areas the size of _____.

5.6 LAND USE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED: If, for any reason, the provisions of Article 10 regarding transfers of the Home or Sections 4.4 and 4.5 regarding occupancy and subleasing are suspended or invalidated for any period of time, then during that time the Land Use Fee shall be increased to an amount calculated by CLT to equal the fair rental value of the Leased Land for use not restricted by the suspended provisions, but initially an

amount not exceeding dollars. Such increase shall become effective upon CLT's written notice to Homeowner. Thereafter, for so long as these restrictions are not reinstated in the Lease, the CLT may, from time to time, further increase the amount of such Land Use Fee, provided that the amount of the Land Use Fee does not exceed the fair rental value of the property, and provided that such increases do not occur more often than once in every _____ years.

5.7 IF PAYMENT IS LATE, INTEREST CAN BE CHARGED: If the CLT has not received any monthly installment of the Lease Fee on or before the date on which the such installment first becomes payable under this Lease (the "Due Date"), the CLT may require Homeowner to pay interest on the unpaid amount from the Due Date through and including the date such payment or installment is received by CLT, at a rate not to exceed _____. *[Specify either a fixed %, an index such as prime rate of a particular institution, or a legally established limit]*. Such interest shall be deemed additional Lease Fee and shall be paid by Homeowner to CLT upon demand; provided, however, that CLT shall waive any such interest that would otherwise be payable to CLT if such payment of the Lease Fee is received by CLT on or before the thirtieth (30th) day after the Due Date.

5.8 CLT CAN COLLECT UNPAID FEES WHEN HOME IS SOLD: In the event that any amount of payable Lease Fee remains unpaid when the Home is sold, the outstanding amount of payable Lease Fee, including any interest as provided above, shall be paid to CLT out of any proceeds from the sale that would otherwise be due to Homeowner. The CLT shall have, and the Homeowner hereby consents to, a lien upon the Home for any unpaid Lease Fee. Such lien shall be prior to all other liens and encumbrances on the Home except (a) liens and encumbrances recorded before the recording of this Lease, (b) Permitted Mortgages as defined in section 8.1 below; and (c) liens for real property taxes and other governmental assessments or charges against the Home.

ARTICLE 6: Taxes and Assessments

6.1 HOMEOWNER IS RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS: Homeowner shall pay directly, when due, all taxes and governmental assessments that relate to the Home and the Leased Land (including any taxes relating to the CLT's interest in the Leased Land).

6.2 CLT WILL PASS ON ANY TAX BILLS IT RECEIVES TO HOMEOWNER: In the event that the local taxing authority bills CLT for any portion of the taxes on the Home or Leased Land, CLT shall pass the bill to Homeowner and Homeowner shall promptly pay this bill.

6.3 HOMEOWNER HAS A RIGHT TO CONTEST TAXES: Homeowner shall have the right to contest the amount or validity of any taxes relating to the Home and Leased Land. Upon receiving a reasonable request from Homeowner for assistance in this matter, CLT shall join in contesting such taxes. All costs of such proceedings shall be paid by Homeowner.

6.4 IF HOMEOWNER FAILS TO PAY TAXES, CLT MAY INCREASE LEASE FEE: In the event that Homeowner fails to pay the taxes or other charges described in Section 6.1 above, CLT may increase Homeowner's Lease Fee to offset the amount of taxes and other charges owed by Homeowner. Upon collecting any such amount, CLT shall pay the amount collected to the taxing authority in a timely manner.

6.5 PARTY THAT PAYS TAXES MUST SHOW PROOF: When either party pays taxes relating to the Home or Leased Land, that party shall furnish satisfactory evidence of the payment to the other party. A photocopy of a receipt shall be the usual method of furnishing such evidence.

ARTICLE 7: The Home

7.1 HOMEOWNER OWNS THE HOUSE AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND: All structures, including the house, fixtures, and other improvements purchased, constructed, or installed by the Homeowner on any part of the Leased Land at any time during the term of this Lease (collectively, the "Home") shall be property of the Homeowner. Title to the Home shall be and remain vested in the Homeowner. However, Homeowner's rights of ownership are limited by certain provisions of this Lease, including provisions regarding the sale or leasing of the Home by the Homeowner and the CLT's option to purchase the Home. In addition, Homeowner shall not remove any part of the Home from the Leased Land without CLT's prior written consent.

7.2 HOMEOWNER PURCHASES HOME WHEN SIGNING LEASE: Upon the signing of this Lease, Homeowner is simultaneously purchasing the Home located at that time on the Leased Land, as described in the Deed, a copy of which is attached to this Lease as Exhibit: DEED.

7.3 CONSTRUCTION CARRIED OUT BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS: Any construction in connection with the Home is permitted only if the following requirements are met: (a) all costs shall be paid for by the Homeowner; (b) all construction shall be performed in a professional manner and shall comply with all applicable laws and regulations; (c) all changes in the Home shall be consistent with the permitted uses described in Article 4; (d) the footprint, square-footage, or height of the house shall not be increased and new structures shall not be built or installed on the Leased Land without the prior written consent of CLT.

For any construction requiring CLT's prior written consent, Homeowner shall submit a written request to the CLT. Such request shall include:

a) a written statement of the reasons for undertaking the construction;

b) a set of drawings (floor plan and elevations) showing the dimensions of the proposed construction;

c) a list of the necessary materials, with quantities needed;

d) a statement of who will do the work;

If the CLT finds it needs additional information it shall request such information from Homeowner within two weeks of receipt of Homeowner's request. The CLT then, within two weeks of receiving all necessary information (including any additional information it may have requested) shall give Homeowner either its written consent or a written statement of its reasons for not consenting. Before construction can begin, Homeowner shall provide CLT with copies of all necessary building permits, if not previously provided.

7.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST LEASED LAND OR HOME: No lien of any type shall attach to the CLT's title to the Leased Land. Homeowner shall not permit any statutory or similar lien to be filed against the Leased Land or the Home which remains more than 60 days after it has been filed. Homeowner shall take action to discharge such lien, whether by means of payment, deposit, bond, court order, or other means permitted by law. If Homeowner fails to discharge such lien within the 60-day period, then Homeowner shall immediately notify CLT of such failure. CLT shall have the right to discharge the lien by paying the amount in question. Homeowner may, at Homeowner's expense, contest the validity of any such asserted lien, provided Homeowner has furnished a bond or other acceptable surety in an amount sufficient to release the Leased Land from such lien. Any amounts paid by CLT to discharge such liens shall be treated as an additional Lease Fee payable by Homeowner upon demand.

7.5 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS: Homeowner hereby assumes responsibility for furnishing all services or facilities on the Leased Land, including but not limited to heat, electricity, air conditioning and water. CLT shall not be required to furnish any services or facilities or to make any repairs to the Home. Homeowner shall maintain the Home and Leased Land as required by Section 4.2 above and shall see that all necessary repairs and replacements are accomplished when needed.

7.6 A REPAIR RESERVE FUND IS ESTABISHED TO SUPPORT FUTURE REPAIRS:

[This section must either be completed in accordance with the CLT's repair reserve policy, or omitted entirely. See Commentary on this Section 7.6.]

7.7 WHEN LEASE ENDS, OWNERSHIP REVERTS TO CLT, WHICH SHALL REIMBURSE HOMEOWNER: Upon the expiration or termination of this Lease, ownership of the Home shall revert to CLT. Upon thus assuming title to the Home, CLT shall promptly pay Homeowner and Permitted Mortgagee(s), as follows:

FIRST, CLT shall pay any Permitted Mortgagee(s) the full amount owed to such mortgagee(s) by Homeowner;

SECOND, CLT shall pay the Homeowner the balance of the Purchase Option Price calculated in accordance with Article 10 below, as of the time of reversion of ownership, less the total amount of any unpaid Lease Fee and any other amounts owed to the CLT under the terms of this Lease. The Homeowner shall be responsible for any costs necessary to clear any additional liens or other charges related to the Home which may be assessed against the Home. If the Homeowner fails to clear such liens or charges, the balance due the Homeowner shall also be reduced by the amount necessary to release such liens or charges, including reasonable attorneys fees incurred by the CLT.

ARTICLE 8: Financing

8.1 HOMEOWNER CANNOT MORTGAGE THE HOME WITHOUT CLT's PERMISSION: The Homeowner may mortgage the Home only with the written permission of CLT. Any mortgage or deed of trust permitted in writing by the CLT is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee.

8.2 BY SIGNING LEASE, CLT GIVES PERMISSION FOR ORIGINAL MORTGAGE. By signing this Lease, CLT gives written permission for any mortgage or deed of trust signed by the Homeowner effective on the day this Lease is signed for the purpose of financing Homeowner's purchase of the Home.

8.3 HOMEOWNER MUST GET SPECIFIC PERMISSION FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES. If, at any time subsequent to the purchase of the Home and signing of the Lease, the Homeowner seeks a loan that is to be secured by a mortgage on the Home (to refinance an existing Permitted Mortgage or to finance home repairs or for any other purpose), Homeowner must inform CLT, in writing, of the proposed terms and conditions of such mortgage loan at least 15 business days prior to the expected closing of the loan. The information to be provided to the CLT must include:

a. the name of the proposed lender;
b. Homeowner's reason for requesting the loan;
c. the principal amount of the proposed loan and the total mortgage debt that will result from the combination of the loan and existing mortgage debt, if any;
d. expected closing costs;
e. the rate of interest;
f. the repayment schedule;
g. a copy of the appraisal commissioned in connection with the loan request.

CLT may also require Homeowner to submit additional information. CLT will not permit such a mortgage loan if the loan increases Homeowner's total mortgage debt to an amount greater than ___ % of the then current Purchase Option Price, calculated in accordance with Article 10 below, or if the terms of the transaction otherwise threaten the interests of either the Homeowner or the CLT.

8.4 CLT IS REQUIRED TO PERMIT A "STANDARD PERMITTED MORTGAGE." The CLT shall be required to permit any mortgage for which the mortgagee has signed a "Standard Permitted Mortgage Agreement" as set forth in "Exhibit: Permitted Mortgages, Part C," and for which the loan secured thereby does not increase Homeowner's total mortgage debt to an amount greater than ___ % of the then current Purchase Option Price, calculated in accordance with Article 10.

8.5 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE LEASE. Any Permitted Mortgagee shall be bound by each of the requirements stated in"Exhibit: Permitted Mortgages, Part A, Obligations of Permitted Mortgagee," which is made a part of this Lease by reference, unless the particular requirement is removed, contradicted or modified by a Rider to this Lease signed by the Homeowner and the CLT to modify the terms of the Lease during the term of the Permitted Mortgage.

8.6 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE LEASE. Any Permitted Mortgagee shall have all of the rights and protections stated in "Exhibit: Permitted Mortgages, Part B, Rights of Permitted Mortgagee," which is made a part of this Lease by reference.

8.7 IN THE EVENT OF FORECLOSURE, ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO CLT. Homeowner and CLT recognize that it would be contrary to the purposes of this agreement if Homeowner could receive more than the Purchase Option Price as the result of the foreclosure of a mortgage. Therefore, Homeowner hereby irrevocably assigns to CLT all net proceeds of sale of the Home that would otherwise have been payable to Homeowner and that exceed the amount of net proceeds that Homeowner would have received if the property had been sold for the Purchase Option Price, calculated as described in Section 10.10 below. Homeowner authorizes and instructs the Permitted Mortgagee, or any party conducting any sale, to pay such excess amount directly to CLT. If, for any reason, such excess amount is paid to Homeowner, Homeowner hereby agrees to promptly pay such amount to CLT.

ARTICLE 9: Liability, Insurance, Damage and Destruction, Eminent Domain

9.1 HOMEOWNER ASSUMES ALL LIABILITY. Homeowner assumes all responsibility and liability related to Homeowner's possession, occupancy and use of the Leased Land.

9.2 HOMEOWNER MUST DEFEND CLT AGAINST ALL CLAIMS OF LIABILITY. Homeowner shall defend, indemnify and hold CLT harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Land. Homeowner waives all claims against CLT for injury or damage on or about the Leased Land. However, CLT shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of CLT or CLT's agents or employees.

9.3 HOMEOWNER MUST REIMBURSE CLT. In the event the CLT shall be required to pay any sum that is the Homeowner's responsibility or liability, the Homeowner shall reimburse the CLT for such payment and for reasonable expenses caused thereby.

9.4 HOMEOWNER MUST INSURE THE HOME AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON HOME AND LEASED LAND. Homeowner shall, at Homeowner's expense, keep the Home continuously insured

against "all risks" of physical loss, using Insurance Services Office (ISO) Form HO 00 03, or its equivalent, for the full replacement value of the Home, and in any event in an amount that will not incur a coinsurance penalty. The amount of such insured replacement value must be approved by the CLT prior to the commencement of the Lease. Thereafter, if the CLT determines that the replacement value to be insured should be increased, the CLT shall inform the Homeowner of such required increase at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Homeowner shall assure that the renewal includes such change. If Homeowner wishes to decrease the amount of replacement value to be insured, Homeowner shall inform the CLT of the proposed change at least 30 days prior to the time such change would take effect. The change shall not take effect without CLT's approval.

Should the Home lie in a flood hazard zone as defined by the National Flood Insurance Plan, the Homeowner shall keep in full force and effect flood insurance in the maximum amount available.

The Homeowner shall also, at its sole expense, maintain in full force and effect public liability insurance using ISO Form HO 00 03 or its equivalent in the amount of $____ per occurrence and in the aggregate. The CLT shall be named as an additional insured using ISO Form HO 04 41 or its equivalent, and certificates of insurance shall be delivered to the CLT prior to the commencement of the Lease and at each anniversary date thereof.

The dollar amounts of such coverage may be increased from time to time at the CLT's request but not more often than once in any one-year period. CLT shall inform the Homeowner of such required increase in coverage at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Homeowner shall assure that the renewal includes such change. The amount of such increase in coverage shall be based on current trends in homeowner's liability insurance coverage in the area in which the Home is located.

9.5 WHAT HAPPENS IF HOME IS DAMAGED OR DESTROYED. Except as provided below, in the event of fire or other damage to the Home, Homeowner shall take all steps necessary to assure the repair of such damage and the restoration of the Home to its condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Homeowner shall also promptly take all steps necessary to assure that the Leased Land is safe and that the damaged Home does not constitute a danger to persons or property.

If Homeowner, based on professional estimates, determines either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than the full cost of necessary repairs and that Homeowner cannot otherwise afford to cover the balance of the cost of repairs, then Homeowner shall notify CLT of this problem, and CLT may then help to resolve the problem. Methods used to resolve the problem may include efforts to increase the available insurance proceeds, efforts to reduce the cost of necessary repairs, efforts to arrange affordable financing covering the costs of repair not covered by insurance proceeds, and any other methods agreed upon by both Homeowner and CLT.

If Homeowner and CLT cannot agree on a way of restoring the Home in the absence of adequate insurance proceeds, then Homeowner may give CLT written notice of intent to terminate the Lease. The date of actual termination shall be no less than 60 days after the date of Homeowner's notice of intent to terminate. Upon termination, any insurance proceeds payable to Homeowner for damage to the Home shall be paid as follows.

FIRST, to the expenses of their collection;

SECOND, to any Permitted Mortgagee(s), to the extent required by the Permitted Mortgage(s);

THIRD, to the expenses of enclosing or razing the remains of the Home and clearing debris;

FOURTH, to the CLT for any amounts owed under this Lease;

FIFTH, to the Homeowner, up to an amount equal to the Purchase Option Price, as of the day prior to the loss, less any amounts paid with respect to the second, third, and fourth clauses above;

SIXTH, the balance, if any, to the CLT.

9.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE. If all of the Leased Land is taken by eminent domain or otherwise for public purposes, or if so much of the Leased Land is taken that the Home is lost or damaged beyond repair, the Lease shall terminate as of the date when Homeowner is required to give up possession of the Leased Land. Upon such termination, the entire amount of any award(s) paid shall be allocated in the way described in Section 9.5 above for insurance proceeds.

In the event of a taking of a portion of the Leased Land that does not result in damage to the Home or significant reduction in the usefulness or desirability of the Leased Land for residential purposes, then any monetary compensation for such taking shall be allocated entirely to CLT.

In the event of a taking of a portion of the Leased Land that results in damage to the Home only to such an extent that the Home can reasonably be restored to a residential use consistent with this Lease, then the damage shall be treated as damage is treated in Section 9.5 above, and monetary compensation shall be allocated as insurance proceeds are to be allocated under Section 9.5.

9.7 IF PART OF THE LAND IS TAKEN, THE LEASE FEE MAY BE REDUCED. In the event of any taking that reduces the size of the Leased Land but does not result in the termination of the Lease, CLT shall reassess the fair rental value of the remaining Land and shall adjust the Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the Land for use as restricted by the Lease.

9.8 IF LEASE IS TERMINATED BY DAMAGE, DESTRUCTION OR TAKING, CLT WILL TRY TO HELP HOMEOWNER BUY ANOTHER CLT HOME. If this Lease is terminated as a result of damage, destruction or taking, CLT shall take reasonable steps to allow Homeowner to purchase another home on another parcel of leased land owned by CLT if such home can reasonably be made available. If Homeowner purchases such a home, Homeowner agrees to apply any proceeds or award received by Homeowner to the purchase of the home. Homeowner understands that there are numerous reasons why it may not be possible to make such a home available, and shall have no claim against CLT if such a home is not made available.

ARTICLE 10: Transfer of the Home

10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY: Homeowner and CLT agree that the provisions of this Article 10 are intended to preserve the affordability of the Home for lower income households and expand access to homeownership opportunities for such households.

10.2 HOMEOWNER MAY TRANSFER HOME ONLY TO CLT OR QUALIFIED PERSONS: Homeowner may transfer the Home only to the CLT or an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers are to be completed only in strict compliance with this Article 10. Any purported transfer that does not follow the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee in lieu of foreclosure, shall be null and void.

"Income-Qualified Person" shall mean a person or group of persons whose household income does not exceed ___ percent (___ %) of the median household income for the applicable Standard Metropolitan Statistical Area or County as calculated and adjusted for household size from time to time by the U.S. Department of Housing and Urban Development (HUD) or any successor.

10.3 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER: If Homeowner dies (or if the last surviving co-owner of the Home dies), the executor or personal representative of Homeowner's estate shall notify CLT within ninety (90) days of the date of the death. Upon receiving such notice CLT shall consent to a transfer of the Home and Homeowner's rights to the Leased Land to one or more of the possible heirs of Homeowner listed below as "a," "b," or "c," provided that a Letter of Agreement and a Letter of Attorney's Acknowledgment (as described in Article 1 above) are submitted to CLT to be attached to the Lease when it is transferred to the heirs.

a) the spouse of the Homeowner; or
b) the child or children of the Homeowner; or
c) member(s) of the Homeowner's household who have resided in the Home for at least one year immediately prior to Homeowner's death.

Any other heirs, legatees or devisees of Homeowner, in addition to submitting Letters of Agreement and Attorney's Acknowledgment as provided above, must demonstrate to CLT's satisfaction that they are Income-Qualified Persons as defined above. If they cannot demonstrate that they are Income-Qualified Persons, they shall not be entitled to possession of the Home but must transfer the Home in accordance with the provisions of this Article.

10.4 HOMEOWNER MUST GIVE NOTICE OF INTENT TO SELL: In the event that Homeowner wishes to sell Homeowner's Property, Homeowner shall notify CLT, in writing, of such wish (the Intent-to-Sell Notice). This Notice shall include a statement as to whether Homeowner wishes to recommend a prospective buyer as of the date of the Notice.

[Provision for required appraisal omitted.]

10.5 UPON RECEIVING NOTICE, CLT HAS AN OPTION TO PURCHASE THE HOME. Upon receipt of an Intent-to-Sell Notice from Homeowner, CLT shall have the option to purchase the Home at the Purchase Option Price calculated as set forth below. The Purchase Option is designed to further the purpose of preserving the affordability of the Home for succeeding Income-Qualified Persons while taking fair account of the investment by the Homeowner.

If CLT elects to purchase the Home, CLT shall exercise the Purchase Option by notifying Homeowner, in writing, of such election (the Notice of Exercise of Option) within forty-five (45) days of the receipt of the Intent-to-Sell Notice, or the Option shall expire. Having given such notice, CLT may either proceed to purchase the Home directly or may assign the Purchase Option to an Income-Qualified Person.

The purchase (by CLT or CLT's assignee) must be completed within sixty (60) days of CLT's Notice of Exercise of Option, or Homeowner may sell the Home and Homeowner's rights to the Leased Land as provided in Section 10.7 below. The time permitted for the completion of the purchase may be extended by mutual agreement of CLT and Homeowner.

Homeowner may recommend to CLT a prospective buyer who is an Income-Qualified Person and is prepared to submit Letters of Agreement and Attorney's Acknowledgement indicating informed acceptance of the terms of this Lease. CLT shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person, unless CLT determines that its charitable mission is better served by retaining the Home for another purpose or transferring the Home to another party.

10.6 IF PURCHASE OPTION EXPIRES, HOMEOWNER MAY SELL ON CERTAIN TERMS: If the Purchase Option has expired or if CLT has failed to complete the purchase within the sixty-day period allowed by Section 10.5 above, Homeowner may sell the Home to any Income-Qualified Person for not more than the then applicable Purchase Option Price. If Homeowner has made diligent efforts to sell the Home for at least six months after the expiration of the Purchase Option (or six months after the expiration of such sixty-day period) and the Home still has not been sold, Homeowner may then sell the Home, for a price no greater than the then applicable Purchase Option Price, to any party regardless of whether that party is an Income-Qualified Person.

10.7 AFTER ONE YEAR CLT SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE: If CLT does not exercise its option and complete the purchase of Homeowner's Property as described above, and if Homeowner (a) is not then residing in the Home and (b) continues to hold Homeowner's Property out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one year of the date of the Intent to Sell Notice, Homeowner does hereby appoint CLT its attorney in fact to seek a buyer, negotiate a reasonable price that furthers the purposes of this Lease, sell the property, and pay to the Homeowner the proceeds of sale, minus CLT's costs of sale and any other sums owed CLT by Homeowner.

10.8 PURCHASE OPTION PRICE EQUALS LESSER OF APPRAISED VALUE OF HOMEOWNER'S OWNERSHIP INTEREST OR FORMULA PRICE: In no event may the Home be sold for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be the lesser of (a) the Appraised Value of Homeowner's Ownership Interest at Resale calculated in accordance with Section 10.9 below or (b) the Formula Price calculated in accordance with Section 10.10 below. If CLT does not choose to commission an appraisal to determine the appraised value of Homeowner's Ownership Interest, then the Purchase Option Price shall be the Formula Price.

10.9 HOW THE VALUE OF HOMEOWNER'S OWNERSHIP INTEREST IS DETERMINED: If CLT believes that the value of Homeowner's Ownership Interest at Resale may be less than the Formula Price, CLT may, within days of receiving Homeowner's Notice of Intent to Sell, commission a market valuation of the Leased Land and the Home to be performed by a duly licensed appraiser acceptable to CLT and Homeowner. CLT shall pay the cost of such Appraisal. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to Land and Home were held in fee simple absolute by a single party, disregarding all of the restrictions of this Lease on the use, occupancy and transfer of the property. Copies of the Appraisal are to be provided to both CLT and Homeowner.

CLT and Homeowner agree that, at the time when Homeowner purchased the Home and executed the Lease with the CLT, the appraised market value of the Home and Leased Land was $_____ (the "Initial Value), as documented by the appraiser's report attached to this Lease as Exhibit INITIAL APPRAISAL. CLT and Homeowner further agree that Homeowner's Base Price was $_____, and that this amount equals ___% of the Initial Value (the Ratio of Base Price to Initial Value)

The Value of Homeowner's Ownership Interest at Resale then equals the appraised value of the Home and Leased Land at resale multiplied by the Ratio of Base Price to Initial Value.

[Three versions of 10.10 are presented below – one for a CPI-based formula, one for an AMI-based formula and one for a fixed-rate formula.]

10.10 *[CPI Formula]* HOW THE FORMULA PRICE IS CALCULATED: The Formula Price shall be equal to (a) the amount of Homeowner's Base Price (which CLT and Homeowner agree is $_____) plus (b) an amount equal to the Homeowner's Base Price multiplied by the total percentage of increase, since the date this Lease was signed, in the Consumer

Price Index, as determined and published by the US Department of Labor or such successor agency as may publish such index, for urban wage earners and clerical workers for the urban area in which the Home is located, or, if none, for urban areas the size of _____. The parties agree that when the Lease was signed the Consumer Price Index number (the Original Number) was _____. To determine the percentage of increase in the Index, the Original Number shall be subtracted from the most recently published Index number, and the remainder shall then be divided by the Original Number.

OR

10.10 *[AMI Formula]* HOW THE FORMULA PRICE IS CALCULATED: The Formula Price shall be equal to (a) the amount of Homeowner's Base Price (which CLT and Homeowner agree is $_____) plus (b) an amount equal to the Homeowner's Base Price multiplied by the total percentage of increase, since the date this Lease was signed, in the area median household income (AMI) for a family of four for the Standard Metropolitan Statistical Area [or_____ county], as calculated and published by the US Department of Housing and Urban Development or such successor agency as may publish such information. The parties agree that when the Lease was signed the MHI for a family of four in such area [or county] (the Original MHI) was _____. To determine the percentage of increase in the MHI, the Original MHI shall be subtracted from the then most recently published MHI, and the remainder shall then be divided by the Original MHI.

OR

10.10 *[Fixed-Rate Formula]* HOW THE FORMULA PRICE IS CALCULATED: The Formula Price shall be equal to the amount of Homeowner's Base Price (which CLT and Homeowner agree is $_____) plus interest at a rate of ___% compounded annually.

***

10.11 QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE: The CLT shall issue a new lease to any person who purchases the Home in accordance with the terms of this Article 10. The terms of such lease shall be the same as those of new leases issued to homebuyers at that time for land not previously leased by the CLT.

10.12 PURCHASER MAY BE CHARGED A TRANSFER FEE. In the event that Homeowner sells the home to a party other than the CLT (whether directly to such party or as a result of CLT's assignment of its Purchase Option to such party), the price to be paid by such purchaser shall include in addition to the Purchase Option Price, at the discretion of the CLT, a transfer fee to compensate the CLT for carrying out its responsibilities with regard to the transaction. The amount of the transfer fee shall be no more than % of the Purchase Option Price.

10.13 HOMEOWNER REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER: The Homeowner is required to make necessary repairs when she voluntarily transfers the Home as follows:

a) The person purchasing the Home ("Buyer") shall, prior to purchasing the Home, hire at her sole expense a building inspector with a current Home Inspector license from the _____[licensing agency] to assess the condition of the Home and prepare a written report of the condition ("Inspection Report"). The Homeowner shall cooperate fully with the inspection.

b) The Buyer shall provide a copy of the Inspection Report to Buyer's lender (if any), the Homeowner, and the CLT within 10 days after receiving the Inspection Report.

c) Homeowner shall repair specific reported defects or conditions necessary to bring the Home into full compliance with Sections 4.2 and 7.5 above prior to transferring the Home.

d) Homeowner shall bear the full cost of the necessary repairs and replacements. However, upon Homeowner's written request, the CLT may allow the Homeowner to pay all or a portion of the repair costs after transfer, from Homeowner's proceeds of sale, if Homeowner cannot afford to pay such costs prior to the transfer. In such event, either (i) 150% of the unpaid estimated cost of repairs or (ii) 100% of the unpaid cost of completed repairs shall be withheld from Homeowner's proceeds of sale in a CLT-approved escrow account. *[Add the following sentence only if provision is made for a repair reserve:* Also, upon Homeowner's written request, CLT may, at its discretion, agree to release funds from the Repair Reserve Fund to cover some or all of the cost of such repairs, provided that such use of the Reserve is in full compliance with Section 7.6 above.]

e) Homeowner shall allow CLT, Buyer, and Buyer's building inspector and lender's representative to inspect the repairs prior to closing to determine that the repairs have been satisfactorily completed.

f) Upon sale or other transfer, Homeowner shall either (i) transfer the Home with all originally purchased appliances or replacements in the Home in good working order or (ii) reduce the Purchase Option Price by the market value of any such appliances that are not left with the Home in good working order.

ARTICLE 11: RESERVED

ARTICLE 12: DEFAULT

12.1 WHAT HAPPENS IF HOMEOWNER FAILS TO MAKE PAYMENTS TO THE CLT THAT ARE REQUIRED BY THE LEASE: It shall be an event of default if Homeowner fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Homeowner or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by CLT to Homeowner and Permitted Mortgagee. However, if Homeowner makes a good faith partial payment of at least two-thirds (2/3) of the amount owed during the 30-day cure period, then the cure period shall be extended by an additional 30 days.

12.2 WHAT HAPPENS IF HOMEOWNER VIOLATES OTHER (NONMONETARY) TERMS OF THE LEASE: It shall be an event of default if Homeowner fails to abide by any other requirement or restriction stated in this Lease, and such failure is not cured by Homeowner or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by CLT to Homeowner and Permitted Mortgagee. However, if Homeowner or Permitted Mortgagee has begun to cure such default within the 60-day cure period and is continuing such cure with due diligence but cannot complete the cure within the 60-day cure period, the cure period shall be extended for as much additional time as may be reasonably required to complete the cure.

12.3 WHAT HAPPENS IF HOMEOWNER DEFAULTS AS A RESULT OF JUDICIAL PROCESS: It shall be an event of default if the estate hereby created is taken on execution or by other process of law, or if Homeowner is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Homeowner for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of the Home or Homeowner's interest in the Leased Land by a court of competent jurisdiction, or if a petition is filed for the reorganization of Homeowner under any provisions of the Bankruptcy Act now or hereafter enacted, or if Homeowner files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts.

12.4 A DEFAULT (UNCURED VIOLATION) GIVES CLT THE RIGHT TO TERMINATE THE LEASE OR EXERCISE ITS PURCHASE OPTION:

a) TERMINATION: In the case of any of the events of default described above, CLT may terminate this lease and initiate summary proceedings under applicable law against Homeowner, and CLT shall have all the rights and

remedies consistent with such laws and resulting court orders to enter the Leased Land and Home and repossess the entire Leased Land and Home, and expel Homeowner and those claiming rights through Homeowner. In addition, CLT shall have such additional rights and remedies to recover from Homeowner arrears of rent and damages from any preceding breach of any covenant of this Lease. If this Lease is terminated by CLT pursuant to an Event of Default, then, as provided in Section 7.7 above, upon thus assuming title to the Home, CLT shall pay to Homeowner and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Section 10.9 above, as of the time of reversion of ownership, less the total amount of any unpaid Lease Fee and any other amounts owed to the CLT under the terms of this Lease and all reasonable costs (including reasonable attorneys' fees) incurred by CLT in pursuit of its remedies under this Lease.

If CLT elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 above and the attached Exhibit: Permitted Mortgages) to postpone and extend the specified date for the termination of the Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Homeowner's interest in the Home and the Leased Land by foreclosure of its mortgage or otherwise.

b) EXERCISE OF OPTION: In the case of any of the events of default described above, Homeowner hereby grants to the CLT (or its assignee) the option to purchase the Home for the Purchase Option Price as such price is defined in Article 10 above. Within thirty (30) days after the expiration of any applicable cure period as established in Sections 12.1 or 12.2 above or within 30 days after any of the events constituting an Event of Default under Section 12.3 above, CLT shall notify the Homeowner and the Permitted Mortgagee(s) of its decision to exercise its option to purchase under this Section 12.4(b). Not later than ninety (90) days after the CLT gives notice to the Homeowner of the CLT's intent to exercise its option under this Section 12.4(a), the CLT or its assignee shall purchase the Home for the Purchase Option Price.

12.5 WHAT HAPPENS IF CLT DEFAULTS: CLT shall in no event be in default in the performance of any of its obligations under the Lease unless and until CLT has failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after notice by Homeowner to CLT properly specifying CLT's failure to perform any such obligation.

ARTICLE 13: Mediation and Arbitration

13.1 Nothing in this Lease shall be construed as preventing the parties from utilizing any process of mediation or arbitration in which the parties agree to engage for the purpose of resolving a dispute.

13.2 Homeowner and CLT shall each pay one half (50%) of any costs incurred in carrying out mediation or arbitration in which the parties have agreed to engage.

ARTICLE 14: GENERAL PROVISIONS

14.1 HOMEOWNER'S MEMBERSHIP IN CLT: The Homeowner under this Lease shall automatically be a regular voting member of the CLT.

14.2 NOTICES: Whenever this Lease requires either party to give notice to the other, the notice shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, to the party at the address set forth below, or such other address designated by like written notice:

If to CLT :_____ (name of CLT)

with a copy to: _____ (CLT's attorney)

If to Homeowner: _____ (name of Homeowner)

All notices, demands and requests shall be effective upon being deposited in the United States Mail or, in the case of personal delivery, upon actual receipt.

14.3 NO BROKERAGE: Homeowner warrants that it has not dealt with any real estate broker other than in connection with the purchase of the Home. If any claim is made against CLT regarding dealings with brokers other than , Homeowner shall defend CLT against such claim with counsel of CLT's selection and shall reimburse CLT for any loss, cost or damage which may result from such claim.

14.4 SEVERABILITY AND DURATION OF LEASE: If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Homeowner or CLT against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. It is the intention of the parties that CLT's option to purchase and all other rights of both parties under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and shall be considered to be coupled with an interest. In the event any such option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire twenty (20) years after the death of the last survivor of the following persons:

NOTE: List an identifiable group of small children, e.g., the children living as of the date of this Lease of any of the directors or employees of a specified corporation.

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 10 of this Lease shall, for any reason, become unenforceable, CLT shall nevertheless have a right of first refusal to purchase the Home at the highest documented bona fide purchase price offer made to Homeowner. Such right shall be as specified in Exhibit FIRST REFUSAL. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

14.6 WAIVER: The waiver by CLT at any time of any requirement or restriction in this Lease, or the failure of CLT to take action with respect to any breach of any such requirement or restriction, shall not be deemed to be a waiver of such requirement or restriction with regard to any subsequent breach of such requirement or restriction, or of any other requirement or restriction in the Lease. CLT may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by CLT before being effective.

The subsequent acceptance of Lease Fee payments by CLT shall not be deemed to be a waiver of any preceding breach by Homeowner of any requirement or restriction in this Lease, other than the failure of the Homeowner to pay the particular Lease Fee so accepted, regardless of CLT's knowledge of such preceding breach at the time of acceptance of such Lease Fee payment.

14.7 CLT'S RIGHT TO PROSECUTE OR DEFEND: CLT shall have the right, but shall have no obligation, to prosecute or defend, in its own or the Homeowner's name, any actions or proceedings appropriate to the protection of its own or Homeowner's interest in the Leased Land. Whenever requested by CLT, Homeowner shall give CLT all reasonable aid in any such action or proceeding.

14.8 CONSTRUCTION: Whenever in this Lease a pronoun is used it shall be construed to represent either the singular or the plural, masculine or feminine, as the case shall demand.

14.9 HEADINGS AND TABLE OF CONTENTS: The headings, subheadings and table of contents appearing in this Lease are for convenience only, and are not a part of this Lease and do not in any way limit or amplify the terms or conditions of this Lease.

14.10 PARTIES BOUND: This Lease sets forth the entire agreement between CLT and Homeowner with respect to the leasing of the Land; it is binding upon and inures to the benefit of these parties and, in accordance with the provisions of this Lease, their respective successors in interest. This Lease may be altered or amended only by written notice executed by CLT and Homeowner or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest.

14.11 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of_____ [name of state]. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against CLT or Homeowner.

14.12 RECORDING: The parties agree, as an alternative to the recording of this Lease, to execute a so-called Notice of Lease or Short Form Lease in form recordable and complying with applicable law and reasonably satisfactory to CLT's attorneys. In no event shall such document state the rent or other charges payable by Homeowner under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease.

IN WITNESS WHEREOF, the parties have executed this lease at on the day and year first above written.

_____ (CLT)

By: _____
Its duly authorized agent

_____
Witness

_____
Homeowner

_____
Witness

[notarize signatures]

EXHIBIT

LETTERS OF AGREEMENT & ATTORNEY'S ACKNOWLEDGMENT

Sample Letter of Agreement

To: _____ Community Land Trust ("the CLT")

Date: _____

This letter is given to the CLT to become an exhibit to a Lease between the CLT and me. I will be leasing a parcel of land from the CLT and will be buying the home that sits on that parcel of land. I will therefore become what is described in the Lease as a "the Homeowner."

My legal counsel, _____, has explained to me the terms and conditions of the Lease and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a CLT homeowner, now and in the future.

In particular I understand and agree with the following points.

One of the goals of the CLT is to keep CLT homes affordable for lower income households from one CLT homeowner to the next. I support this goal as a CLT homeowner and as a member of the CLT.

The terms and conditions of my Lease will keep my home affordable for future "income- qualified persons" (as defined in the Lease). If and when I want to sell my home, the lease requires that I sell it either to the CLT or to another income-qualified person. The terms and conditions of the lease also limit the price for which I can sell the home, in order to keep it affordable for such income-qualified persons.

It is also a goal of the CLT to promote resident ownership of CLT homes. For this reason, my Lease requires that, if I and my family move out of our home permanently, we must sell it. We cannot continue to own it as absentee owners.

I understand that I can leave my home to my child or children or other members of my household and that, after my death, they can own the home for as long as they want to live in it and abide by the terms of the Lease, or they can sell it on the terms permitted by the Lease.

As a CLT homeowner and a member of the CLT, it is my desire to see the terms of the Lease and related documents honored. I consider these terms fair to me and others.

Sincerely,

Sample Letter of Attorney's Acknowledgment

I ,_____, have been independently employed by

_____ (hereinafter "the Client") who intends to purchase a house and other improvements (the "Home") on land to be leased from Community Land Trust. The house and land are located at _____ _____.

In connection with the contemplated purchase of the Home and the leasing of the land, I reviewed with the Client the following documents:

a) this Letter of Attorney's Acknowledgment and a Letter of Agreement from the Client;

b) a proposed Deed conveying the Home to the Client;

c) a proposed Ground Lease conveying the "Leased Land" to the Client;

d) other written materials provided by the CLT.

The Client has received full and complete information and advice regarding this convey- ance and the foregoing documents. In my review of these documents my purpose has been to reasonably inform the Client of the present and foreseeable risks and legal consequences of the contemplated transaction.

The Client is entering the aforesaid transaction in reliance on her own judgment and upon her investigation of the facts. The advice and information provided by me was an integral element of such investigation.

_____ _____

Name Date

_____

Title

_____

Firm/Address

EXHIBIT

DEED

Sample Deed

Between

LOCAL LAND TRUST (Grantor), a not-for-profit corporation having its principal offices at _____, _____, _____, and JOHN AND MARY DOE (Grantees), residing at _____, _____, _____.

Witnesseth

That Grantor, in consideration of one dollar and other good and valuable consideration paid by Grantees, does hereby grant and release unto Grantees, their heirs, or successors and assigns forever,

THE BUILDINGS AND OTHER IMPROVEMENTS ONLY, as presently erected on the Land described in Schedule "A" attached hereto and made a part hereof.

It is the intention of the parties that the real property underlying the buildings and other improvements conveyed herein remain vested in Grantor and that this warranty deed convey only such buildings and other improvements as are presently erected upon the subject Land.

In witness whereof, as authorized agent of Grantor, I hereunto set my hand this _____ day of _____, A.D. 20___.

_____

Signature

[notarize signature]

EXHIBIT
PERMITTED MORTGAGES

The rights and provisions set forth in this Exhibit shall be understood to be provisions of Section 8.2 of the of the Lease. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

A.OBLIGATIONS OF PERMITTED MORTGAGEE. Any Permitted Mortgagee shall be bound by each of the following requirements unless the particular requirement is removed, contradicted or modified by a rider to this Lease signed by the Homeowner and the CLT to modify the terms of the Lease during the term of the Permitted Mortgage.

1. If Permitted Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Permitted Mortgage, the Permitted Mortgagee shall, at the same time, send a copy of that notice to the CLT. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the "cure period"), the CLT shall have the right to cure the default on the Homeowner's behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Permitted Mortgagee.

2. If, after the cure period has expired, the Permitted Mortgagee intends to accelerate the note secured by the Permitted Mortgage or begin foreclosure proceedings under the Permitted Mortgage, the Permitted Mortgagee shall first notify CLT of its intention to do so, and CLT shall then have the right, upon notifying the Permitted Mortgagee within thirty (30) days of receipt of such notice, to acquire the Permitted Mortgage by paying off the debt secured by the Permitted Mortgage.

3. If the Permitted Mortgagee acquires title to the Home through foreclosure or acceptance of a deed in lieu of foreclosure, the Permitted Mortgagee shall give CLT written notice of such acquisition and CLT shall then have an option to purchase the Home from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage. To exercise this option to purchase, CLT must give written notice to the Permitted Mortgagee of CLT's intent to purchase the Home within thirty (30) days following CLT's receipt of the Permitted Mortgagee's notice. CLT must then complete the purchase of the Home within sixty (60) days of having given written notice of its intent to purchase. If CLT does not complete the purchase within this 60-day period, the Permitted Mortgagee shall be free to sell the Home to another person.

4. Nothing in the Permitted Mortgage or related documents shall be construed as giving Permitted Mortgagee a claim on CLT's interest in the Leased Land, or as assigning any form of liability to the CLT with regard to the Leased Land, the Home, or the Permitted Mortgage.

5. Nothing in the Permitted Mortgage or related documents shall be construed as rendering CLT or any subsequent Mortgagee of CLT's interest in this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt secured by the Permitted Mortgage or any part thereof.

6. The Permitted Mortgagee shall not look to CLT or CLT's interest in the Leased Land, but will look solely to Homeowner, Homeowner's interest in the Leased Land, and the Home for the payment of the debt secured thereby or any part thereof. (It is the intention of the parties hereto that CLT's consent to such the Permitted Mortgage shall be without any liability on the part of CLT for any deficiency judgment.)

7. In the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the Permitted Mortgagee in accordance with the provisions of ARTICLE 9 hereof.

8. CLT shall not be obligated to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.

B. RIGHTS OF PERMITTED MORTGAGEE. The rights of a Permitted Mortgagee as referenced under Section 8.6 of the Lease to which this Exhibit is attached shall be as set forth below.

1. Any Permitted Mortgagee shall, without further consent by CLT, have the right to (a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance being effective as if it had been performed by Homeowner; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Homeowner by this Lease or otherwise by law, subject to the provisions, if any, in the Permitted Mortgage, which may limit any exercise of any such right, remedy or privilege; and (c) rely upon and enforce any provisions of the Lease to the extent that such provisions are for the benefit of a Permitted Mortgagee.

2. A Permitted Mortgagee shall not be required, as a condition to the exercise of its rights under the Lease, to assume personal liability for the payment and performance of the obligations of the Homeowner under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Home and Leased Land. In the event Permitted Mortgagee does take possession of the Home and Leased Land and thereupon transfers such property, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability under the Lease.

3. In the event that title to the estates of both CLT and Homeowner are acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the Security or in a Permitted Mortgage.

4. If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, CLT shall enter into a new lease for the Leased Land with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to CLT's approval, which approval shall not be unreasonably withheld), not more than thirty (30) days after the request of the Permitted Mortgagee. Such lease shall be for the remainder of the term of the Lease, effective as of the date of such termination, rejection or disaffirmance, and upon all the terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to CLT for such new lease within sixty (60) days after the effective date of such termination, rejection or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the Homeowner thereunder. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Land as the Lease. The provisions of this Section shall survive the termination, rejection or disaffirmance of the Lease and shall continue in full effect thereafter to the same extent as if this Section were independent and an independent contract made by CLT, Homeowner and the Permitted Mortgagee.

5. The CLT shall have no right to terminate the Lease during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions of the Lease and is diligently pursuing the same.

6. In the event that CLT sends a notice of default under the Lease to Homeowner, CLT shall also send a notice of Homeowner's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.2 of the Lease to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to CLT by a written notice to CLT sent in the manner set forth in said Section 14.2 of the Lease.

7. In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Lease, at the election of the Permitted Mortgagee the provisions of Article 10, Sections 10.1 through 10.11 shall be deleted and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.

8. Before becoming effective, any amendments to this Lease must be approved in writing by Permitted Mortgagee, which approval shall not be unreasonably withheld. If Permitted Mortgagee has neither approved nor rejected a proposed amendment within 60 days of its submission to Permitted Mortgagee, then the proposed amendment shall be deemed to be approved.

C. STANDARD PERMITTED MORTGAGE AGREEMENT. A Standard Permitted Mortgage Agreement, as identified in Section 8.4 of this Lease, shall be written as follows, and shall be signed by Mortgagee and Homeowner.

This Agreement is made by and among:

_____ (Mortgagee) and

_____ ("Homeowner"),

Whereas:

a) _____ CLT (the "CLT") and Homeowner have entered, or are entering, into a ground lease ("the Lease"), conveying to Homeowner a leasehold interest in the Land located at _____ ("the Leased Land"); and Homeowner has purchased, or is purchasing, the Home located on the Leased Land ("the Home").

b) The Mortgagee has been asked to provide certain financing to the Homeowner, and is being granted concurrently herewith a mortgage and security interest (the "Mortgage") in the Leased Land and Home, all as more particularly set forth in the Mortgage, attached hereto as Schedule A.

c) The Ground Lease states that the Homeowner may mortgage the Leased Land only with the written consent of CLT. The Ground Lease further provides that CLT is required to give such consent only if the Mortgagee signs this Standard Permitted Mortgage Agreement and thereby agrees to certain conditions that are stipulated herein ("the Stipulated Conditions").

Now, therefore, the Homeowner/Mortgagor and the Mortgagee hereby agree that the terms and conditions of the Mortgage shall include the Stipulated Conditions stated below.

Stipulated Conditions:

1) If Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Mortgage, the Mortgagee shall, at the same time, send a copy of that notice to the CLT. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default

(the "cure period"), the CLT shall have the right to cure the default on the Homeowner's behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Mortgagee.

2) If, after such cure period, the Mortgagee intends to accelerate the note secured by the Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of the Lease, the Mortgagee shall first notify CLT of its intention to do so and CLT shall have the right, but not the obligation, upon notifying the Mortgagee within thirty (30) days of receipt of said notice, to purchase the Mortgagee loans and to take assignment of the Mortgage.

3) If the Mortgagee acquires title to the Home and Homeowner's interest in the Leased Land through foreclosure or acceptance of a deed in lieu of foreclosure, the Mortgagee shall give the CLT written notice of such acquisition and the CLT shall have an option to purchase the Home and Homeowner's interest in the Leased Land from the Mortgagee for the full amount owing to the Mortgagee; provided, however, that the CLT notifies the Mortgagee in writing of the CLT's intent to make such purchase within thirty (30) days following the CLT's receipt of the Mortgagee's notice of such acquisition of the Home and Homeowner's interest in the Leased Land; further provided that CLT shall complete such purchase within sixty (60) days of having given written notice of its intent to purchase; and provided that, if the CLT does not complete the purchase within such period, the Mortgagee shall be free to sell the Home and Homeowner's interest in the Leased Land to another person;

4) Nothing in the Mortgage or related documents shall be construed as giving the Mortgagee a claim on CLT's interest in the Leased Land, or as assigning any form of liability to the CLT with regard to the Leased Land, the Home, or the Mortgage.

5) Nothing in the Mortgage shall be construed as rendering CLT or any subsequent holder of the CLT's interest in and to the Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by such note and such Mortgage or any part thereof.

6) The Mortgagee shall not look to CLT or CLT's interest in the Leased Land, but will look solely to Homeowner and Homeowner's interest in the Leased Land and the Home for the payment of the debt secured by the Mortgage. (It is the intention of the parties hereto that CLT's consent to the Mortgage shall be without any liability on the part of CLT for any deficiency judgment.)

7) In the event that any part of the Leased Land is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the Mortgagee in accordance with the provisions of Article 9 of the Lease.

8) Nothing in the Mortgage shall obligate CLT to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.

By:

_____ _____

for Mortgagee Date

_____ _____

for Homeowner/Morgager Date

EXHIBIT

FIRST REFUSAL

Whenever any party under the Lease shall have a right of first refusal as to certain property, the following procedures shall apply. If the owner of the property offering it for sale ("Offering Party") shall within the term of the Lease receive a bona fide third party offer to purchase the property which such Offering Party is willing to accept, the holder of the right of first refusal (the "Holder") shall have the following rights:

a) Offering Party shall give written notice of such offer ("the Notice of Offer") to Holder setting forth (a) the name and address of the prospective purchaser of the property, (b) the purchase price offered by the prospective purchaser and (c) all other terms and conditions of the sale. Holder shall have a period of forty-five (45) days after the receipt of the Notice of Offer ("the Election Period") within which to exercise the right of first refusal by giving notice of intent to purchase the property ("the Notice of Intent to Purchase") for the same price and on the same terms and conditions set forth in the Notice of Offer. Such Notice of Intent to Purchase shall be given in writing to the Offering Party within the Election Period.

b) If Holder exercises the right to purchase the property, such purchase shall be completed within sixty (60) days after the Notice of Intent to Purchase is given by Holder (or if the Notice of Offer shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice of Offer, including payment of the purchase price provided therein.

c) Should Holder fail to exercise the right of first refusal within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the Lease) to go forward with the sale which the Offering Party desires to accept, and to sell the property within one (1) year following the expiration of the Election Period on terms and conditions which are not materially more favorable to the purchaser than those set forth in the Notice. If the sale is not consummated within such one-year period, the Offering Party's right so to sell shall end, and all of the foregoing provisions of this section shall be applied again to any future offer, all as aforesaid. If a sale is consummated within such one-year period, the purchaser shall purchase subject to the Holder having a renewed right of first refusal in said property.

Other Exhibits to be Attached as Appropriate

Exhibit LAND

[Correct legal description of area of Leased Land and appurtenant title rights and obligations.]

Exhibit ZONING

[Setting forth applicable zoning restrictions as of the commencement of the Lease]

Exhibit RESTRICTIONS

[To be attached when necessary to stipulate use restrictions not included under Zoning]

Exhibit INITIAL APPRAISAL

[To be attached if Lease contains an "appraisal-based" resale formula]

Notes

ACCESS AN ELECTRONIC VERSION OF THE

CLT Homebuyer Education

MODULE

AND OTHER VALUABLE RESOURCES UNDER THE PUBLICATIONS TAB
ON THE FLORIDA HOUSING COALITION'S WEBSITE AT:

WWW.FLHOUSING.ORG