

# Accessory Dwelling Unit (ADU) Appraisal Report Checklist

Freddie Mac's ADU policies allow one ADU on a 1-, 2-, and 3-unit property and permit ADU rental income generated from a subject 1-unit primary residence on a purchase or refinance mortgage. This resource provides a summary of appraisal requirements that must be met for mortgages secured by properties with an ADU. Refer to the *Freddie Mac Single-Family Seller/Service Guide* (Guide) [Section 5601.2](#).

## THE BASICS

Only one ADU is allowed on 1-, 2- and 3-unit properties. An ADU can be part of the main home, such as, a converted basement space or an addition; above a garage, or a detached structures built on the main home's lot.

An ADU is an additional finished area that:



✓  
Includes a kitchen



✓  
Includes a bathroom



✓  
Includes a separate entrance



✓  
Smaller in size than primary dwelling unit



✓  
Independent of the primary dwelling unit



✓  
Contributes less to the value of the property than the primary dwelling unit

**Note:** Updates have been made to this resource in support of the ANSI Standard for measuring finished and unfinished areas of certain 1-unit properties effective November 2, 2023. Refer to Guide Bulletin [2023-15](#).

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# Checklist and Best Practices

Use the following checklist and best practices when reviewing an appraisal report with an ADU.

Subject Property																							
Topics																							
<b>1. ADU Characteristics</b>	<b>Yes</b>	<b>No</b>																					
Does the ADU meet Freddie Mac's definition. (Use the <b>Characteristics Checklist</b> below to indicate 'Yes' or 'No'. Also refer to the <a href="#">ADU FAQs</a> for more information).																							
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<p>If all responses are 'Yes' the ADU meets Freddie Mac's definition.          If any of the responses above are 'No', the ADU does not meet Freddie Mac's definition.</p> <p><b>Note:</b> Zoning and land use requirements must also be considered, as well as, all property characteristics, specifically the unit's utility and the property's highest and best use.  <b>Note:</b> The appraiser should use the blank fields in the Sales Comparison Approach section of the report to capture the characteristics of the ADU.</p>																							
<b>2. ADU Zoning Compliance: Refer to the Site Section</b>	<b>Yes</b>	<b>No</b>																					
<p>(a) If, <b>Legal, Non-Conforming or No Zoning</b></p> <p>Is there at least 1 comparable sale with an ADU to demonstrate the property's conformity and marketability to its market area*.</p> <p>*If a recent comparable sale with an ADU is not available in the subject neighborhood, did the appraiser use an older sale with an ADU from the subject neighborhood or a sale with an ADU from a competing neighborhood as a comparable sale to support the ADU's marketability? If one is not available, did they use a comparable sale in the subject neighborhood without an ADU, as long as the appraiser can justify and support such use in the appraisal report?</p>																							
<p>(b) If, <b>Illegal Zoning</b></p> <p>Is there at least 2 comparable sales with an ADU that are also zoned illegal to demonstrate the marketability of the subject property to its market area.</p> <p><b>Reminder:</b> If the zoning compliance for the ADU is illegal, the subject property must be a 1-unit property.</p>																							



**Bottomline:** The appraisal report must develop a credible opinion of market value for the property.



## Rental Income Generated From the ADU

Additional appraisal requirements must be met when rental income generated from the ADU is used to qualify the borrower. Use the following checklist to determine if these requirements are met.

Subject 1-Unit Primary Residence		Yes	No
<b>1</b>	Is the rental analysis of the ADU provided in narrative form or as a separate rent schedule (e.g., Single-Family Comparable Rent Schedule Form 1000)?		
<p>The image shows two forms: a 'Uniform Residential Appraisal Report' and a 'Single-Family Comparable Rent Schedule' form. The latter is a table with columns for 'Subject', 'Comparable No. 1', 'Comparable No. 2', and 'Comparable No. 3', and rows for 'Address', 'Proximity to Subject', and 'Date Lease Begins'.</p>			
<b>2</b>	Does the appraisal report indicate the ADU is allowed per zoning and land use requirements (i.e., legal, legal non-conforming, no zoning)?		
<b>3</b>	Does the Sales Comparison Approach section include at least one comparable sale with an ADU?		
<b>4</b>	Is there a minimum of 3 comparable rentals to support the opinion of market rent applicable to the ADU?		
<b>5</b>	Is the following information provided on the ADU in the report:		
	<ul style="list-style-type: none"> <li>General condition</li> </ul>		
	<ul style="list-style-type: none"> <li>Square feet of finished area</li> </ul>		
	<ul style="list-style-type: none"> <li>Total number of rooms</li> </ul>		
	<ul style="list-style-type: none"> <li>Number of bedrooms</li> </ul>		
	<ul style="list-style-type: none"> <li>Number of bathrooms</li> </ul>		
<b>6</b>	If the appraiser has identified an ADU, confirm the "Accessory Unit" box has been checked on the appraisal report.		

For any 'No' response, obtain the additional information.



**Reminder:** Confirm consistency of ADU data throughout the appraisal report, e.g., comments, building sketch and pictures.



## Did You Know

1. What does it mean that the ADU must be independent from the primary dwelling unit?

↳ In this context it refers to the ADU being self-contained and having its own separate entrance. An ADU may or may not share utilities and common walls with the primary dwelling unit.

2. Does an ADU need to have a separate entrance independent of the primary dwelling unit?

↳ Yes. Freddie Mac requires an ADU to have a separate entrance. Freddie Mac considers an ADU to be an additional living area that is independent from the primary dwelling unit and includes at least a kitchen, a bathroom, and a separate entrance.

3. Does Freddie Mac require an ADU to have a bedroom?

↳ No. Freddie Mac does not require an ADU to have a bedroom. Freddie Mac will provide financing for properties where the ADU is an efficiency unit.

4. Can the ADU be ignored or simply provide no value for the ADU when appraising a property with an ADU?

↳ The appraiser's analysis must be documented in the appraisal report and conclude whether an adjustment is supported for the ADU. If the analysis of comparable data (i.e., comparable sales, contract or pending sales and/or current listings) with an ADU indicates there is no market reaction to an ADU in that market area, the appraiser may reflect no value for the ADU. However, to simply ignore the ADU due to a lack of comparable sales is not an acceptable appraisal practice. The appraisal report must justify and support the appraiser's analysis and conclusions.

5. Can an ADU be a manufactured home?

↳ Yes, if certain requirements are met.

- It must be legally classified as real property.
- Minimum of 400 sq ft of finished area and meet HUD Codes for manufactured homes
- Must meet the property eligibility requirements of Guide Section 5703.2 and titling and requirements of Section 5703.7.

**Note:** An ADU cannot be a manufactured home if the subject property is a manufactured home, unless the subject property is a CHOICEHome®

## Resources



[Webinar](#)



[Online Reference Tool](#)



[Job Aid](#)



[FAQs](#)

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