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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, however in order for the heir to keep and live in the home, this person must also be income qualified, below 80% of the Area Median Income, at that time. If they are not, this person can sell the home and will receive the proceeds according to your shared equity agreement with Habitat.

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 Appreciation 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 using (a) the amount of principal (mortgage payments only) repaid by you **plus** (b) if you have owned your home for over 12 years, a share of the increase in value of the Property (also known as your equity in the home/property) **plus** (c) any down payments and principle payoffs.

After the first 12 years you are in the home, your share of the property value goes up. The portion of shared increase in the property value due to you is calculated by:

- multiplying the Property’s real market value on the date that Habitat agrees to purchase the property from you **minus** the real market value when you initially purchased your home from Habitat
- For the first 12 years, Habitat will own 100% of the increase in value.
- After the first 12-year period (from the purchase date), your share of the home’s appreciation will increase as shown in the table below:

For Example:

- Your original home sales price was \$300,000
- And you originally qualified for a mortgage of \$200,000 so you would have had monthly mortgage payments of approximately \$751.80 (based on a home loan terms of 30 years, at 2.125% interest rate (w/o taxes and homeowner’s insurance)
- The Shared Appreciation starts after 12th anniversary, at 1.5% per year

If you sell the house on your 12th Anniversary, you will get approximately \$65,600

If you sell the house on your 15th Anniversary, you will get approximately \$100,000

Anniversary of Purchase	Owner Percentage	Grantee (Habitat) Percentage
1st	0.00%	100.00%
2nd	0.00%	100.00%
3rd	0.00%	100.00%
4th	0.00%	100.00%
5th	0.00%	100.00%
6th	0.00%	100.00%
7th	0.00%	100.00%
8th	0.00%	100.00%
9th	0.00%	100.00%
10th	0.00%	100.00%
11th	0.00%	100.00%
12th	1.50%	98.50%
13th	3.00%	97.00%
14th	4.50%	95.50%
15th	6.00%	94.00%
16th	7.50%	92.50%
17th	9.00%	91.00%
18th	10.50%	89.50%
19th	12.00%	88.00%
20th	13.50%	86.50%
21st	15.00%	85.00%
22nd	16.50%	83.50%
23rd	18.00%	82.00%
24th	19.50%	80.50%
25th	21.00%	79.00%
26th	22.50%	77.50%
27th	24.00%	76.00%
28th	25.50%	74.50%
29th	27.00%	73.00%
30th	28.50%	71.50%
>30th	30.00%	70.00%