

ADU FINANCING OPTIONS



Here are (5) five financing options to consider when trying to figure out how to fund building your Accessory Dwelling Unit (ADU) on your property.

(The loan options listed below are based on prefab modular and manufactured home projects. Not traditional stick built ADUs.)

- 1) Refinance your existing mortgage with a mortgage company or bank that will allow you to fund the entire construction based on a "Subject To Appraisal" for the projected estimated value of your property after your project is completed. Your final mortgage amount would be the total cost of the project added to your current mortgage payoff.

**For clarification this is not the same as a Cash-Out Refinance based solely on the current available equity of your house.*

- 2) HELOC (Home Equity Line of Credit) is a viable option if you have enough equity in your property to fund the entire ADU project. The bank or lender providing the HELOC will typically have an LTV limit of how much they will allow you to obtain a HELOC amount for against your property.
- 3) You can obtain a Home Only loan (aka Chattel loan). This type of financing will allow you to fund the following items but not the entire project, so you would have to figure out a way to fund the remaining cost of the ADU site work (permits, water/well, sewer/septic, electric, etc....) out of pocket.
 1. House w/ Delivery
 2. Set on Foundation & Install (Interior & Exterior Finish)
 3. Connect to Utilities
 4. Simple Foundation (Concrete Runners or Blocks) **Not Crawlspace or Basement*
- 4) Using the combination of a Home Only loan (aka Chattel loan) and also obtaining an Unsecured Loan to complete all of the required Site Improvements that the Home Only loan doesn't cover. This would be two separate loans from two separate companies. However, if you have limited cash options but have solid credit and income this would be the perfect solution for you.
- 5) You can get approved for a standard Cash Out Refinance based on the current available equity of your house. This loan does have similar LTV (Loan to Value) limits to the HELOC, but this is also an option if you have the available equity to complete the entire project. Saved this for last because this is the most considered option.

**If you are interested in learning more or want the lenders information that offer the options above please feel free to reach out to me. Due to privacy and legal reasons, I do not provide their names on this form.*