



# ➤ Accessory Dwelling Units

More Space, More Income,  
More Choice

Whether your borrowers refer to them as guest houses, in-law quarters, casitas or tiny homes, accessory dwelling units (ADUs) are in demand and can solve for many modern housing concerns. They provide independent living space for family members, an opportunity to house a tenant for rental income or simply extra living space for homeowners. Freddie Mac allows the financing of properties with ADUs through all our mortgage offerings, giving your borrowers the flexibility to finance, refinance, build or renovate an ADU.

## Key Borrower Benefits

- Offers independent housing within a property's existing footprint, often requiring minimal construction without the need to purchase additional land.
- Can be a part of the main home, such as a converted basement or above-garage unit, or a detached structure on the main home's lot.
- Enables borrowers to apply rent earned from an ADU toward mortgage payments or home upkeep to help sustain homeownership.
- Offers more space for multigenerational households.
- Provides homeowners with office space for remote work.
- Adding an ADU may increase long-term property value.
- May help borrowers qualify for home financing on their subject 1-unit primary residence by using ADU rental income (refer to *Single-Family Seller/Service Guide (Guide) Chapter 5306*) or on their subject 1-unit investment property or non-subject investment property by using ADU rental income (refer to Guide *Chapter 5306*).

## Key Seller Benefits

- Apply our ADU Guide requirements to all Freddie Mac mortgage products including but not limited to our affordable offerings.
- Meets market demand by offering borrowers more financing options on their purchase or renovation of properties with ADUs.
- Allows borrowers purchasing or refinancing to use Freddie Mac's CHOICERenovation® mortgage for constructing a new ADU or renovating an existing one.
- Grow your client base with ADU additions or renovations.

## ADU REQUIREMENTS

### Property Type / Eligible Properties

- One ADU is allowed on 1-, 2- and 3-unit properties.
- An ADU on a 1-, 2- or 3-unit property must comply with the zoning and land-use requirements in the jurisdiction in which it is located. The zoning compliance must either be legal, legal non-conforming or locations with no zoning.
  - **Exception:** An ADU on a 1-unit subject property that does not comply with the zoning and land-use requirements (illegal zoning) may be eligible under certain conditions.
- ADUs that are manufactured homes are allowed under certain conditions.

### Eligible Mortgage Products

- Any Freddie Mac mortgage offering is eligible, provided the mortgage meets all underwriting requirements for that offering.

### Loan Purpose

- Purchase
- Cash-out refinance
- No cash-out refinance
  - Note that CHOICERenovation® provides an option to use a "no cash-out" refinance mortgage to pay off short-term financing that financed ADU renovations, including the addition or renovation of an ADU that is completed prior to the note date.



## Appraisal Requirements

- The comparable sales requirements for properties with an ADU differ depending on whether the property complies with the zoning and land-use requirements. Refer to Guide [Section 5601.2](#) for zoning compliance and corresponding comparable sales requirements.
  - Refer to ADU rental income requirements below for comparable sale and comparable rental requirements when rental income from an ADU on the subject 1-unit primary residence is used to qualify.

## Additional Requirements

- For rental income requirements for an investment property, refer to Guide [Chapter 5306](#).
- For rental income requirements for a Home Possible® mortgage, refer to Guide [Section 4501.6\(a\)](#).

## ADDITIONAL ADU REQUIREMENTS WHEN RENTAL INCOME FROM AN ADU ON A SUBJECT 1-UNIT PRIMARY RESIDENCE IS USED TO QUALIFY THE BORROWER (refer to Guide [Chapter 5306](#))

### Loan Purpose

- Purchase
- “No cash-out” refinance



## Rental Income From the ADU

- Rental income that is documented with a lease must not exceed 75% of the lease amount.
- Qualifying rental income cannot exceed 30% of total income used to qualify.

## Appraisal Requirements

- An appraisal report is required. If an automated collateral evaluation (ACE) appraisal waiver is offered by Loan Product Advisor® (LPA<sup>SM</sup>), it is not acceptable.
- The Sales Comparison Approach section must include at least one comparable sale with an ADU.
- The ADU rental analysis must include:
  - A minimum of at least three comparable rentals supporting the opinion of market rent.
  - At least one of the comparable rentals must include a rented ADU.
- The appraiser must give a description of the ADU to include:
  - General condition of the unit.
  - Square feet of finished area.
  - Total number of rooms, including number of bedrooms and bathrooms.
- The ADU must be allowed per zoning and land use requirements (i.e., legal, legal non-conforming, no zoning).
- Rental income from an illegal ADU may not be used to qualify.

## Landlord Education

- At least one qualifying borrower must participate in landlord education for purchase transactions unless the borrower has:
  - A minimum of one year of investment property management experience, or
  - ADU rental management experience

## Delivery Requirements

Sellers must deliver the valid value of “J66” for ULDD Data Point Investor Feature Identifier (Sort ID 368) for a mortgage with rental income from an ADU on a subject 1-unit primary residence.