

Conventional Loan

Leasehold Estate Evaluation Checklist

A leasehold estate is a form of ownership in which a lessee holds rights of real property by title from a lessor or landlord for a given length of time. CMG will permit leasehold estates in areas in which this type of property ownership has received market acceptance. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. Condos, manufactured homes, and properties on Indian land are not eligible for financing with CMG when located on a leasehold estate.

- The leasehold estate and the improvements constitutes real property, is subject to the mortgage lien, and is insured by the title policy.
- The term of the leasehold estate runs for at least five years beyond the maturity date of the mortgage, unless fee simple title vests at an earlier date in the borrower, a homeowners' association, or a co-op corporation. (For DU Refi Plus loans, this is the only requirement.)
- The lease provides that the leasehold can be assigned, transferred, mortgaged, and sublet an unlimited number of times either without restriction or on payment of a reasonable fee and delivery of reasonable documentation to the lessor. The lessor does not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee, or sub-lessee.
- The lease provides for the borrower to retain voting rights in any homeowners' association and that the borrower will pay taxes, insurance, and homeowners' association dues related to the land in addition to those he or she is paying on the improvements (if applicable).
- The lease is valid, in good standing, and in full force and effect in all respects.
- The lease does not include any default provisions that could give rise to forfeiture or termination of the lease, except for nonpayment of the lease rents.
- The lease includes provisions to protect the mortgagee's interests in the event of a property condemnation.
- The lease provides CMG with the right to receive a minimum of 30 days' notice of any default by the borrower, and the option to either cure the default or take over the borrower's rights under the lease.
- All lease rents, other payments, or assessments that have become due are paid.



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- The borrower must not be in default under any other provision of the lease nor may such a default have been claimed by the lessor.
- If the option to purchase fee interest is included in the lease, lease complies with land purchase price requirements (see CMG Conventional Guidelines Table J-4-A: Land Purchase Price Requirements for Option to Purchase Fee Interest).
- The following fields are completed in DataTrac:
 - PROP 1 Tab – Property rights/Estate shown as leasehold.
 - (If escrows required) Doc 1 Tab- Impounds section - “Leasehold” chosen and correct disbursement information input
 - (If escrows required) PROP 5 Tab – Property insurance – additional insurance information. Type left blank and name, address, last paid, and next due date entered. No policy number and Coverage amount required.
 - UND 3 – Qualification details. Monthly payment due included in this section.

Underwriter: _____ Date: _____