

**Mortgage Tidbits**



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**Accessory Dwelling Units and Conventional Financing**

An Accessory Unit or Accessory Dwelling Unit is defined as a separate, smaller dwelling that is located on the same lot as a primary residence. They are becoming increasingly popular within the last few years as they can provide additional income or extra living space! Of course, with these dwellings come rules and guidelines to follow. Let’s take a look at what Fannie & Freddie say about these units!

First and foremost, accessory units located on a lot with a 2–4-unit residence are not eligible for conventional financing. Only one ADU is permitted on a lot with a primary residence for conventional financing.

**General Requirements:**

* Be smaller in size than the primary residence
* Must have a separate entrance
* Must have a kitchen
* Separate sleeping area
* Bathroom & bathing facilities must be located in the ADU

**Kitchen:**

Now that you know the ADU must have a kitchen separate from the primary dwelling , here are some general kitchen requirements:

* Cabinets
* Countertops
* Sink with running water
* A stove or at minimum a stove hookup

Some common examples of an ADU include:

* A living area over a garage
* A living area in the basement
* A small addition to an already existing primary residence

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