

A GLOSSARY OF CLT-RELATED TERMS

- 501(c)(3) status**, status as an organization that is recognized by the IRS as exempt from federal income tax under Section 501(c)(3) of the Tax Code. Achieved by most CLTs, it is the most advantageous type of federal tax exemption because donations to an organization with such status are tax-deductible for the donor. (see Chapter 6.)
- alienation**, the transfer of title to property from one party to another. See *restraints on alienation*, below.
- amortization**, the paying off of the principal of a debt, with interest, over time, usually through payments of a regular amount at regular intervals (e.g., monthly).
- appraisal**, determination of the fair market value of real property by a professional appraiser applying standardized methods.
- appraisal-based formula**, a common type of CLT resale formula that allows the resale price of a home to increase beyond the *base price* by a specified percentage of any increase in the home's value as measured by *appraisals*. Three types of appraisal-based formulas are distinguished: *improvements-only appraisal-based* formulas, *simple appraisal-based* formulas, and *compound appraisal-based* formulas. (See Chapter 12.)
- appreciation**, increase in the value of an asset such as real estate.
- appurtenant rights**, property rights that are attached to the ownership of a specific piece of *real property*. (For instance, an easement right of access from the specific parcel of land to a nearby street, granted so as to benefit any owner of that land, would be an appurtenant right to the land.)
- arbitration**, a formal process outside of the court system designed to settle a dispute between two parties through the appointment of one or more "arbitrators" who hear evidence and decide how the dispute should be resolved. (Article 13 of the 2011 Model Ground Lease allows an arbitration process to be used to resolve disputes between Lessor and Lessee.)
- area median income (AMI)**, the median household income in a particular metropolitan statistical area (MSA) or county, as calculated and adjusted for household size by HUD.
- articles of incorporation**, the charter document establishing the existence, purposes, and general powers of a *corporation* as a legal entity when accepted for filing by a state.
- assessment**, the determination of the value of a piece of property for the purpose of calculating property taxes. Assessed value is related to but not necessarily the same as "market value" as determined by *appraisals*. (See Chapter 17.)
- assignment**, the transfer of specific rights (or of a document bestowing those rights) to a certain party. A CLT ground lease (and the leasehold interest that it bestows) can be assigned by the lessee to another party only with the permission of the CLT.
- base price** (as used in stating *resale formulas*), the price that a homeowner has actually paid for the home, including the downpayment and the principal amount of the first mortgage but excluding any mortgage loans that the homeowner is not required to repay; distinguished from *settlement price*. (See Chapter 12.)
- board of directors**, a group of elected or appointed individuals who are collectively empowered to make major decisions for a *corporation* (either for-profit or not-for-profit), within guidelines established by the corporation's *bylaws*. Also called "board of trustees."
- bylaws**, the duly adopted rules governing how an organization carries out the purposes and powers set out in its *articles of incorporation*. Bylaws deal with matters such as the rights

and responsibilities of the members (in a *membership organization*), the *board of directors* and the *officers*, and the processes to be followed in holding elections, conducting meetings, etc. (See Chapter 4.)

closing, completion of a transaction conveying real property from one party to another through the signing of documents such as deeds, mortgages, ground leases, etc. evidencing the conveyance. (See Chapter 22.)

closing costs, final payments made by the parties to a real estate transaction at the time of closing. Typically included are such payments as legal fees, title insurance fees, recording fees, loan origination fees, property taxes, and real estate transfer fees.

Community Housing Development Organization (CHDO), As defined within the regulations of the federal *HOME program*, a CHDO is a tax-exempt nonprofit organization that has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons and that maintains its accountability to low-income community residents by reserving at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. Under the HOME program, at least 15% of a Participating Jurisdiction's annual grant must be invested in programs or projects sponsored by CHDOs. The 1992 Housing and Community Development Act defines CLTs as a variety of CHDO, while exempting new CLTs from the requirement that an organization must have a "demonstrated capacity" to develop affordable housing and a "history" of serving its community before it can be designated a CHDO.

Community Reinvestment Act, federal legislation, enacted in 1977, that holds federally regulated banks responsible for meeting the credit needs of the communities in which they do business, including low-income communities.

compound appraisal-based formulas, a type of *appraisal-based formula* that allocates to the seller a specified percentage of the market appreciation of that portion of the combined value of land and improvements that the seller originally paid for through the *base price*. (See Chapter 12.)

condominium, a building or set of buildings in which *condominium units* are individually owned while certain common elements are owned collectively by the unit owners. (See Chapter 14.)

condominium association, an association of condominium unit-owners, which governs the use and management of common elements within a condominium.

condominium unit, an individually owned unit in a multi-unit building or complex. The owner holds sole title to the airspace occupied by the unit plus an undivided interest, with other unit owners, in the common elements of the complex.

construction loan, a short-term loan to finance the construction of real estate improvements.

cooperative (coop, or co-op). A housing cooperative is a *corporation* owned and controlled by a membership consisting of the occupants of housing owned by the corporation. Each occupant holds a share in the corporation and a "proprietary lease" from the corporation for the unit she occupies. In the case of a market-rate coop, an occupant can sell her share and proprietary rights for whatever amount the market will bear. In the case of a *limited-equity coop*, the amount that she can receive is limited by the coop's bylaws in order to preserve the affordability of the unit. (See Chapter 15.)

- corporation**, a legally established entity whose rights of doing business are in most respects the same as those of an individual. For-profit corporations are owned and controlled by those who hold stock in the corporation. *Not-for-profit corporations* are controlled by members, who are not stock-holders. (See chapter 3.)
- corporate purposes**, the purposes for which a *corporation* has been established, as formally stated in the *articles of incorporation*. The corporate purposes are an important consideration for those establishing a new not-for-profit corporation. (See Chapter 3.)
- cure** (to cure a default), to remedy the failure (e.g., failure to make required payments) that has resulted in the default, thereby eliminating the condition of default. See *default*, below.
- debt service**, periodic payment – typically a monthly payment – on a mortgage or other loan. These payments usually include *amortization* of a certain amount of principal plus interest to date.
- deed**, a written instrument that, when signed by the *grantor(s)* and delivered to the *grantee(s)*, conveys title to, or an interest in, real estate.
- deed in lieu of foreclosure**. When otherwise unable to avoid foreclosure, a homeowner/mortgagor may give the holder of the mortgage “a *deed* [to the mortgaged property] in lieu of foreclosure.” By thus avoiding foreclosure, the homeowner avoids a blight on his or her credit history, and the lender takes title to the collateral without the expense of foreclosure.
- deed of trust or mortgage deed**, a type of *mortgage* whereby the borrower conveys title conditionally to the lender, who holds it in trust as security for the loan. Whether a state uses a *mortgage* or a *deed of trust* is often a matter of the history of the property law in the particular state. Both are effective ways to give a lender security for a loan. See *mortgage*; also see *title theory state*.
- deed restriction or deed covenant**, or “covenant that runs with the land,” a provision written into or attached to a *deed*, whereby the rights being conveyed to the grantee are limited in specified ways. (See Chapter 8.) CLTs sometimes use deed restrictions, rather than ground leases, to establish restrictions on the occupancy and resale of condominium units. (See Chapter 14.)
- default**, failure to meet a financial obligation or otherwise comply with the terms of an agreement.
- deferred loan**, a loan that the borrower is not required to repay for a specified period of time or until a specified event. Affordable housing *subsidies* are often structured as deferred loans (typically payable or assumable when the subsidized home is resold) rather than as outright grants. (See Chapter 19.)
- demise**, to grant or transfer property by a will or a *lease*. (Used in Article 2 of the ICE Model CLT Ground Lease, but not in the current NCLTN Model.)
- disinvestment**, the process by which the value of real estate in a given locality is diminished in the absence of sufficient “reinvestment.”
- dissolution**, the termination of a corporation, accompanied by the distribution of its assets after all debts are paid. To qualify for *501(c)(3) status*, organizations must place strict limitations in their articles of incorporation on the distribution of their net assets upon dissolution. (See Chapters 3 and 6.)

- downpayment**, equity investment that is made by the buyer of real property at the time of purchase. In the purchase of owner-occupied homes, the minimum downpayment required of the prospective homebuyer typically ranges from 10% to 5% or sometimes 3% of the property's purchase price. In some cases "downpayment assistance" programs may cover some portion of the required amount.
- eminent domain**, the right of a governmental or quasi-public body to acquire property for public use through court action, with compensation to the owner determined by the court.
- equity**, the value of property above and beyond any debt secured by the property.
- equity limitation**, the practice of limiting the amount of equity that can be claimed by the owner of a property, by establishing restrictions on the price for which the property can be sold, or, if the property is sold for an unrestricted market price, by requiring the seller to pay a part of the proceeds to a sponsoring governmental or nonprofit entity.
- equity-limitation formula**. See *resale formula*.
- Equity Trust, Inc.**, the national organization established by the late Chuck Matthei (previously Executive Director of *ICE*) to promote models of limited equity ownership and community investment. When *ICE* transferred its loan fund to the National Housing Trust and ceased to exist as an independent organization, it transferred the rights to its technical publications to Equity Trust, Inc., which shares those rights with the National CLT Network.
- execution**, the signing and delivery of a legal instrument.
- exercise**, to take an action that one is entitled to take as the holder of a particular right, often by giving a written notice to another party, as in the exercise of an *option* or *right of first refusal*.
- expiration**, the conclusion of a specified period of time, or the retirement of rights granted only for a specified period of time, as in the expiration of a lease. Distinguished from *termination* (see below).
- fair rental value**, the amount of rental income that a given property can be expected to generate for a given period of time in given market conditions.
- Fannie Mae** (Federal National Mortgage Agency), a federally chartered, shareholder-owned corporation that purchases mortgages on the *secondary market*, with funds raised by issuing "mortgage-backed" bonds. Fannie Mae policies allow for purchase of CLT leasehold mortgages on certain terms. (See Chapter 20.)
- Fannie Mae Rider** (Fannie Mae Uniform CLT Ground Lease Rider), a document which, when attached to a CLT ground lease, somewhat modifies the terms of the lease to ensure that they are acceptable to Fannie Mae as a potential mortgagee. (The current Fannie Mae Uniform CLT Ground Lease Rider is presented in Appendix E.)
- fee simple ownership**, the maximum possible set of rights to real property on a permanent basis.
- fee interest**, a conventional ownership interest. In the case of the CLT's ownership structure, the fee interest is held by the CLT while a *leasehold interest* is held by the ground lessee.
- FHA/Federal Housing Administration**, a division of the U.S. Department of Housing and Urban Development that insures high loan-to-value (low-down-payment) mortgages.
- fixed-rate formula**, a resale formula that allows the *resale price* to increase by the annual application of a fixed rate of "interest" to the *base price*.

- foreclosure**, the legal procedure, when a borrower has defaulted, whereby the borrower's ownership of property used to secure the debt is terminated by the lender, usually by a public sale or auction, to provide for repayment of the debt to the lender. (See also, *deed in lieu* of foreclosure.)
- formula price** (in the Model CLT Ground Lease), the potential maximum *resale price* that is determined by the *resale formula*. The *purchase option price* is then the lesser of the formula price or appraised value. See Model CLT Lease, Article 10, and related commentary (Chapters 11-A and 11-B).
- Freddie Mac**, similar to Fannie Mae (above), a federally chartered, shareholder-owned corporation that purchases mortgages on the secondary market, with funds raised by issuing "mortgage-backed" bonds.
- gentrification**, a term coined in the 1960s to describe the process by which inner-city neighborhoods that have undergone disinvestment and decline begin to experience reinvestment, accompanied by the in-migration of a relatively affluent population and the displacement of the lower-income population that had been the neighborhood's former inhabitants.
- grantor**, one who transfers something of value to another (with or without compensation).
- grantee**, one to whom something of value is transferred (with or without compensation).
- ground lease**, a lease whereby the right to use and possess a parcel of land is transferred from the owner of the *fee interest* in the land (the *lessor*) to another party (the *lessee*) for a limited (but often lengthy, such as 99-year) period of time. Usually a ground lease provides for outright ownership of *improvements* on the land by the lessee.
- ground lease fee** or **ground rent**, the amount of money that the ground *lessee* is obligated by the terms of a *ground lease* to pay to the ground *lessor* for the use of the leased land. Usually paid on a periodic basis (e.g., monthly, quarterly or annually).
- HOME program**, a federal program administered by the Department of Housing and Urban Development, providing block grants to states and qualifying municipalities for use in developing or sponsoring affordable housing. Also see *Community Housing Development Organization*, above.
- HUD**, U.S. Department of Housing and Urban Development.
- improvements**, (1: when applied to *real estate*) buildings and other permanent products of human effort that increase the usefulness or value of a parcel of land; (2: when applied to buildings) additions to or modifications of the structures that increase their value, as distinguished from replacements and repairs that replace but do not increase value.
- improvements-only appraisal-based formulas**, a type of *appraisal-based formula* that allocates to the seller a specified percentage of the appreciated market value of only the improvements (excluding land value). (See Chapter 12.)
- income-qualified** (person or household), a person or household qualifying for certain benefits on the basis that the income of the household is below a certain threshold (usually defined as a percentage of *area median income* as adjusted by *HUD* for the particular household size).
- incorporation**, the legal process of creating a *corporation*. (See Chapter 3.)
- indexed formula**, a type of resale formula that allows the resale price to increase beyond the base price in proportion to changes in a specified index, such as a consumer price index or area median income. (See Chapter 12.)

Institute for Community Economics (ICE), the national organization that developed and promoted the CLT model and that developed and published the “Community Land Trust Legal Manual,” (including the original Model CLT Ground Lease). ICE transferred the rights to this published material to *Equity Trust, Inc.* when ICE ceased to exist as an independent organization. Equity Trust, Inc. shares these rights with the National CLT Network, which has revised and expanded the contents of the CLT Legal Manual as the present “CLT Technical Manual.”

itemized formula, a type of resale formula that determines the maximum resale price of a property by adding to or subtracting from the base price such specific factors as the value of improvements made by the owner and/or annual depreciation. (See Chapter 12.)

land (as property), a space including the surface of the earth and extending downward to the center of the earth and upward infinitely into space.

lease, a contract between a landlord (*lessor*) and a tenant (*lessee*) transferring the right to use and possess the landlord’s property to the lessee for a specified period of time and for specified compensation.

leased fee, the ownership interest retained by a *lessor* after transferring a *leasehold interest* to a *lessee*.

leased premises, the specific *real property* (which could be land, a portion or all of a building, or both) the use and possession of which is conveyed by a *lessor* to a *lessee*.

lease fee, see *ground lease fee* above.

leasehold estate, or **leasehold interest**, the ownership interest or bundle of rights conveyed by a *lessor* to a *lessee* for the term of the lease. CLTs usually describe the CLT homeowner as holding a *leasehold interest* in the land and a *fee interest* in the improvements. In describing *leasehold mortgages*, however, lenders and appraisers normally define the leasehold estate as including the *improvements*, regardless of whether the lessee owns the improvements outright.

leasehold mortgage, a mortgage on the *leasehold estate*, including the *improvements* (see above).

lease rider, See *rider*, below, and *Fannie Mae Rider* above.

lessee, the party to whom a *leasehold interest* is conveyed by a *lessor*. In the 2011 Model CLT Lease, the lessee is identified as the “homeowner.”

lessor, the party who conveys a *leasehold interest* to a *lessee*. In the 2011 Model CLT Lease, the lessor is identified as the “CLT.”

letter of (attorney’s) acknowledgment, a letter attached to the CLT ground lease, signed by an attorney and stating that the attorney has explained to the lessee the ground lease and other documents relating to the lessee’s purchase of a home from the CLT. (See Article 1 of the Model Lease and related commentary)

letter of agreement or **letter of stipulation**, a letter attached to the CLT ground lease, signed by the lessee and stating the lessee’s understanding of and agreement with the goals, terms, and conditions of the ground lease. (See Article 1 of the Model Lease and related commentary.)

lien, a creditor’s right to have a specific debt paid out of the proceeds of sale of specific property owned by a debtor, or otherwise through the action of a court. The term is also used to identify the property interest that a creditor has in the specific property securing such debt repayment.

- lien theory states**, states in which a *mortgage* is treated as being a *lien* on the mortgaged property – the *mortgagee* having no right of possession unless the *mortgagor* defaults and the lien is foreclosed. Distinguished from *title theory states*, below.
- limited equity coop**, the type of housing *cooperative* in which the resale value of ownership shares is limited by the corporation’s *bylaws*. (See *Chapter 15*.)
- loan-to-value ratio**, the ratio (expressed as a percentage) of the amount of a loan to the value of the collateral that secures it. If a home valued at \$100,000 is mortgaged to secure an \$80,000 loan, the loan-to-value ration is 80%.
- mechanic’s lien**, a *lien* created to secure the amount owed to one who has performed work or supplied materials in the construction or repair of the debtor’s property.
- membership organization**, a nonprofit corporation in which members (beyond just the members of the board) have a degree of control over the composition of the governing board, and may be assigned other powers as well. In the case of the “classic CLT,” both *lessees* and non-lessees can become members and participate in electing the CLT’s board of directors. Other powers usually assigned to members of a classic CLT include establishment of member dues and ratification of any plans for the sale of land or *dissolution* of the corporation and any changes in *articles of incorporation*, *bylaws*, and *resale formulas*.
- memorandum of lease** or **notice of lease** or **short form lease**, a document that is filed in the land records of a jurisdiction to record the fact that a particular property is encumbered by a *lease*. The memorandum notes certain major features of the lease but does not contain the amount of detail contained in the lease itself. (See Model Lease, Section 14.12; also the sample notice of lease contained in the Appendix.)
- merger** (of leasehold and fee estates), the action by which, upon the *expiration* or *termination* of a lease, the *leasehold interest* and the *leased fee* are legally combined to create a single *fee simple* interest.
- mineral rights**, the right to mine or otherwise remove minerals from beneath the surface of a given parcel of *land*; may be held separately from other ownership rights to that parcel; Normally retained by the ground *lessor* in the case of a CLT ground lease. (See Model Lease, Section 2.2.)
- monetary default**, failure to meet a monetary obligation; e.g., failure to make mortgage payments or lease fee payments. Distinguished from *non-monetary default*, below. (See Model Lease, Section 12.1.)
- mortgage**, a pledge (in the case of a mortgage *lien*) or conditional transfer (in the case of a *deed of trust*) of real estate as security for a loan.
- mortgage-based formula**, a type of *resale formula* that determines the resale price by calculating the total amount of mortgage debt that could be amortized (at interests rates current at the time of resale) with monthly payments that would be affordable for a given household income. (See *Chapter 12*.)
- mortgage deed**. See *deed of trust*.
- mortgage insurance**, insurance that will cover a certain percentage of a *mortgagee*’s loss due to a *default* by the *mortgagor*. Such insurance may be provided by either a private company or a public source such as FHA.
- mortgagee**, holder of a *mortgage* or (*deed of trust*) as security (whether as the original lender or as a subsequent holder of the mortgage).

- mortgagor**, a property-owner who mortgages (pledges or conditionally transfers) her property as security for a loan.
- non-monetary default**, failure to comply with non-monetary obligations established by a mortgage, lease, or other agreement, e.g., violation of the occupancy requirements established by a CLT ground lease. (See Model Lease, Section 12.2.)
- not-for-profit (or “nonprofit”) corporation**, a *corporation* that is controlled not by holders of ownership shares but by members. Though members may benefit in certain ways from the activities of a not-for-profit corporation, profits generated by those activities cannot be distributed to members as they can be distributed to shareholders in a for-profit corporation. The members may be numerous, as in the case of a classic CLT, or may be limited to the members of the board of directors or even to a single separate entity.
- notice**, a formal notification that is required if due process is to be followed in certain circumstances. For instance, members of a *board of directors* must receive notice of board meetings if decisions made in those meetings are to be legally binding.
- officers**, positions within a corporation to which specific duties are assigned – the most common nonprofit corporate officers being President, Vice President, Secretary, and Treasurer.
- option** (purchase option), a right to purchase a specified property on specified terms, within a specified period of time or upon the occurrence of specified circumstances.
- permitted mortgage** (as the term is used in the Model CLT Ground Lease), a *leasehold mortgage*, securing a loan to the homeowner/lessee, that is explicitly permitted by the CLT/lessor. (See Model Lease, Section 8.1)
- personal property** or **personalty**, movable property that is not a part of or affixed to the *land*; distinguished from *real property* or *realty*.
- portfolio**, a collection of investments held by a single investor. For a mortgage lender, the mortgages retained “in portfolio” are those mortgages not sold on the secondary mortgage market. A CLT’s portfolio is generally understood to consist of its real estate holdings.
- portfolio income**, as used in this manual, income generated through a CLT’s ongoing stewardship activities related to its real estate holdings; includes rental income, ground lease fees, and transfer fees. (See Chapters 23 & 27.)
- power of attorney**, written authorization to take legally binding actions on behalf of another.
- preemptive option**, an *option* to purchase specified property at any time it is placed on the market by its owner, thus a right to preempt a sale to any other party.
- premises**, the surface of a parcel of *land* together with the *improvements* on that parcel of land.
- private mortgage insurance (PMI)**, *mortgage insurance* provided by a private company, distinguished from similar insurance provided by public sources such as *FHA*.
- purchase contract**, a contract between a designated buyer and seller, spelling out the terms on which a specified property is to be purchased by one from the other. Purchase contracts for CLT homes may be three-party contracts, in which the CLT participates as the designated buyer’s ground lessor. (See Chapter 22.)
- purchase option price**, the price at which one has a right to purchase a specified property under the terms of an *option* agreement. In the Model CLT Ground Lease, the purchase option price is the lesser of the *formula price* or appraised value at the time of sale. (See Model Lease, Article 10.)

- real estate**, land and all things permanently attached to it whether naturally or artificially.
- real property** or **realty**, *real estate* as property.
- recording** (of deeds, mortgages, etc.), the process of creating a permanent public record of ownership interests in real estate by filing copies of the documents that establish such interests in the “land records” maintained by an agency of local government.
- resale**, in the context of this manual, any sale of the *improvements* on CLT land after the initial sale to the initial ground *lessee*.
- resale formula**, a formula determining the maximum price for which a specified property can be resold under the terms of a specific agreement. (See Chapter 12.)
- resale price**, in the case of a CLT, the maximum price for which improvements on CLT land may be sold by the ground lessee. See *purchase option price*, above.
- resale restriction**, any restrictions on the resale of a property under the terms of a specific agreement. CLT ground leases normally restrict resale with regard to both the price for which the *improvements* can be sold and the qualifications of those who are permitted to purchase the improvements.
- reserve fund**, a fund established and managed for the purpose of meeting anticipated future expenses. An increasing number of CLT homeownership programs allocate a portion of the ground lease fee to a repair/replacement reserve fund that will help to pay for necessary future replacements and repairs (e.g., replacement of roofs, heating systems, etc.). (See Model Lease, Sections 5.1 & 7.6 and related commentary.)
- restraints on alienation**, restrictions on a property-owner’s right to alienate (transfer title to) a property. Such restrictions are prohibited in certain circumstances under common law and in some states by statutes codifying old English common law of property. (See Chapter 9.)
- rider**, an attachment to a written agreement, signed by the parties to the agreement, modifying the terms of the agreement for some period of time (not necessarily for the full term of the agreement) or only in relationship to an identified third-party, such as for the benefit of a particular lender. See chapter 20 regarding CLT *ground lease riders* that modify the terms of the ground lease to accommodate the concerns of a *mortgagee* during the term of a particular *mortgage*.
- right of first refusal**, the right to purchase a property for a price offered by a third party and accepted by the owner. If an owner grants a right of first refusal and subsequently receives an acceptable offer from a third party, the owner must give *notice* to the holder of the right and give the holder an opportunity to purchase the property for the offered price before the property can be sold to the third party.
- rule against perpetuities**, the common law rule prohibiting the establishment of perpetual so-called “unvested” ownership rights relating to a particular property, such as a perpetual option to purchase a property. (This is a highly technical rule that in most states is not in any conflict with the terms of the Model Ground Lease. See chapter 9.)
- Rural Development**, an agency of the U.S. Department of Agriculture administering various federal programs designed to benefit rural communities and residents of rural areas.
- Rural Housing Services**, an agency administering affordable housing programs within the *Rural Development* agency.
- safe harbor guidelines**, published by the IRS in 1996 (as Revenue Procedure 96-32) describing the circumstances under which an organization can be assured that its housing

projects qualify as charitable on the basis of the specific income levels of the populations housed in these projects – therefore the guidelines on the basis of which many housing organizations qualify for *501(c)(3) status* (See Chapter 6.)

Section 8, a federally-funded program that provides rental housing subsidies for low-income households. These subsidies are provided by *HUD* as either “tenant-based assistance” or as “project-based assistance.” In either case they pay the difference between fair market rent and the amount considered affordable for the tenant, determined as a percentage of the household’s income.

secondary mortgage market, a market for the purchase and sale of existing mortgages. See *Fannie Mae* and *Freddie Mac*, above.

separation of title, the process by which the title to buildings and/or other *improvements* comes to be held by a party other than the owner of a fee interest in the *land*. (See Chapter 10.)

settlement price, the price of a home as stated in a “HUD-1 Settlement Statement.”

Distinguished from *base price* as used in this manual, the settlement price is the price paid for a home including any subsidy that is allocated to the homebuyer (rather than to the CLT). (See Chapter 12.)

severability, the right of an owner of buildings or other improvements to remove them from the leased premises on which they are situated. A *ground lease* may or may not permit such removal of improvements. Most CLT ground leases do not. (See Model Ground Lease, Section 7.1. See also Chapter 10.)

shared equity homeownership programs, a term that has come to be used to describe a range of resale-restricted affordable homeownership programs, including CLTs, deed-restricted programs, and limited equity coops.

simple appraisal-based formulas, a type of *appraisal-based formula* that allocates to the seller a specified percentage of the appreciated combined market value of both the improvements and the land. (See Chapter 12.)

standard permitted mortgage, as defined in the Model CLT Ground Lease (Section 8.4), a *leasehold mortgage* that meets certain requirements stated in the ground lease (or an exhibit attached to the ground lease), and that the CLT is required to permit.

sublease, an arrangement whereby a *lessee* leases all or a portion of the *leased premises* to a third party for some portion of the *lessee’s* remaining term. CLTs normally permit a sublease only with the *lessor’s* approval. (See Model Ground Lease, Section 4.5.)

subsidy, gift, grant or deferred loan used to reduce the cost of housing for the occupants. (See Chapter 19.)

subsidy recapture, in the case of subsidized homeownership, the practice of requiring the homeowner to repay the *subsidy* when the home is resold.

subsidy retention, in the case of subsidized homeownership, the practice of “locking” the subsidy in place so that the home will remain affordable for subsequent homebuyers of modest means.

sweat equity, *equity* that is credited to homeowners when they construct or improve their own homes with their own hands.

tax-exempt status, status of an organization that has been recognized as exempt from the obligation to pay certain taxes. (See Chapter 6)

- termination**, the act of concluding a *lease* – and thereby extinguishing the rights of the *lessee* under the lease – before the *expiration* of the full term of the lease. A lease may be terminated as a result of a *default* by one party or the other. (See Model Lease, Article 12.)
- title**, ownership rights to *real estate*, or evidence of such ownership.
- title company**, a company that sells *title insurance* based on its examination of land records and its determination that the party conveying ownership of a property has *title* to that property and can legally convey it. Title companies can play a significant role in coordinating real estate transactions (see Chapter 22).
- title insurance**, a policy insuring an owner of real estate or a mortgagee against loss resulting from a defect in the *title* to the real estate conveyed to the policy-holder.
- title theory states**, states in which a mortgage is interpreted as conveying *title* to the mortgaged property to the *mortgagee* until the mortgage debt has been fully paid. Distinguished from *lien theory states* (see above). The instrument used for title theory transactions may be called a *mortgage deed* or *deed of trust*.
- transfer fee**, in the case of a CLT, a fee paid by the buyer of a home (when it is resold by a previous homeowner) which is added to the purchase option price received by the seller. Increasingly common among CLTs, these fees are an important source of long-term support for CLT stewardship functions. (See Chapter 13 and Section 10.12/13 of the Model Lease and related commentary.)
- trust**, a fiduciary arrangement whereby property is conveyed to an individual or institution that, as a “trustee,” manages the property for the benefit of one or more designated beneficiaries. Although a community land trust does hold and manage real estate for the benefit of the local community, it is not organized, legally, as a trust; it is organized as a not-for-profit corporation.
- waiver**, the act of relinquishing – choosing not to exercise – a particular right, claim or privilege.