Hello there!
Welcome to the Webinar
How to Finance Your ADU
For Homeowners in Napa & Sonoma Counties
Zoom Logistics

Spanish Interpretation
(Interpretación al español)

Audience Q&A

Interactive polls
Renée J. Schomp
Director
Napa Sonoma ADU Center

ADU Questions:
https://napasonomaadu.org/stay-in-touch

Email:
info@napasonomaadu.org

Phone:
707.804.8575
• Napa Sonoma ADU Center
• Overview: ADU financing
• Meet local financing experts
• Audience Q&A
What are your ADU goals?

- Rental income
- Housing for a family member
- Helping out the community (e.g., housing a teacher)
- Housing for someone with special needs
- Planning for retirement
- Increased resale value for downsizing/moving into the ADU
- Housing domestic help (e.g., an au pair)
- Help with chores or to watch over things when you are away
- Housing an in-home caregiver
Benefits of ADUs

- Flexibility
- Family
- Financial Security

See page 7 of our ADU workbook for more!
About the Napa Sonoma ADU Center

We’re a nonprofit here to help Napa & Sonoma County homeowners build ADUs.
ADUs: Increasing in Popularity
Napa & Sonoma Counties

2015
85 ADU permits issued

2016
106 ADU permits issued

2017
144 ADU permits issued

2018
314 ADU permits issued

2019
299 ADU permits issued
154 final inspections

*Source: California Dept. of Housing & Community Development
● ADU calculator
● City rules
● Address Lookup Tool
● ADU Workbook
● Stories & floor plans
● Webinars
● Vendor registry
● Newsletter & social media
Napa Sonoma ADU support for homeowners

- Contact Us:
  https://napasonomaadu.org/stay-in-touch
- Phone:
  707.804.8575
ADU Feasibility Consults

#1 Questionnaire

#2 Prescreening

#3 Hour-long site visit

#4 ADU Feasibility Report

Sign up on our website:
napasonomaadu.org/consultations
What are your ADU concerns?

- Cost
- Difficulty of permit approval
- Difficulty of construction management
- Privacy
- Site constraints
- Challenges of renting and managing the ADU
- Conflict with neighbors
- Scrutiny from planning and permitting department
Caleb Smith
Chair, ADU Finance Committee
Casita Coalition
### Four ADU Financing Categories

<table>
<thead>
<tr>
<th>Existing Assets</th>
<th>Existing Home Equity</th>
<th>Existing Income</th>
<th>Experimental Products</th>
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<tbody>
<tr>
<td>Cash</td>
<td>- Mortgage Refinance</td>
<td>- Renovation Loans</td>
<td>- Ground Lease Agreement</td>
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<td>- 401(k) loan</td>
<td>- Second Mortgage</td>
<td>- Construction Loans</td>
<td>- Shared Equity Agreement</td>
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<td>- HELOC</td>
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<td>- Reverse Mortgage</td>
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<td>Private Money</td>
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Private Money
- Renovation Loans
- Construction Loans
- Personal Loans
- Ground Lease Agreement
- Shared Equity Agreement
Key Terms

- Debt to Income Ratio
- Credit Score
- Home Equity/Loan to Value
Financing Category 1

Options with Existing Home Equity
Get a new mortgage to replace your existing mortgage

**Pros**
- Low- sometimes lowest- interest rates available.
- If your existing mortgage interest rate is high, you could save money by lowering that rate.
- Lock in your rate.

**Cons**
- Less promising idea if your existing mortgage rate is lower than today’s rates.
- All your money comes in one lump
- Can involve more paperwork/attention than other options
Add a new mortgage on top of your existing mortgage

Pro
- Keeps your existing rate if your primary mortgage has a lower rate than those currently offered.
- Fees may be lower than refinance.
- Lock in your rate.

Cons
- Less promising idea if your existing mortgage rate is higher than today’s rates.
- All your money comes in one lump.
Borrow against home equity on your schedule - like a credit card

Pros

● You don’t start paying interest until you decide to tap your HELOC.
● You can stop tapping into the HELOC when you finish the project - you don’t have to worry about borrowing too much.
● Might avoid repaying principal until after ADU is complete

Cons

● Often have variable interest rates
● Can be tapped for other purposes - so strong discipline is needed.
Financing Category 2

Options with Existing Income
A loan based on the future value of the home plus ADU

Pros
- You might qualify based on future value of ADU
- Bank won’t release the funds until work is completed on schedule, which is an extra safeguard

Cons
- Previous home equity options have lower interest rates
- There is often a time limit on your project
- ADU appraisals vary, so this might not be a good fit for interior conversion ADUs/JADUs
A special mortgage that includes money for repairs/upgrades

Pros
- Very high Loan to Value ratios (above 95%)
- Can (in theory) buy a property and build ADU with one loan.

Cons
- Conventional mortgages may have lower rates.
- Loans for single family homes capped at $822,375 in 2021 (but varies by county).
- There is a time limit on your project.
- There may be more paperwork than some other kinds of loans
Financing Category 3

Experimental Products
New approaches that are not yet common

Pros
- May qualify homeowners who cannot access other options.
- No monthly payments

Cons
- Unregulated!
- Limited availability
- Less flexible than other options
- May be more expensive
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<tr>
<th>High Home Equity</th>
<th>High Income</th>
<th>Low Income</th>
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<tr>
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<td>2. Home Equity Line of Credit (HELOC)</td>
<td>2. Ground lease agreement</td>
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<td>3. Second mortgage</td>
<td>3. Home Equity Line of Credit (HELOC)</td>
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<td>4. Renovation loan</td>
<td>4. Reverse mortgage</td>
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<td>5. Private money</td>
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<td>6. Shared appreciation/ equity product</td>
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<table>
<thead>
<tr>
<th>Low Home Equity</th>
<th>Low Income</th>
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<td>1. Construction loan</td>
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<td></td>
<td>2. Renovation loan</td>
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<td>3. Existing cash/assets</td>
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<td></td>
<td>4. 401(k) loan</td>
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<td>5. Renovation loan</td>
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<tr>
<td></td>
<td>1. Existing cash/assets</td>
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<tr>
<td></td>
<td>2. Renovation loan (maybe)</td>
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Lindsay Moon
Licensed broker and builder
Searchlight Lending

- Email: lindsay@searchlightlending.com
- Phone: 415.819.3794
First mortgage refinancing

- Cash-out refinancing = competitive rates
- Must have equity
- Refinance once project completed
- Different loan options for self-employed/those with unique income
- Rates are low -- have a broker review your current rate and term
Final thoughts

Searchlight Lending

- Bank Statement Loans (for self-employed)
- ITIN Loans (for non-citizens)
- No Doc Loans - bases qualifications on reserves & credit score; can be unemployed
- DSCR Loans - for rental properties - income generated by rental covers debt of mortgage
- Loans for DACA borrowers
- Manufactured Home Loans
Nick Clay
External Real Estate Sales Manager – Mortgage Lending
Redwood Credit Union

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- Phone: 1-800-609-9009
Second Mortgages & Home Equity Lines of Credit (HELOCs)

- Home Equity Lines of Credit
- No Closing Cost Options for Loan Amounts up to $200,000
- Loan Amounts up to $500,000
- Loans for Primary, Second and Investor homes
- Up to 85% Combined Loan to Value
- Interest Only and Standard Options Available
- First and Second Position Options
Final thoughts

Redwood Credit Union
Tim Olson
Home Loan Officer,
Umpqua Bank home Lending
Umpqua Bank

- **Email**: TimOlson@umpquabank.com
- **Phone**: 707.321.9640
Construction & Renovation loans

- Consider long term $ needs
- Ensure you have sufficient funds upfront
- Don’t overbuild for your area
- Have a solid budget, plan & strategy from Day 1
Final thoughts

Umpqua Bank
Gary Lentz
Loan Consultant
Loan Depot

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● Phone: 707.484.2943
Final Thoughts

Loan Depot
Types of Accessory Dwelling Units

**DETACHED**
free-standing structure, such as a backyard cottage

**ATTACHED**
shares at least one wall with the primary home

**INTERIOR CONVERSION**
built from existing converted space (e.g., an attic or a basement)

**GARAGE APARTMENT**
converted former garage space

**ABOVE GARAGE**
unit built above garage

**JUNIOR ADU**
interior conversion no larger than 500 sf
ADUs & Taxes

- Property taxes will only increase based on added resale value of ADU
- Primary house not reassessed
- JADU & interior conversions have even less impact
- More details - Napa & Sonoma Counties: https://napasonomaadu.org/blog/how-will-building-an-adu-affect-my-taxes
Audience Q&A
ADU Winter Webinar Series

Register for upcoming webinars:
napasonomaadu.org/aduevents

View past recorded webinars on-demand:
napasonomaadu.org/blog?category=Webinar

Feb 11
How to Build an ADU in Sebastopol

Mar 4
Part I: How to Build an ADU in Healdsburg

Mar 18
Part II: How to Build an ADU in Healdsburg
We are here to help you

Reach out to us anytime, and make sure to check out all our free online resources!

www.napasonomaadu.org

https://napasonomaadu.org/stay-in-touch

707.804.8575
Thanks to our supporters
...and thank YOU!