



HOMEBUYER CHOICE PROGRAM (HCP) GUIDELINES

Version 1.0

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Version	Date Adopted	Changes
1.0	08-19-2020	Original Version

The Housing and Community Development Department's mission is to provide and preserve sustainable housing improvement opportunities in Houston, Texas. HCDD is dedicated to improving our residents' quality of life with affordable homeownership for Houston neighborhoods and families through the Homebuyers Choice Program.

I. Introduction and Authority

The objective of the Homebuyer Choice Program (HCP) is to provide an affordable homebuying option for qualified Houston residents. The Housing and Community Development Department (HCDD) and Houston Community Land Trust (HCLT) will work together using Program Funds to provide qualified Homebuyers the option to purchase a quality home of their choice within Houston city limits at an affordable price with financial assistance from HCDD.

HCDD financial assistance will be applied directly towards the purchase price of a property, including land and improvements, and the Homebuyer's Closing Costs. Financial assistance is intended to cover the difference between the full acquisition cost of the property, including land and improvements, and the Homebuyer's financial contribution toward acquisition of the improvements. HCDD will wire financial assistance funds to the title company at closing for disbursement which will ultimately result in the Homebuyer holding title to the improvements and HCLT holding title to the land in order to preserve the property's permanent affordability under these guidelines ("HCP Guidelines"). HCDD's financial assistance will be conditioned on HCLT obtaining ownership of the land at the closing of the purchase transaction.

HCLT will own and hold the land beneath each home purchased through HCP subject to the HCP Restrictive Covenants and in trust to preserve the property's permanent affordability for current and future generations of low- to moderate-income homebuyers and, initially, will lease the land to the Homebuyer that acquires the improvements located thereon. HCDD will provide the financial assistance necessary to bridge the gap between (i) the amount of a mortgage on the improvements that is affordable to the Homebuyer¹ and (ii) the contract price of the home, including land and improvements, plus the Homebuyer's Closing Costs that are not to be paid directly by the Homebuyer. These HCP Guidelines will govern the planning and implementation of this Program, which, subject to any necessary approval by the City Council, will initially be funded by Tax Increment Reinvestment Zone (TIRZ) affordable housing set-aside funds with the option of utilizing additional local, state and federal funds in the future.²

The HCDD Director, or their designee, holds approval authority for administrative matters related to the HCP.

II. Definitions

Annual Household Income: the anticipated gross income from all sources for all adult family members during the coming 12-month period calculated in accordance with 24 CFR Part 5, Section 8 definition of annual (gross) income.

¹ The Minimum Homebuyer Contribution is determined by HCLT. See Section X of this document for more information.

² Should the program incorporate non-local funds at a later date, additional requirements may be added into this document which may impact how the program functions. Program participants and partner(s) should note that the City of Houston reserves sole discretion in revising or amending this program to better accomplish the mission of the Department to expand affordable housing.

Area Median Family Income (AMFI): also known as **Area Median Income (AMI)**; Area Median Family Income, as determined and published annually³ by the United States Department of Housing and Urban Development for the City of Houston, The Woodlands, and Sugar Land Metropolitan Statistical Area, serves as the measure by which potential applicants to this program are deemed income-eligible. Note that income eligibility does not guarantee program eligibility.

Back-End Debt Ratio: the ratio of the Homebuyer's anticipated monthly housing payments on a HCLT home (as defined below under "Front-End Debt Ratio") plus the current actual monthly debt obligations of the primary Homebuyer and any legal spouse of Homebuyer (even if not employed), to the Homebuyer household's gross monthly income (the Annual Household Income divided by twelve). The current total monthly debt obligations will be based on current, complete credit reports for the primary Homebuyer and any legal spouse plus any additional debt disclosed by the primary Homebuyer and/or legal spouse.

Borrower(s): the person(s) that (i) has applied, met specific requirements, and received a home purchase loan from a lender; (ii) is legally responsible for repayment of the loan; and (iii) is subject to any penalties for not repaying the loan based on the terms as described in the loan agreement, promissory note and/or deed of trust.

City: the municipality of the City of Houston, Texas.

Closing Costs: the expenses, over and above the price of the property, that buyers and sellers normally incur to complete a real estate transaction. These typically include, but are not limited to, fees charged by third parties involved in a real estate transaction.

Commitment Letter: describes the setting aside or earmarking of funds that may be used in the future for the purchase of a specific dwelling unit. It is a not legally binding and may stipulate that the funds are only set aside for a specific time period.

Conflict of Interest: a situation, whether real or apparent, that undermines the impartiality and/or integrity of (i) any person who is an employee, agent, consultant, officer, elected official or appointed official of the City or (ii) any individual or organization receiving or administering TIRZ funds on behalf of the City who (a) exercises or has exercised any function or responsibility with respect to activities provided by the HCP, (b) is in a position to participate in the decision-making process, or (c) gains inside information with regard to such activities. Such person or organization is therefore prohibited from obtaining a financial interest or benefit or having an interest in any contract, subcontract, or agreement with respect thereto or the proceeds thereunder, either for themselves or those with whom they have family⁴ or business ties during their tenure or for one year thereafter.

Director: the Director of the City of Houston Housing and Community Development Department, as appointed by the Mayor of Houston.

Down Payment: the up-front payment towards the purchase of a home, usually required by the principal lender of the Borrower(s).

³ [HUD Income Limits for 2020](#)

⁴ Per HCDD Policy #01-040: Non-Procurement Conflicts of Interest, family members covered under this restriction include (whether by blood, marriage, or adoption) the spouse, parent (including a stepparent), child (including a stepchild), sibling (including a stepsibling), grandparent, grandchild, and in-laws of a covered person.

Environmental Review: the compliance review conducted by internal HCDD staff to determine a home's eligibility in the HCP pursuant to [24 CFR 58.6](#). This process ensures that the condition of the property complies with the National Environmental Policy Act (NEPA) and other applicable state and federal laws.

First Lien Holder: The institution that holds the original mortgage on a specified property. The First Lien Holder is required to be paid before any other lien holders.

Front-End Debt Ratio: means the ratio of the Homebuyer's anticipated monthly housing payments on a HCP home (including principal, interest, taxes, insurance, HCLT lease fees and any homeowners' associations fees) to the Homebuyer household's gross monthly income (the Annual Household Income divided by twelve). The anticipated monthly housing payments will be determined by HCLT staff based on the following factors:

- The anticipated mortgage principal amount and the amount of any other financed acquisition costs;
- Current market interest rates plus 1.5%, or the actual interest rate on the applicant's purchase loan if available;
- A fair market estimate of anticipated insurance costs based on similar homes previously sold in the area or, if unavailable, an average insurance cost estimate for the area;
- Harris County Appraisal District's property tax appraisal methodology for HCLT homes and land and the then-current property tax rate, without exemptions;
- Down Payment assistance to be received by the Homebuyer;
- HCLT ground lease fees (including the Lease Fee, Maintenance and Reserve Fund Fee and land tax fund fee); and
- Any other known or anticipated costs associated with the home, such as (but not limited to) HOA fees.

Foreclosure: the process by which the holder of a mortgage executes its lien on the mortgaged property of a Homebuyer who has not made payments on time as stipulated in the mortgage contract in accordance with state and local law.

Ground Lease Agreement: A 99-year ground lease agreement between the Homebuyer and HCLT in substantially the form attached hereto as **Appendix A**. Note that the form of this agreement is subject to change at the discretion of HCLT with written approval from the Director of HCDD, or their designee.

HCP or Program: the Homebuyer Choice Program as described herein.

Homebuyer: a person(s) over 18 years of age who meet(s) all Program requirements to purchase a home under the HCP and who has completed an application through HCLT to receive assistance for a home purchase under the HCP.

Homebuyer Choice Program Restrictive Covenants or HCP Restrictive Covenants: restrictions on the land beneath each home purchased through the HCP and conveyed to HCLT, having terms intended to preserve the affordability of such home for at least 99 years, which shall be in substantially the form of the restrictions imposed in conveyances of land from the Houston Land Bank to HCLT pursuant to the City's New Home Development Program.

Homebuyer Choice Program Subsidy or HCP Subsidy: the total amount of direct grant assistance provided by HCDD from Program Funds to assist HCLT and the Homebuyer with the purchase of eligible property under the HCP, with the purpose of creating housing affordability to the Homebuyer as

well as subsequent owners. The amount of the Homebuyer Choice Program Subsidy is intended to bridge the gap between (i) the amount of a mortgage on the improvements that is affordable to the Homebuyer and (ii) the contract price of the home, including land and improvements, plus the Homebuyer's Closing Costs that are not to be paid directly by the Homebuyer. The grant assistance will be wired from HCDD to the title company at the closing of the eligible property purchase for disbursement in accordance with the Commitment Letter, HCDD's closing instructions, and these Guidelines.

Homebuyer Contribution: the total amount of third-party financing (including the amount of a mortgage on the improvements that is affordable to the Homebuyer), and/or cash contributions that a Homebuyer makes toward the purchase of an eligible property under the HCP and excludes (a) Closing Costs or other amounts not applied toward the property's purchase price, (b) the Homebuyer Choice Program Subsidy and (c) third-party grants or forgivable down payment assistance loans.

Homebuyer Education Class: a HUD-certified⁵ eight-hour homebuyer education course, which the Homebuyer(s) must complete as a prerequisite to participation in the HCP.

Housing and Community Development Department (HCDD): the City of Houston Department that administers federal, state, and local funding for affordable housing and economic development projects, in addition to other responsibilities assigned under the City of Houston Charter and Code of Ordinances.

Housing Quality Standards Inspection (HQS): establishes the minimum quality criteria⁶ necessary for the health and safety of program participants. All housing units must meet these housing quality standards in order to participate in the HCP.

Housing and Urban Development (HUD): The Federal Department that manages and establishes regulations and rules for federally funded programs and sets the AMFI annually. Though this program is not funded with federal funds, certain aspects of HUD requirements are included as part of this program, including, but not limited to, Housing Quality Standards, environmental compliance, approved homebuyer counseling courses, etc.

Houston Community Land Trust (HCLT): An existing community land trust operating in the City, organized as a Texas nonprofit corporation under Texas Business Organizations Code [§22.001\(5\)](#).

Low- Income: a household income equal to or less than 80% of the Area Median Family Income (AMFI) established by HUD by Metropolitan Statistical Areas.

Loan Pre-Approval: a written determination by an HCLT- qualified mortgage institution that an HCP Homebuyer (Borrower) is pre-approved to secure a home loan from that institution, in a stated maximum amount, subject to the value of the property that will secure the loan and the satisfaction of customary closing requirements.

Permanent: a period of at least 99 years.

Principal Residence: the primary home that the Homebuyer or their spouse or children inhabit(s) for a length of nine (9) months out of each calendar year in accordance with the requirements of the Ground Lease.

⁵ HUD maintains a database of approved Housing Counseling Agencies online at www.HUD.gov.

⁶ The criteria is defined in full under [24 CFR 982.401](#).

Program Funds: funds that have been duly appropriated or allocated to the Homebuyer Choice Program (HCP) by the Houston City Council.

Qualification Letter: a letter signed by HCLT staff, confirming that the homebuyer is qualified to shop for a home of their choice and that HCP Subsidy Funds may be applied toward the home purchase, subject to all program requirements and final purchase approval and subject to the requirement that they execute an agreement with HCLT providing that the land beneath the home will be conveyed to HCLT at closing or execute a joinder to the purchase contract naming HCLT as the buyer of the land.

Real Estate Brokerage Service: a state licensed, third-party brokerage service that will market, list, and sell properties to eligible Homebuyers.

Real Estate Agent: person(s) licensed under a Real Estate Brokerage Service who represent buyers and sellers in real estate transactions. This term is inclusive of licensed real estate brokers when used in this document.

Single Family Home: a single family detached dwelling unit or townhome, but excluding cooperative units, condominiums, manufactured housing, or mobile homes.

TIRZ (Tax Increment Reinvestment Zone) Affordable Housing Set-Aside: TIRZ's designated under [Section 311.005\(a\)\(4\)](#) of the Tax Code, where the population of the county exceeds 3.3 million, must contribute at least one-third of the tax increment of the zone toward the provision of affordable housing, during the term of the zone. These funds, collectively, are referred to as TIRZ Set-Aside funds.

Unfair Lending Practices: abusive practices or unscrupulous actions carried out by a lender to entice, induce and/or assist a borrower in taking a mortgage that carries high fees, a high-interest rate, strips the borrower of equity, or places the borrower in a lower credit rated loan to the benefit of the lender. These practices are prohibited under the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA).

III. Homebuyer Choice Purpose and Program Scope

- A. Provision of a wider selection of high-quality homes accessible to Low Income buyers for an affordable purchase price, increasing much-needed access to sustainable homeownership opportunities for families making less than 80% AMFI.
- B. Homes purchased with the HCP Subsidy are permanently protected as affordable units for the long-term benefit of local communities and future low-income homebuyers. This second goal will be achieved by transferring the land beneath each home purchased through HCP into HCLT ownership permanently. HCLT will own the land subject to HCP Restrictive Covenants and will lease exclusive rights to use and enjoy the land beneath each home for the benefit of the corresponding homeowner and their heirs for the entire term of the Ground Lease, subject to maintenance requirements and a low monthly lease fee.
- C. HCP Homebuyers have a prominent role to play in safeguarding the permanent affordability of their interest in any home they acquire, not only for themselves and their heirs, but for future owners as well. Each HCP homebuyer agrees to a limit on the price at which they can sell their

interest in the home in the future and to a requirement that the buyer be low-income, ensuring that the price of their interest in the home at resale remains within reach of the next low-income buyer without the need for additional subsidies. The maximum resale price of the home increases by 1.25% of the Homebuyer's initial Homebuyer Contribution amount each year, allowing the Homebuyer to build some equity along the way. In this way, HCP homebuyers both benefit and participate in protecting affordable housing in their neighborhoods over the long term. This, in turn, allows each dollar invested by the Program to have a lasting, generational impact.

IV. Program Administration and Application Process

The City of Houston Housing & Community Development Department's Homebuyer Choice Program (HCP) is designed to complement a normal private market real estate transaction, in that it will be administered with as few additional overlays as possible, while maintaining Program compliance. HCDD and HCLT will each have a role in the application process and the administration of the Program. The Program process is as follows:

1. A potential homebuyer enters the program via the HCLT Application, which can be filled out online at www.houstonclt.org or by contacting HCLT at (713) 512-5575.
2. The potential homebuyer, with direct assistance from HCLT staff, proves their Program eligibility and completes all pre-offer Program requirements established by HCLT and outlined herein, including submitting required documentation for HCLT and HCDD review of household size and income.
3. If qualified in accordance with the Program requirements established by HCLT, the Homebuyer will receive a Qualification Letter from HCLT confirming that the Homebuyer is qualified to shop for a home of their choice and that HCP Subsidy Funds may be applied toward the home purchase, subject to all Program requirements and final purchase approval and subject to the requirement that they execute an agreement with HCLT providing that the land beneath the home will be conveyed to HCLT at closing or execute a joinder to the purchase contract naming HCLT as the buyer of the land. The deed conveying the land to HCLT will be subject to the HCP Restrictive Covenants.
4. Upon the Homebuyer submitting an offer on their chosen home, HCLT will review the property for compliance with the Program's Home Selection Criteria as well as environmental and inspection compliance. HCLT will provide to HCDD copies of the fully executed contract, Qualification Letter, evidence of the Homebuyer's third-party financing amount (including Loan Pre-Approval Letter and Loan Estimate), and a TREC inspection report.
5. Following a satisfactory review, HCDD will issue a Commitment Letter to HCLT and/or the Homebuyer stating an estimated HCP Subsidy amount based on the Loan Estimate and contract price, which shall not exceed the HCP Subsidy limits specified herein. Prior to closing, when the Homebuyer receives the Closing Disclosure specifying the final amount of mortgage financing, Down Payment and Closing Costs associated with the transaction, the Homebuyer or HCLT will send the Closing Disclosure to HCDD to enable HCDD to determine the final Homebuyer Choice Program Subsidy amount.
6. The closing date is coordinated with all stakeholders, including HCLT and HCDD, to ensure the HCP funds are wired on the day of closing.

V. Program Roles and Responsibilities

HCDD will:

1. Perform Homebuyer income certifications;

2. Coordinate and oversee home inspections and Environmental Review;
3. QA/QC HCP Master file;
4. Fund the Homebuyer Choice Program Subsidy at closing;
5. Oversee Program operations to ensure that the Department's objectives stated in this program are accomplished adequately.

HCLT will:

1. Establish and maintain clear guidelines and qualifications for Program eligibility and maintain standard operating procedures for the Program.
2. Market the Program to local communities;
3. Provide outreach and education to potential homebuyers;
4. Inform potential homebuyers of their options for purchasing through HCLT, including HCP and the City's New Home Development Program;
5. Inform potential homebuyers of HCP Home Selection Criteria for homes to be considered eligible for receipt of the Homebuyer Choice Program Subsidy;
6. Inform potential homebuyers of Program qualifications, the method and timing of qualifying prospective homebuyers, and home financing options available;
7. Make marketing, outreach, and Program information available to potential homebuyers in multiple languages approved by HCDD;
8. Receive and review Homebuyer applications;
9. Perform HCLT qualification procedures and provide required documentation to HCDD to perform income qualifications for Homebuyers;
10. Provide education on the ground lease affordability model and coordinate access to legal advice for Homebuyers prior to signing purchase agreements and prior to closing;
11. Provide conditional approval of the Homebuyer's selected home and mortgage financing prior to closing;
12. Provide direct assistance and guidance to Homebuyers through the Program qualification, education, and pre-closing processes;
13. Manage a waiting list of qualified Homebuyers according to HCLT's established procedures;
14. Perform post-closing stewardship services and protect permanent affordability of all Program units;
15. Establish and adjust minimum Homebuyer Contributions annually.

VI. Property Purchase Requirements

The Homebuyer, once qualified under the Eligibility Requirements in Section VII below, shops for a home within the Houston City limits with the assistance of an independent, licensed Real Estate Agent. The home must meet certain location, quality, type and price requirements as established by HCLT to qualify for Program assistance. The criteria will be made available publicly by HCLT on their website (www.houstonclt.org). The basic outline of the proposed Home Selection Criteria is listed below:

- A. Eligible/Ineligible Home Types:** Eligible properties must be a Single Family Home as defined above.
- B. Location:** The property must be located within the City of Houston and have the City of Houston listed as a taxing jurisdiction with the respective County Appraisal District.
- C. Environmental Compliance:** An Environmental Review must be performed on the property prior to commitment of funds to include the following:

- a. The home must not be located in a floodway or 100-year floodplain, as defined and confirmed by HCDD.
- b. The home must not be situated in a 500-year floodplain unless it fully complies with [current flood ordinances](#) and the Homebuyer agrees to purchase flood insurance on the home.
- c. Homes must be free and clear of asbestos and lead-based paint. Homes constructed prior to 1978 may be subject to additional lead-based paint inspection.
- d. The home must be considered decent, safe, and sanitary in accordance with HUD Housing Quality Standards, defined above.

D. Minimum Property Standards:

- a. The home must meet HUD Housing Quality Standards, as applied by City inspection. The home must be free from defects posing a danger to the health or safety of the occupants before transfer of ownership.
- b. HCDD requires inspection of all units receiving assistance. Prior to closing, a qualified City inspector or agent working on behalf of the City will inspect the property to determine that the property meets the applicable federal, state and or local minimum property standards. A maximum of three (3) property inspections will be conducted, after which if the home still does not meet the minimum requirements, the Homebuyer(s) must select a new property or re-apply once the required modifications have been made.

E. Maximum Contract Price:

The home's contract price should not exceed the Maximum Contract Price, as described in Section IX(D), to ensure the homes brought into HCLT's portfolio are affordable in the future.

F. Lead-Based Paint:

All pre-1978 built properties acquired through HCP must meet all applicable federal standards for lead-based paint as outlined in the HCDD New Construction Standards.

VII. Eligibility Requirements

A Homebuyer enters the program via the existing HCLT intake process as outlined in HCLT's Homebuyer Choice Program Qualification and Home Purchase Procedures (the "HCLT Program Procedures"). The Homebuyer completes all pre-offer requirements to qualify for the Program, with direct guidance and assistance from HCLT staff. These qualifications are set out in HCLT's existing mortgage and eligibility policies (provided by HCLT). Annual Household Income must be certified at or below 80% AMFI. HCDD staff and HCLT staff both review and independently certify Annual Household Income. HCLT staff collects homebuyer income documents and sends a document package to designated HCDD staff for City certification.

A. Citizen or Residency Requirement:

- The primary applicant must provide one of the following forms of proof of citizenship or permanent resident status:
 - Birth Certificate lawfully issued by a government entity in the United States.
 - Valid U.S. Passport
 - Permanent Resident Card issued by United States Citizenship and Immigration Services

B. Limited Debt Requirement:

- Homebuyer applicant and co-applicant must have limited debt (33% Front-End Debt Ratio and 45% Back-End Debt Ratio, subject to limited exceptions as defined in HCLT's Mortgage Financing Policy, and as determined by HCLT in accordance with the HCLT Program Procedures).

C. Buyer Down Payment and Savings Requirement:

- Homebuyer must demonstrate ability to bring at least \$350 in buyer's cash to closing.

D. Housing Counseling Requirements:

- Homebuyer applicant and co-applicant (if applicable) must obtain an 8-hour HUD-certified Homebuyer Education course completion certificate.⁷
- Homebuyer applicant and co-applicant must attend a HCLT Orientation course, taught by HCLT staff.
- Homebuyer must attend a consultation with an independent attorney to review the Ground Lease prior to closing. HCLT will provide referral information for free legal services to homebuyers.

E. Pre-Approval Requirement:

- Homebuyer applicant must obtain a Loan Pre-Approval letter from an HCLT-approved lender.
- A preliminary HCP Subsidy amount will be determined by HCDD staff and will be finalized before purchase of the home.

F. Real Estate Agent Representation: The applicant must be represented by a licensed Real Estate Agent in the home purchase transaction in accordance with HCLT's Buyer Representation Policy.

G. HCLT Ground Lease: At closing, HCLT must take title to the land beneath the home and the Homebuyer must sign the HCLT Ground Lease, agreeing to the Ground Lease's permanent affordability and use restrictions on the home, including the resale price formula and primary residence requirements.

VIII. Funding Requirements and Contract Terms

A. Eligible Uses of HCP Funds: Program Funds, from the TIRZ (Tax Increment Reinvestment Zone) Affordable Housing Set Aside, funding will be made available to the HCP to assist income eligible Homebuyers to acquire the improvements of either an existing or a newly constructed home and to assist HCLT to acquire title to the land beneath the home. The HCP Subsidy may be used to pay the minimal amount required for (1) Down Payment (2) reasonable buyer's Closing Costs⁸ (including the HCLT Sales Fee of \$3,500 for HCLT's Program administration) and (3) reduce the principal amount of the mortgage.

⁷ HUD maintains a database of approved Housing Counseling Agencies online at www.HUD.gov.

⁸ HCDD underwriting staff maintain discretion in determining whether involved closing costs are reasonable in the context of market rates for respective services.

B. Ineligible Uses of HCP Funds: HCP assistance may not be used to (1) pay any portion of a Real Estate Brokerage Service's or real estate agent's fee; (2) pay delinquent taxes; or (3) pay fees, charges, or Closing Costs on properties which are attributed to the seller by contract or under the closing statement.

C. Principle Resident Requirement/Permanent Affordability:

- The Homebuyer will be subject to the use and resale restrictions contained in the HCLT Ground Lease, including, but not limited to, the following requirements:
 - The property must be occupied as the Principal Residence of the Homebuyer, his or her spouse or his or her children throughout the entire term of homeownership. The Principal Residence requirement is met if the Homebuyer occupies the home for at least nine (9) months of each year.
 - If the Homebuyer desires to sell the home, they must comply with all provisions of the Ground Lease including: (a) sell the home to HCLT or another Low-Income Homebuyer as determined by HCLT and (b) sell the home for no more than the Purchase Option Price⁹ as defined in the Ground Lease. These requirements are intended to preserve the affordability of the home for Low-Income households and expand access to homeownership opportunities for such households in the future.

IX. Underwriting Criteria

Homebuyer must be able to obtain a 30-year fixed-rate mortgage for all or part of the Homebuyer Contribution amount. The program does not accept adjustable-rate mortgages (ARM) or seller-financed mortgages.

A. Debt to Income Ratio: Homebuyer applicant and co-applicant must have limited debt (33% Front End Debt Ratio and 45% Back-End Debt Ratio, subject to limited exceptions as defined in HCLT's Mortgage Financing Policy, and as determined by HCLT under the HCLT Program Procedures). HCLT will perform underwriting of the Homebuyer's mortgage and debt for compliance with the Program requirements.

B. Maximum Homebuyer Choice Program Subsidy Limits: HCP will operate under a two-tiered subsidy structure:

- Tier I subsidy: Households purchasing a home zoned to at least one A- or B-rated school¹⁰ within the City of Houston are eligible to receive "Tier I" Homebuyer Choice Program Subsidy Funds of up to \$150,000 toward the purchase of an eligible property.¹¹

⁹ The Purchase Option Price is defined in the Ground Lease as "the lesser of (a) the Appraised Leasehold Value of Home at Resale or (b) the Formula Price..." The Formula Price equals the Homebuyer's Base Price (set by HCLT based on the Homebuyer's Contribution amount, and as set forth in the Ground Lease) plus 1.25% simple interest accrued annually.

¹⁰ TEA school report cards website: <https://tea.texas.gov/texas-schools/accountability/academic-accountability/performance-reporting/school-report-cards>

¹¹ The current year's map showing the A- and B-rated schools recognized by the Program can be found at <https://mycity.maps.arcgis.com/apps/webappviewer/index.html?id=558f04db61084183b3423632dc9efc56>

- Tier II subsidy: Households purchasing in other areas of the City of Houston are eligible to receive Tier II Homebuyer Choice Program Subsidy Funds of up to \$100,000 toward the purchase of an eligible property.
- If the price of the home is less than the Maximum Homebuyer Choice Program Subsidy Limits plus the Minimum Homebuyer Contribution, then the City will reduce the amount of the HCP Subsidy to equal just the difference between the Minimum Homebuyer Contribution and the contract price of the home that has been selected, plus the Homebuyer's Closing Costs that are not to be paid directly by the Homebuyer. Funding available to the Homeowner from other sources will not reduce the City's subsidy further.

C. Minimum Homebuyer Contribution: The homebuyer must meet the Minimum Homebuyer Contribution in order to receive the Homebuyer Choice Program Subsidy. Homebuyer Contributions will reflect the Homebuyer's family AMI, and Minimum Homebuyer Contribution amounts will be based on HCLT's Affordable Pricing Policy which is intended to support its mission of providing affordable housing and will be published annually by HCLT as www.houstonclt.org.

The Homebuyer may contribute more than the Minimum Homebuyer Contribution amount in order to increase their buying power using the Homebuyer Choice Program Subsidy; however, the Homebuyer will not be permitted to obtain financing with repayment terms exceeding the Front-End Debt Ratio or Back-End Debt Ratio limits described herein and the price of the home, including land and improvements, may not exceed the Maximum Contract Price.

D. Maximum Contract Price: The contract price of the home may not exceed \$305,000.

E. First Mortgage Terms: To ensure that Homebuyers receiving HCP assistance are not subject to predatory or Unfair Lending Practices, the HCP Procedures Manual contains a written policy, reviewed and updated as needed, which describes the eligible types of first mortgage financing that can be combined with HCP Subsidy assistance. At a minimum, this shall include maximum allowable interest rate, loan-to-value ratio, and types of allowable mortgages. The Homebuyer must be able to obtain a fixed-rate mortgage (the HCP will not accept adjustable rate or seller-financed mortgages).

F. Maximum Closing Costs: To ensure that participants in HCP are not victims of predatory lending, HCDD underwriting staff maintain discretion is determining whether involved Closing Costs are reasonable in the context of market rates for respective services.

G. Property Insurance: Homebuyers must maintain property insurance, and, if applicable, flood insurance in accordance with applicable City, state and federal laws and regulations, and as may be required in these Guidelines or any related document.

X. Conflicts of Interest

Shall mean a situation, whether real or apparent, that undermines the impartiality and/or integrity of (i) any person who is an employee, agent, consultant, officer, elected official or appointed official of the City or (ii) any individual or organization receiving or administering city funds on behalf of the City who

(a) exercises or has exercised any function or responsibility with respect to activities provided by the HCP, (b) is in a position to participate in the decision-making process, or (c) gains inside information with regard to such activities. Such person or organization is therefore prohibited from obtaining a financial interest or benefit or having an interest in any contract, subcontract, or agreement with respect thereto or the proceeds thereunder, either for themselves or those with whom they have family¹² or business ties during their tenure or for one year thereafter.

XI. Complaints and Appeals

Complaints

The City of Houston Housing and Community Development Department (HCDD) welcomes feedback and complaints from any member of the public. Complaints are accepted in writing or over the telephone. Complaints will be responded to in writing within fifteen (15) business days, as practicable.

Mailing Address

Housing and Community Development
Department
2100 Travis St., 9th Floor
Houston, TX 77002
Attn: Planning & Grants Management

Email Address

HCDDComplaintsAppeal@houstontx.gov

Telephone

(832) 394-6200

HCDD Business Hours

Monday through Friday
8:00 AM to 5:00 PM

Appeals

All program participants have the right to appeal a determination made by the Housing and Community Development Department (HCDD) regarding their file within thirty (30) days of the notice of determination. Appeals are only accepted in writing. To be considered complete, an appeal must include:

- Project address
- Project number (if applicable)
- Date of appeal
- Nature of appeal

HCDD recommends, but does not require, using the Appeal Form to ensure a timely response and decision. The Appeal Form is available on our website and at our office during normal business hours.

Mailing Address

Housing and Community Development
Department
2100 Travis St., 9th Floor
Houston, TX 77002
Attn: Planning & Grants Management

Email Address

HCDDComplaintsAppeal@houstontx.gov

HCDD Business Hours

Monday through Friday
8:00 AM to 5:00 PM

Fair Housing Act

The federal Fair Housing Act prohibits the discrimination in all housing transactions based on race,

¹² Per HCDD Policy #01-040: Non-Procurement Conflicts of Interest, family members covered under this restriction include (whether by blood, marriage, or adoption) the spouse, parent (including a stepparent), child (including a stepchild), sibling (including a stepsibling), grandparent, grandchild, and in-laws of a covered person.

color, national origin, sex, religion, handicap, or familial status (having children under the age of 18). Homebuyers that feel they have been discriminated against can contact:

U.S. Department of Housing & Urban Development – Fair Housing & Equal Opportunity

Discrimination inquiries and/or complaints

800-669-9777 (Voice)

1-800-927-9275 (TTY)

HUD Local 713-718-3199 (Ask for a FHEO)

www.hud.gov/offices/fheo

City of Houston Fair Housing Hotline

832-394-6200 ext. 5

XII. Appendix A-Ground Lease

APPENDIX A
GROUND LEASE

**HOUSTON COMMUNITY LAND TRUST
GROUND LEASE**

by and between

Houston Community Land Trust

and

Dated: _____

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**HOUSTON COMMUNITY LAND TRUST
GROUND LEASE**

THIS LEASE (“**this Lease**” or “**the Lease**”) is entered into as of _____, 20____ between the HOUSTON 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-income people who would otherwise be unable to afford homeownership.
- B. A goal of the CLT is to preserve affordable homeownership opportunities for low-income households 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:

“**Base Price**” shall mean 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).

“**Event of Default**” shall mean 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.

“**Fee**” shall mean 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.

“**Home**” shall mean the residential structure and other permanent improvements located on the Leased Land and owned by the Homeowner, including both the original Home

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described in Exhibit B: Deed, and all permanent improvements added thereafter by Homeowner at Homeowner's expense.

"Leased Land" shall mean the parcel of land, described in Exhibit A: Leased Land, that is leased to the Homeowner.

"Permitted Mortgage" shall mean 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.

"Purchase Option Price" shall mean 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 X of this Lease.

ARTICLE I
HOMEOWNER'S LETTER OF AGREEMENT AND ATTORNEY'S LETTER OF
ACKNOWLEDGMENT ARE ATTACHED AS EXHIBITS.

Attached as Exhibit C: 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 II
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 A: 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 III
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 _____ and ending on _____ 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 D: Right of First Refusal. Any sale or other transfer contrary to this Section 3.3 shall be null and void.

**ARTICLE IV
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 are permitted by local codes.

4.2. **Homeowner Must Use the Home and Leased Land Responsibly 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 9 Months Each Year.** Homeowner shall occupy the Home for at least 9 months of each year of this Lease, unless otherwise agreed by CLT. Occupancy by Homeowner's child 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 VIII and Article X, 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.

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) Renters must be income eligible as defined in Section 10.2.
- c) 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, mortgage payment and utilities.

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 one regular inspection 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 V FEES

5.1. **Amount of Fees.** The Homeowner shall pay a monthly fee in an amount equal to the sum of:

- a) a Lease Fee of USD \$50.00 to be paid in return for the continuing right to possess, occupy and use the Leased Land.
- b) an Exterior Repair and Replacement Reserve Fee of USD \$50.00 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.
- c) Any of the following, should they apply:
 - a. 1/12th of the annual homeowner association dues.
 - b. 1/12th of the taxes due annually on the Leased Land.
 - c. Any special assessments or tax adjustments against the Leased Land or Home prorated over the number of months for which said assessments or adjustments apply.

5.2. **When the Fee Is to Be Paid.** The Fee shall be payable to CLT on the first day of each month for as long as this Lease remains in effect, unless the Fee is to be escrowed and paid by a Permitted Mortgagee, in which case payment shall be made as directed by that Mortgagee.

Houston CLT Ground Lease

- 5.3. **How the Amount of the Lease Fee Has Been Determined.** The amount of the Lease 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 Lease Fee has been reduced to an amount considered to be affordable for Homeowner.
- 5.4. **CLT May Reduce or Suspend the Fee to Improve Affordability.** CLT may reduce or suspend the total amount of the 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 Lease Fee and/or the Repair Reserve Fee from time to time, but not more often than annually. 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 in Houston, Texas, or, if none, for urban areas the size of Houston, Texas.
- 5.6. **Lease Fee Will Be Increased if Restrictions Are Removed.** If, for any reason, the provisions of Article X 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 Lease 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. 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 Lease Fee, provided that the amount of the Lease 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 year.
- 5.7. **If Payment Is Late, Interest Can Be Charged.** If the CLT has not received any monthly installment of the 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 the lesser of 18% or the maximum non-usurious rate permitted under Texas law. 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 Fee remains unpaid when the Home is sold, the outstanding amount of payable 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 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 VI
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 VII
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 B: 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 IV; (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; and
- 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. Exterior Repair and Replacement Reserve Fund Is Established to Support Future Repairs. The parties acknowledge that the Homeowner is responsible for all maintenance and repair of the Home, as set forth in this Lease. As an additional assurance that all Homeowners are able to comply with their maintenance and repair obligations, CLT and Homeowner agree that an Exterior Repair and Replacement Reserve Fee will be collected from each Homeowner as part of the Fee, as provided in Section 5.1(b) and held as a reserve by CLT for any significant required maintenance and repair of the roof, exterior siding, exterior paint and finishes or similar features of the Home.

The Exterior Repair and Replacement Reserve Fee shall be accounted for separately by the CLT for each Home and shall only be released by CLT at its sole discretion for each individual property for which the Exterior Repair and Replacement Reserve Fee was paid. Homeowner may request release of the funds, and CLT shall release funds at its sole discretion, if the requested use is found to be necessary and in accordance with the fund's intended use. CLT may reasonably withhold Exterior Repair and Replacement Reserve Fee funds if the requested use is for purely aesthetic exterior alterations (such as a change in paint color when existing paint is still in good condition) or to repair items damaged by neglect.

Homeowner acknowledges that the Exterior Repair and Replacement Reserve Fund is intended for, and shall remain with, the Home and not the Homeowner. In the event the Home is sold or transferred by Homeowner, the unused Exterior Repair and Replacement Reserve funds will be retained in the fund by CLT for future maintenance and repair needs to the Home and will not be recoverable by or returned to Homeowner for any purpose other than those described in Section 7.6(a). It is the Homeowner's responsibility to fund from Homeowner's resources all required maintenance and repair needs of the Home that are not, or cannot be, covered by the Exterior Repair & Replacement Reserve funds held by CLT.

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 an amount equal to the Purchase Option Price to the 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 in so far as the amount does not exceed the

Purchase Option Price. In no event shall the total amount that the CLT is required to pay Permitted Mortgages be greater than the Purchase Option Price;

SECOND, CLT shall pay the Homeowner the balance of the Purchase Option Price calculated in accordance with Article X 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 attorney's fees incurred by the CLT.

ARTICLE VIII 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;

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- f) the repayment schedule; and
- 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 90% of the then current Purchase Option Price, calculated in accordance with Article X 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 E: Permitted Mortgages, Section 3, and for which the loan secured thereby does not increase Homeowner's total mortgage debt to an amount greater than 90% of the then current Purchase Option Price, calculated in accordance with Article X below.

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 E: Permitted Mortgages, Paragraph 1 (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 E: Permitted Mortgages, Paragraph 2 (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 IX
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 \$300,000 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; and

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.

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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 X TRANSFER OF THE HOME

10.1. Intent of this Article Is to Preserve Affordability. Homeowner and CLT agree that the provisions of this Article X 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 X. All such transfers are to be completed only in strict compliance with this Article X. 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 eighty percent (80%) 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 I 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.

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.

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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 Leasehold Value of the Home 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 Leasehold Value of Home at Resale 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. If CLT Believes Leasehold Value May Be Less than Formula Price. If CLT believes that the leasehold value of Home at Resale may be less than the Formula Price, CLT may, within 14 days of receiving Homeowner's Notice of Intent to Sell, commission a market leasehold valuation of 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 fee simple properties 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.

10.10. **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 simple interest of 1.25% accrued 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 X. 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 Lease Cancellation 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 lease cancellation 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 5% 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 licensed Home Inspector 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.

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. Also, upon Homeowner's written request, CLT may, at its discretion, agree to release funds from the Exterior 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.

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.

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 XI
RESERVED**

**ARTICLE XII
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 (Non-monetary) 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.

12.4.1. 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 VIII above and the attached Exhibit E: 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.

12.4.2. 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 X 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 XIII
MEDIATION AND ARBITRATION**

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.

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 XIV
GENERAL PROVISIONS**

14.1. **Homeowner's Membership in CLT.** The Homeowner under this Lease shall automatically become a regular voting member of the CLT if the Board of Directors of the CLT moves to amend its Bylaws to become a membership organization.

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:

Houston Community Land Trust
Attn: Housing Director
P.O. Box 8056
Houston, Texas 77004

If to 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.

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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 upon the termination of the period of the rule against perpetuities applicable to this Lease.

14.5. **Right of First Refusal in Lieu of Option.** If the provisions of the purchase option set forth in Article X 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 D: Right of 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.

Houston CLT Ground 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 Texas. 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 Memorandum 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.

[Signatures on following pages.]

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

CLT:

HOUSTON COMMUNITY LAND TRUST,
a Texas non-profit corporation

By: _____
Name: _____
Title: _____

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

Before me, the undersigned authority, on this day personally appeared _____, _____ of HOUSTON COMMUNITY LAND TRUST, a Texas non-profit corporation, who acknowledged the foregoing as the act of said non-profit corporation and for the purposes and consideration expressed in the foregoing instrument.

Given under my hand and seal of office on the ____ day of _____, 2019.

Notary Public in and for the State of Texas

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HOMEOWNER:

[Full Name]

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the ____ day of _____,
2019 by _____.

Notary Public in and for the State of Texas

[Full Name]

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the ____ day of _____,
2019 by _____.

Notary Public in and for the State of Texas

Exhibit A
Leased Land

[to be inserted.]

Exhibit B
Deed

Notice of Confidentiality Rights: If you are a natural person, you may remove or strike any or all of the following information from this instrument before it is filed for record in the Public Record: your Social Security number or your Drivers' License number.

Special Warranty Deed for Sale of Improvements Only with Vendor's Lien

Date: _____, 20__

Grantor:

Grantor's Mailing Address (including county):

Grantee: _____

Grantee's Mailing Address (including county):

City of Houston, Harris County, Texas _____

WHEREAS, Grantor is transferring the land described in Attachment A hereto (the "**Land**") upon which the improvements described in Attachment A hereto (the "**Improvements**") are located to Houston Community Land Trust ("**Land Trust**") by means of a Special Warranty Deed dated of even date herewith;

WHEREAS, Houston Community Land Trust will lease the Land upon which the Improvements are located to Grantee by means of a ground lease (the "**Land Lease**");

WHEREAS, the goal of Land Trust is to provide affordable homeownership opportunities for low-income people; and

WHEREAS, Land Trust meets its goal of providing affordable homeownership opportunities for low-income people through resale restrictions and other restrictions set forth in the Land Lease.

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NOW, THEREFORE, Grantor, in consideration of the amount of TEN DOLLARS (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by Grantor, grants, sells, and conveys to Grantee the Improvements (as described on Attachment A attached hereto) only, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold to Grantee and Grantee's heirs, successors, and assigns forever. Grantor and Grantor's heirs, executors, administrators, and successors are hereby bound to warrant and forever defend all and singular the Improvements to Grantee and Grantee's heirs, successors, and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof by, through or under Grantor, but not otherwise.

As additional consideration for this conveyance of the Improvements to Grantee, Grantee has executed and delivered to _____ ("Lender") that certain Promissory Note dated _____, 2019 in the original principal sum of _____ payable to the order of Lender and secured in part by a vendor's lien and superior title retained in this Deed and additionally secured by a Deed of Trust dated _____, 2019 executed by Grantee to _____, as trustee, covering the Improvements (the "Note").

The vendor's lien together with the superior title are hereby transferred and assigned, without recourse to Lender, its successors and assigns, who has advanced and paid in cash to Grantor a portion of the purchase price for the Improvements which is evidenced by the Note. It is expressly agreed that the vendor's lien, as well as the superior title in and to the Improvements, is retained against the Improvements until the Note and all interest thereon are fully paid according to the face, tenor, effect and reading thereof, at which time, this deed shall become absolute.

IT IS THE INTENTION OF THE PARTIES THAT THE LAND UPON WHICH THE IMPROVEMENTS ARE LOCATED SHALL BE VESTED IN HOUSTON COMMUNITY LAND TRUST AND THAT THIS INSTRUMENT CONVEYS ONLY THE IMPROVEMENTS.

When the context requires, singular nouns and pronouns include the plural.

Attachments to the Special Warranty Deed for Sale of Improvements Only with Vendor's Lien:

Attachment A: Description of the Improvements

[Signatures on following pages.]

GRANTOR:

By: _____
Name: _____
Title: _____

GRANTEE:

Name: _____

GRANTOR'S ACKNOWLEDGEMENT

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on _____,
20____, by _____, _____ of:

Notary Public, State of Texas

GRANTEE'S ACKNOWLEDGEMENT

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on _____,
20____, by _____.

Notary Public, State of Texas

ATTACHMENT A
DESCRIPTION OF THE IMPROVEMENTS

[to be inserted]

Exhibit C
Letters of Agreement and Attorney's Acknowledgment
LETTER OF AGREEMENT

To: Houston Community Land Trust "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,

Letter of Attorney's Acknowledgment

I, _____, have been independently engaged by _____
_____ (hereinafter "**the Client**") who intend(s) to purchase a house
and other improvements (the "**Home**") on land to be leased from Houston 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.

Name: _____ Date: _____

Title: _____

Firm/Address: _____

Exhibit D
Right of 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:

1. Offering Party shall give written notice of such offer ("**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 ("**Election Period**") within which to exercise the right of first refusal by giving notice of intent to purchase the property ("**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.

2. 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.

3. 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.

Exhibit E
Permitted Mortgages

The rights and provisions set forth in this Exhibit C 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.

1. **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.
 - 1.1. 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.
 - 1.2. 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.
 - 1.3. 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.
 - 1.4. 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.
 - 1.5. 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.

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- 1.6. 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.)
 - 1.7. 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 IX hereof.
 - 1.8. 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.
2. **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.
- 2.1. 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.
 - 2.2. 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.
 - 2.3. 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.
 - 2.4. 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.

- 2.5. 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.
- 2.6. 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.
- 2.7. 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 X, 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.
- 2.8. 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.

3. **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.

“Standard Permitted Mortgage Agreement

This Agreement is made by and among _____
(Mortgagee) and _____ (“Homeowner”).

Whereas:

A. Houston 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 Mortgage 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

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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 IX 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/Mortgagor

Date: _____”