**Summary of the CLT Ground Lease Rider**

The guidelines outlined in the CLT Ground Lease Rider (the “**Rider**”), and summarized here, exist to ensure that the CLT property will remain in compliance with Fannie Mae requirements so that Fannie Mae can purchase or securitize the mortgage loan on the CLT home. The Rider modifies the Ground Lease and becomes a part of the Ground Lease when signed. The Rider must be filed in the public records, along with the Ground Lease and the Ground Lease Exhibits.

1. **Who is the “Lessee,” the “Lessor,” and the “Mortgagee”?**

The Rider uses several terms to refer to the parties involved in a CLT home ownership transaction.

* The “Lessee” is the homeowner.
* The “Lessor” is GNDC.
* The “Mortgagee,” sometimes referred to as the “Specified Mortgagee” or the “Permitted Mortgagee” is the financial institution (usually a bank) loaning money to the homeowner for the CLT transaction.
1. **What is the “Specified Mortgage”?**

The “Specified Mortgage” is the mortgage that the financial institution is receiving in order to make the loan to the homeowner for purchase of the CLT home.

1. **How does the Rider modify the Ground Lease?**

The Rider modifies the Ground Lease by adding several promises, or “covenants,” to the ones already contained in the Ground Lease. The most important of these involve the event of default. These promises in the event of default include the following:

* If the homeowner defaults on the mortgage, then the financial institution holding the mortgage can accelerate the debt and foreclose on the house. (Part E). Also, in the event of default, certain provisions of the Rider, including the following, apply:
	+ The financial institution does not have to give formal legal notice of default to GNDC. (Part E.1)
	+ GNDC has the right but not the obligation to cure the default on behalf of the homeowner. (Part E.2)\_
	+ GNDC has the right to pay off the entire outstanding mortgage and obtain title to the home. (Part E.3)
	+ In the event of foreclosure, GNDC may adjust the Ground Lease Fee (detailed in the Ground Lease) to market. (Part E.4)
	+ If the financial institution obtains title to the home through foreclosure, the provisions in the Ground Lease related to occupancy as a primary residence, assignment or sublease, the resale price, and the income of subsequent purchasers will be determined to be ineffective.
* If the homeowner defaults on certain terms of the Ground Lease, then the financial institution holding the mortgage is given certain rights regarding the house.
	+ A default under the Ground Lease is considered a default under the mortgage covered by the Rider.

Additional promises made by GNDC and the homeowner (not involving default) include the following:

* GNDC and the homeowner promise not to make any additions or alterations to the house that diminish the house’s value. (Part K)
* The promise that the creation of the mortgage from the homeowner to the financial institution does not transfer the responsibilities of the Ground Lease to the financial institution. (Part A)
* GNDC and the homeowner promise that the mortgage given to the financial institution by the homeowner is the only existing mortgage on the house, with some exceptions. (Part B)
	+ A state or local government entity may hold a prior recorded interest on the home if the government entity has agreed that it will recognize the terms of the Ground Lease and Rider. This “recognition” can be evidenced through an agreement between the government entity and GNDC or a recognition agreement that the financial institution can obtain from Fannie Mae.
* GNDC and the homeowner promise that neither will give higher priority to any mortgage or lien that is made on the house after the “Specified Mortgage”. (Part B)
* GNDC and the homeowner promise that there will be no termination, forfeiture, or modification of the lease without written consent from the financial institution holding the mortgage on the house, with some exceptions. (Part C)
* The homeowner promises that the holder of the mortgage will be added to all insurance policies covering the house and that the homeowner will provide a cancellation notice in the event of insurance cancellation. (Part H)
	+ The Rider also provides additional promises regarding how insurance proceeds will be distributed in the case of the house being destroyed or taken, including through condemnation. (Part I)
		- The proceeds shall first be applied in an amount to sufficient to satisfy the Specified Mortgage.