

YOUR HOSTS



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**You're
muted**

DISCLAIMER

- This training is for Mortgage Professional Use Only
- Information contained within this training is subject to change



ACCESSORY DWELLING UNIT (ADU) TRAINING

AGENDA

What defines an ADU

Examples of an ADU

How much value does it add to a home

Where are they most popular

Average cost to add an ADU

Eligible Property Types & Transaction Types

Program Comparison

Rental Income Allowances

Manufactured Homes

Zoning & Appraisal Requirements

How to become an Approved Broker

What defines an ADU?

Has the following attributes:

- Kitchen
- Bathroom
- Separate Entrance
- Independent of Primary Dwelling
- Smaller than Primary Dwelling
- Contributes Less to Value



Kitchen Requirements



- Cabinets
- A countertop
- A sink with running water; and
- A stove or stove hookup* (*hotplates, microwaves, or toaster ovens are not acceptable stove substitutes*)

**Loans sold to Freddie Mac do not require a stove or stove hookup*

Examples of ADUs

Can include, but not limited to:

- A living area over a garage
- A living area in a basement
- A small addition to the primary dwelling
- A manufactured home (legally classified as real property)



How much value does it add to a home?

- There are an estimated 1.5 million Accessory Dwelling Units (ADUs) in the United States, making up roughly 2% of all homes in the country
- ADUs are growing at a rate of 9%, or 100,000 per year
- An average cost of an ADU is \$180,000, or \$260 per square foot
- In America's biggest cities, ***a home with an ADU is priced 35% higher on average than a home without one***

ADUs in 2021 by the Numbers

Key stats on the state of accessory dwelling units in America



1.5 million

Estimated number of ADUs in the United States



+8.6%

Average annual growth rate of ADUs



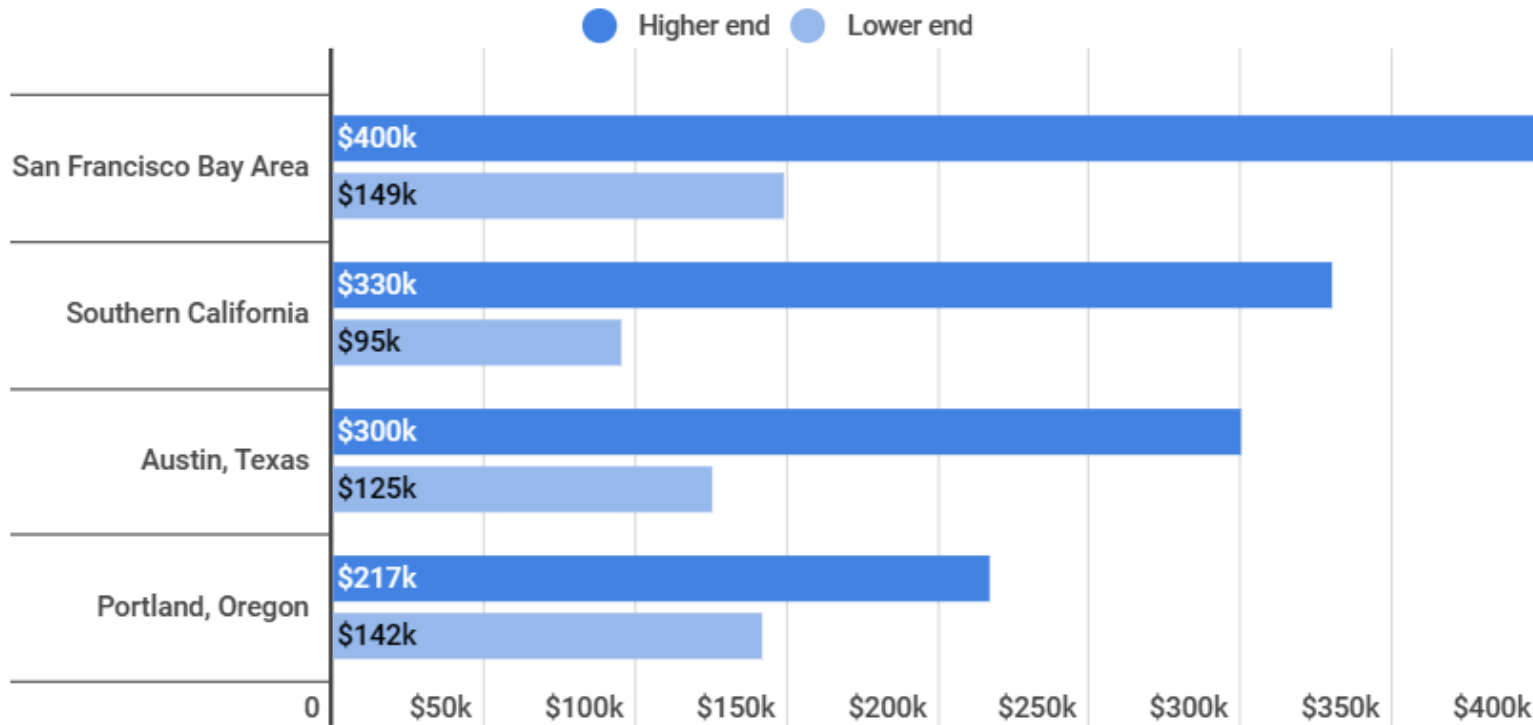
2%

Share of American homes with an ADU

Source of information: <https://porch.com/advice/state-of-adu-market>

How much value does it add to a home?

Estimated costs of building an ADU by location



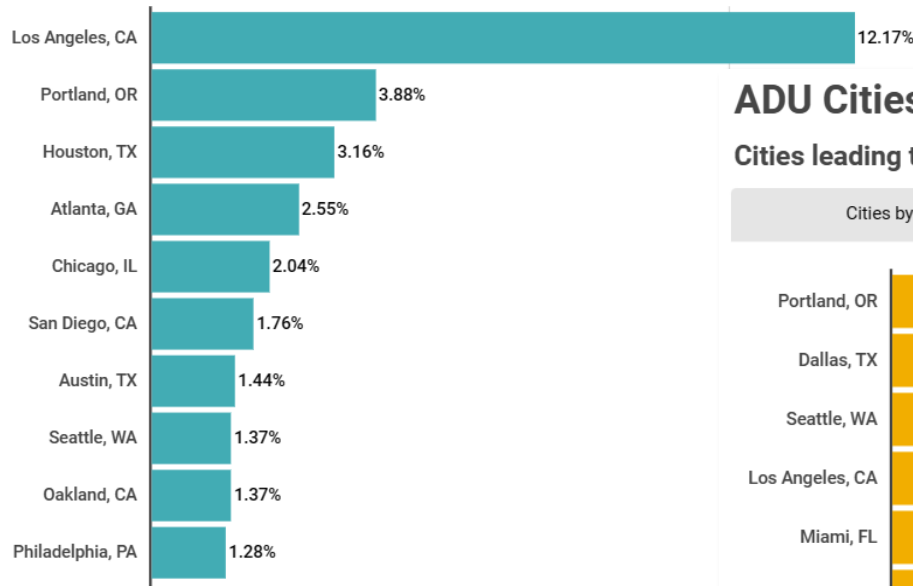
Where are ADUs Most Popular?

ADU Cities: Where are ADUs Most Popular?

Cities leading the way in accessory dwelling units

Cities by % of all ADUs in the U.S.

Cities by yearly ADU growth

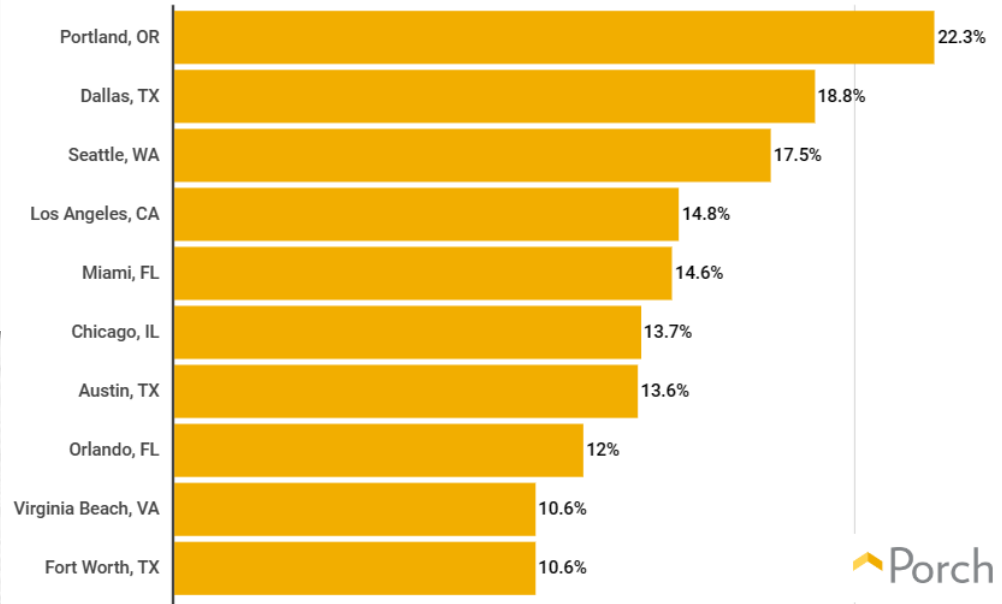


ADU Cities: Where are ADUs Most Popular?

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ADU Eligible Property & Transaction Types

Eligible

- Primary Residence
- Second Home
- Investment Property
**Income may only be used from the primary unit*
- Purchase or Refinance
- 1 unit (+1 ADU)
- 2-3 units (+1 ADU)
**FREDDIE MAC ONLY*

Not Eligible

- Properties with more than 1 ADU
- 4-unit properties with an ADU
- Manufactured Homes with an ADU

Program Comparison

Fannie Mae, FHA, VA & NonQM	Freddie Mac
Not permitted on 2-3-unit properties	Permitted on 2-3-unit properties
Must have stove or stove hookups in the kitchen of the ADU	Does not describe what type of appliance is required for cooking food (i.e., stove, microwave oven).

Rental Income from an ADU on a 1-unit Primary Residence

Program	Key Differences
Fannie Mae	<ul style="list-style-type: none">Allows for the use of rental income on the HomeReady Program only
Freddie Mac	<ul style="list-style-type: none">Allows for use of rental income on purchase and no cash out only
FHA	<ul style="list-style-type: none">Allows for use of rental income on purchase and no cash out only
VA	<ul style="list-style-type: none">Does not allow for use of rental income
NonQM	<ul style="list-style-type: none">Allows for the use of rental income for all NonQM programs

Rental Income Guidelines must be followed for each product

Manufactured Homes as ADUs

- Minimum of 400 square feet
- 1-unit property
- Be legally classified as real property
- Main property cannot be a manufactured home
- Must meet property eligibility requirements



Zoning Requirements



- Should always be considered legal
- If legal non-conforming due to predating the adoption of local zoning, the property is eligible under the following conditions:
 - Must confirm the existence will not jeopardize any future insurance claims
 - The appraisal requirements must be met

Appraisal Requirements

If zoning compliance for the ADU is illegal (1 unit only)

- Must be described in the site section
- Must have 2 comparable sales with illegal zoning
- Confirm existence of illegal ADU will not jeopardize future hazard insurance claims

It is recommended that at least one comparable has an ADU

The appraiser is required to include the following in the report:

- General condition
- Square feet of finished area
- Total # of rooms
- # of bedrooms
- # of bathrooms
- ADU is allowed per zoning & land use requirements

Properties receiving rental income from ADU (***Cannot use an Appraisal Waiver***)

- Rental analysis in narrative form or separate rent schedule
- 3 comparable rentals; at least one comparable with a rented ADU
- FHA's allowance of income has some different appraisal requirements for the ADU. Refer to FHA guidelines for additional information.

How to Become an Approved Broker?

Our Website: myndm.com

Get Approved

STEP 01

Please complete these two forms, so we can create your logins.
Once this is completed, you will be able to start submitting.

[Compensation Form](#)

[Contact Form](#)

Send Forms once complete to:

ApprovalDesk@myndm.com

If your company wishes to partner, we welcome you to complete our application by clicking on the button below. Thank you for considering Nations Direct Mortgage.

[Broker Package](#)

[Branch Addition Form](#)

[Express DSCR Addendum](#)

[Annual Recertification Agreement](#)



Thank You