

Land Lease Frequently Asked Questions

Q. What IS a Land Lease?

A. Sometimes referred to as a ground lease, one person/organization, in our case Bend-Redmond Habitat for Humanity, would own the land while another person (you) owns the home on the land. Land leases generally last for 99 years, at which time they are renewed. This allows permanent homeownership affordability.

Q. How much will the land lease fee be?

A. For Bend-Redmond Habitat for Humanity, we will likely have a fee that is \$20 or less. There will be a processing fee added if you are not signed up on an autopayment/ACH payment plan. Keep in mind, that even though this fee will be paid monthly to Habitat, it will also be a part of your affordable house payment of 33% of your gross income at the time of the home loan application.

Q. Will the home be transferable to an heir (another person) that I denote in my personal Will?

A. Yes, an heir or set of heirs can inherit a LIFT property. The heir(s) can live in the home, even if they are NOT income qualified. So long as the heir(s) live in the home, the loan is in compliance and not in default. However, whenever the heir(s) choose to sell the home, they must sell it to an income-qualified homebuyer.

Q. What if I want to sell the home and Habitat chooses not to buy the home back?

A. A realtor can help you find another buyer is within the appropriate income range (below 80% of the area median income for that year).

Q. Since I don't own the land, will I pay property taxes?

A. Yes, as a requirement of Habitat's funding requirement for grants used to purchase the land and because you are also using the land, homeowners are required to pay property taxes.

Q. Will there also be an HOA along with the Land Lease?

A. If your home is placed in a development that has any shared land then it is a code requirement to have a Homeowner's Association (HOA) to manage that shared space. A land lease alone does not require an HOA. So, it really depends on the home and the land.

Q. Am I allowed to take out a loan on the equity of my home?

A. Equity is known as the difference between what you owe on your mortgage and what your home is currently worth. If you owe \$150,000 on your mortgage loan and your home is worth \$200,000, you have \$50,000 of equity in your home. However, because Bend-Redmond Habitat finances so much of the equity of the home, we (and the other program loans possibly on your home) do not allow for homeowners to secure another loan based on the homes' equity.

Q. Since a home is often a way to build wealth, how can I use my home as a wealth building tool?

A. Because your mortgage is affordable, you can continue saving money or begin investing in your future in other ways. In addition, if and when, you sell your home, you will receive a portion of the proceeds from the sale of the home.

Q. What is Habitat's Shared Equity Model on Land Lease homes?

A. Typically, your home loan will be for 30 years. If you decide to sell anytime during the first 30 years, Habitat will have the option to purchase the home by paying you:

- a) the amount of principal repaid by you **plus**
- b) a portion of the Affordable Base Price* (also known as your equity in the home/property) **plus**
- c) any down payments and principal payoffs.

*The Affordable Base Price is the total of your affordable mortgage plus any down payment loans you have where the money comes to Habitat at home purchase.

The portion of the Affordable Base Price due to you is calculated by:

- Multiplying the number of full years you have been in the home by
- 2% of the Affordable Base Price per year

| Anniversary of Purchase | Owner Percentage | Anniversary of Purchase, cont. | Owner Percentage, cont. |
|--------------------------------|-------------------------|---------------------------------------|--------------------------------|
| 1st | 2% | 16th | 32% |
| 2nd | 4% | 17th | 34% |
| 3rd | 6% | 18th | 36% |
| 4th | 8% | 19th | 38% |
| 5th | 10% | 20th | 40% |
| 6th | 12% | 21st | 42% |
| 7th | 14% | 22nd | 44% |
| 8th | 16% | 23rd | 46% |
| 9th | 18% | 24th | 48% |
| 10th | 20% | 25th | 50% |
| 11th | 22% | 26th | 52% |
| 12th | 24% | 27th | 54% |
| 13th | 26% | 28th | 56% |
| 14th | 28% | 29th | 58% |
| 15th | 30% | 30 th + | 60% up to 100% |

*After 30 years, your silent 2nd loan from Habitat will be forgiven. You will have 100% of the home's equity. However, the home sale price will be restricted to what a new buyer earning under 80% of the Area Median Income can afford. It is anticipated this will be less than Fair Market Value for a home not restricted to affordable housing.

