Hello there!

Welcome to the webinar

Financing Your ADU with Redwood Credit Union

February 23, 2022
Zoom Logistics

Audience Q&A

Interactive polls
Where did you learn of the webinar?

- Napa Sonoma ADU Newsletter
- Napa Sonoma ADU Webpage
- My city or county’s website, newsletter or social media
- Facebook
- NextDoor
- News media source
- Word of mouth
- Another organization
- Other
- Redwood Credit Union
Renée J. Schomp
Director
Napa Sonoma ADU Center

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

Phone:
707.804.8575
Scott Johnson

ADU Expert,
Napa Sonoma
ADU Center

+

Founder,
Pocket Housing LLC
Laureen Barnes
Mortgage Lending Manager
lbarnes@redwoodcu.org
707-545-4000 x30191

Sean Charter
Assistant Manager – Construction Lending
scharter@redwoodcu.org
707-576-5339
- ADUs 101
- Redwood Credit Union financing options
- Redwood Credit Union ADU-specific loan product
  - What it is
  - Why it’s so helpful
  - How to qualify for it
- Audience Q&A
About the Napa Sonoma ADU Center

We’re a nonprofit here to help Napa & Sonoma County homeowners build ADUs.
● ADU calculator
● Local ADU rules
● Address Lookup Tool
● ADU Workbook
● Stories & floor plans
● Webinars
● Vendor registry
● Newsletter & social media
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 type of ADU build do you think you’ll choose?

- Traditional stick build -- construction on-site
- **Prefab Modular**: built as a complete unit in a factory and certified at the state level by HCD
- **Prefab Manufactured**: built as a complete unit in a factory and certified at the federal level by HUD
- **Prefab Panelized**: e.g., framing package, structurally insulated panels or SIPs, etc.
- **Prefab** -- I don’t know the exact type
PART 1

ADUs 101
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
Budgeting & Finance
Types of construction

- Site-Built Construction
-Prefab:
  - Panelized
  - Modular
  - Manufactured
PART 2

A new way to finance your ADU
ADU Financing

with Redwood Credit Union

February 23rd, 2022
Established Jan 19th, 1950

- Financial cooperative based on the premise of “people helping people”
- Initially served employees of the County of Sonoma
- Now serving those who live or work in Sonoma, Marin, Napa, Mendocino, Lake, San Francisco, Solano, or Contra Costa Counties
- Offer traditional residential financing with a variety of first and second lien mortgage products
- More recently, we also offer construction financing options for rebuilds and new home builds
The RCU Difference

- We are a full-service financial institution and local lender who has been in our community for over 70 years
- From volunteerism to financial resources, RCU strives to support the communities in which it operates
- Established the RCU Community Fund, a registered 501(c)(3), after the Lake County Valley Fire of 2015
- Created our Construction Lending team after the Tubbs Fire of 2017
- Offer flexible financing with competitive rates and low fees, working with members to achieve their financial goals and dreams of homeownership
Traditional Financing Options
• Home Equity Line of Credit (HELOC)
• Fixed Rate 2\textsuperscript{nd} Mortgage
• 1\textsuperscript{st} Mortgage Cash-Out Refinance

• Qualification for all options is based on the current property value and without the benefit of any potential rental income
• These options will provide either an available credit line or lump sum of cash to complete your project. You will be responsible for the management of these funds in relation to your project.
ADU Construction Loan
# ADU Construction Loan

<table>
<thead>
<tr>
<th>Amortization</th>
<th>20 Year Fixed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw Period</td>
<td>12 months, w/ Interest Only payments</td>
</tr>
<tr>
<td>Rate</td>
<td>4.375%</td>
</tr>
<tr>
<td>Loan Amount</td>
<td>Up to $300,000</td>
</tr>
</tbody>
</table>
• **What It Is**
  - A 20 Year Fixed Rate 2nd Mortgage with a 1-year Interest Only draw period
  - A second lien product – you can leave your first mortgage in place

• **Why It’s So Helpful**
  - Can qualify on the “as complete” future property value
  - Can use the future rental income for qualification
  - Up to 90% CLTV/HCLTV enables access to more of your home’s equity
  - RCU partners with you to help manage your project

• **How to Qualify For It**
  - RCU will look at standard credit qualifications
  - RCU will partner for the assessment of your property value
  - RCU can process the application as a preapproval upfront
What Project Documentation is Required for the ADU Construction Loan?

- Approved building permit
- Complete set of plans and specifications w/ approving authority “stamp of approval”
- Fixed price construction contract and line-item project budget
- Contractor’s current license
- Contractor’s W-9
- Contractor’s Certificate of General Liability Insurance
- Contractor’s Workers Compensation Insurance
### How Does the ADU Construction Loan Compare to Our Other 2nd Lien Products?

<table>
<thead>
<tr>
<th>ADU Construction Loan</th>
<th>Existing Second Lien Loan Products</th>
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</thead>
<tbody>
<tr>
<td>Fixed Rate</td>
<td>HELOCs are variable with the Prime rate</td>
</tr>
<tr>
<td>20 Year Amortization</td>
<td>Maximum of a 15-year amortization</td>
</tr>
<tr>
<td>Up to 90% CLTV/HCLTV</td>
<td>Up to 85% CLTV/HCLTV</td>
</tr>
<tr>
<td>Use future value and proposed rents to qualify</td>
<td>Use existing value and current income to qualify</td>
</tr>
<tr>
<td>RCU will be the funds manager</td>
<td>You act as your own funds manager</td>
</tr>
</tbody>
</table>
What Does the Funds Management Look Like?

- Contractor submits a draw request
- An inspection is scheduled and completed
- Required paperwork &/or invoices are received from the contractor
- Payment is made upon member approval
Redwood Credit Union

FOR ALL THAT YOU LOVE.
Permit-Ready ADU Plans Program

coming soon...
ADU Webinars

Register for upcoming webinars & view past webinars on-demand:
napasonomaadu.org/aduevents

On-Demand
All You Need to Know About Prefab & Modular ADUs!

On-Demand
How to Do an ADU Permit Application

March
More to come!
We are here to help you

Reach out to us anytime!

www.napasonomaadu.org

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

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