



Hello there!

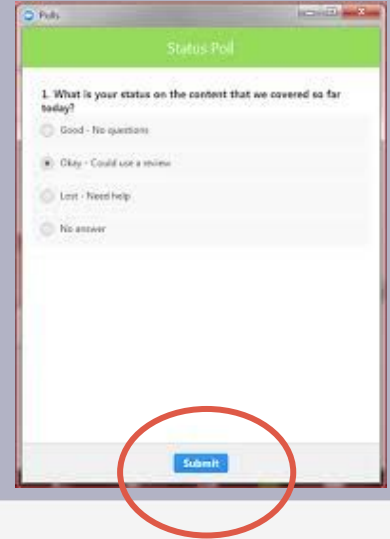
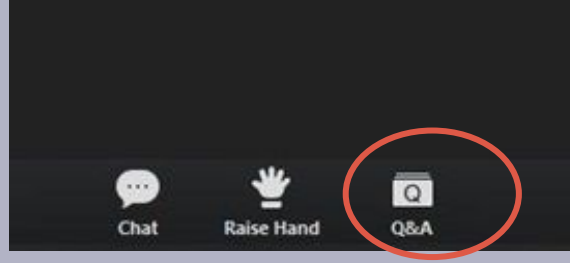
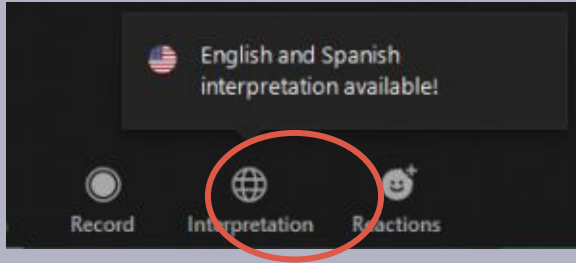
Welcome to the Webinar

How to Finance Your ADU

For Homeowners in Napa & Sonoma Counties


Napa Sonoma **ADU**

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](https://napasonomaadu.org/stay-in-touch)

Email:

info@napasonomaadu.org

Phone:

707.804.8575





Agenda

- 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

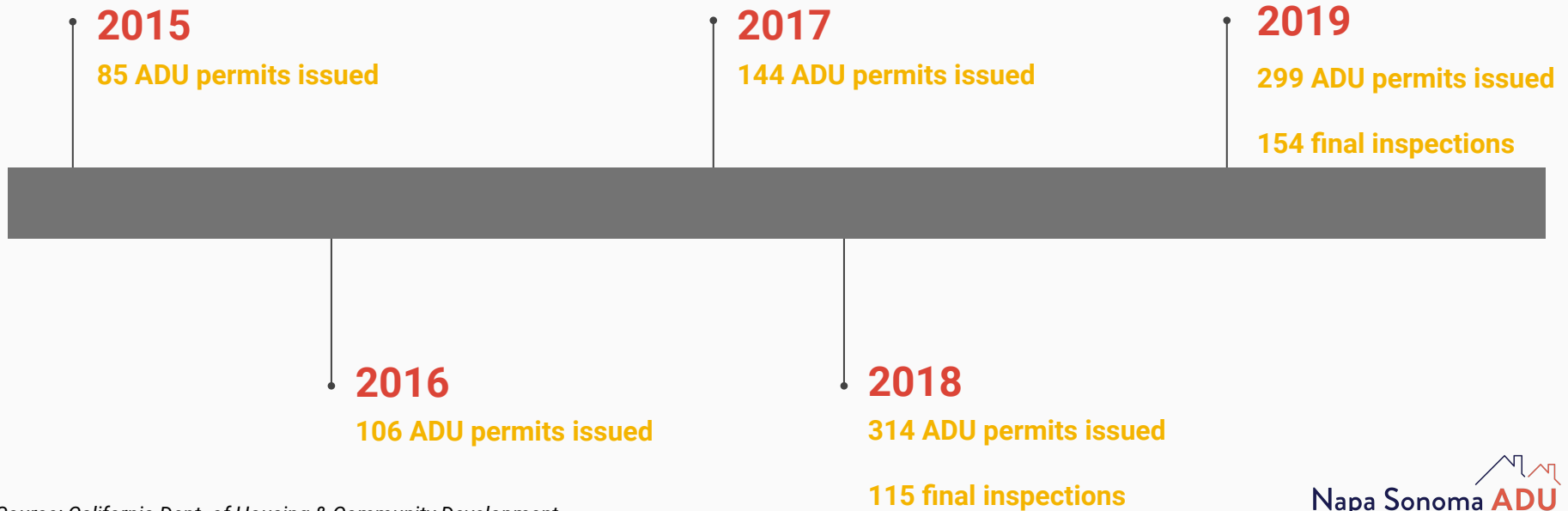
Napa Sonoma  ADU

We're a nonprofit here to help
Napa & Sonoma County
homeowners build ADUs.



ADUs: Increasing in Popularity

Napa & Sonoma Counties



*Source: California Dept. of Housing & Community Development



Napa Sonoma ADU Resources

- 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





Facebook Support Groups!

For City of Napa & Santa Rosa
homeowners **@NapaSonomaADU**





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



ADU Calculator

Where will your second unit be built?

Select City



Type of Construction



Conversion of Part of House

Taking existing living space, e.g. a basement or part of the house, and turning it into a second unit.



Garage Conversion

Taking an existing garage or pool house, and turning it into a second unit.



New Construction

New construction includes both attached and detached ADUs.



Modular

Modular/panelized are built partially or

Monthly Rent

\$---

Monthly Expenses

\$---



● \$--- Loan Payment

● \$--- Taxes

● \$--- Insurance

● \$--- Repairs

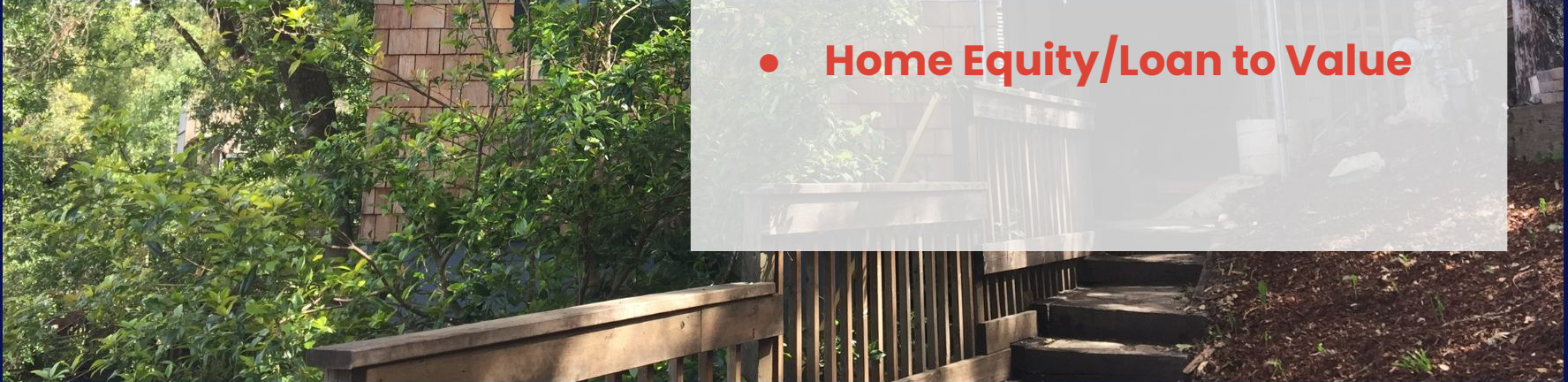
Construction Costs

Four ADU Financing Categories

Existing Assets	Existing Home Equity	Existing Income	Experimental Products
<ul style="list-style-type: none">- Cash- 401(k) loan	<ul style="list-style-type: none">- Mortgage Refinance- Second Mortgage- HELOC- Reverse - MortgagePrivate Money	<ul style="list-style-type: none">- Renovation Loans- Construction Loans- Personal Loans	<ul style="list-style-type: none">- 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



First Mortgage Refinance

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

Pros

- 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

HELOC

(Home Equity Line of Credit)

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

Renovation Loan

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



Ground Lease & Shared Equity

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

**ADU Finance Guide
early 2021**



www.casitacoalition.org

Piecing it All Together:
the ADU Finance Menu

	High Income	Low Income
High Home Equity	<ol style="list-style-type: none"> 1. Cash-out refinance 2. Home Equity Line of Credit (HELOC) 3. Second mortgage 4. Renovation loan 	<ol style="list-style-type: none"> 1. Cash-out refinance 2. Ground lease agreement 3. Home Equity Line of Credit (HELOC) 4. Reverse mortgage 5. Private money 6. Shared appreciation/ equity product
Low Home Equity	<ol style="list-style-type: none"> 1. Construction loan 2. Renovation loan 3. Existing cash/assets 4. 401(k) loan 5. Renovation loan 	<ol style="list-style-type: none"> 1. Existing cash/assets 2. Renovation loan (maybe)



Lindsay Moon

Licensed broker and builder
Searchlight Lending



- **Email:** lindsay@searchlightlending.com
- **Phone:** 415.819.3794

SearchLight
L E N D I N G

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



- **Email:** nclay@redwoodcu.org
- **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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loanDepot[®]
NMLS#174457



Final Thoughts

Loan Depot



Types of Accessory Dwelling Units



DETACHED

free-standing structure, such as a backyard cottage



GARAGE APARTMENT

converted former garage space



ATTACHED

shares at least one wall with the primary home



ABOVE GARAGE

unit built above garage



INTERIOR CONVERSION

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



JUNIOR ADU

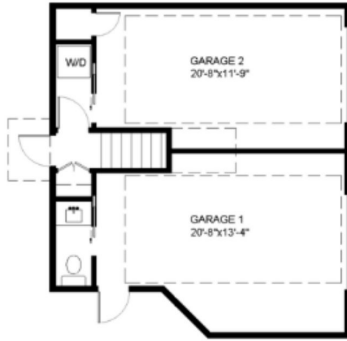
interior conversion no larger than 500 sf

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>



DETACHED, NEW CONSTRUCTION



(P) GARAGE FIRST FLOOR



(P) GARAGE SECOND FLOOR



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

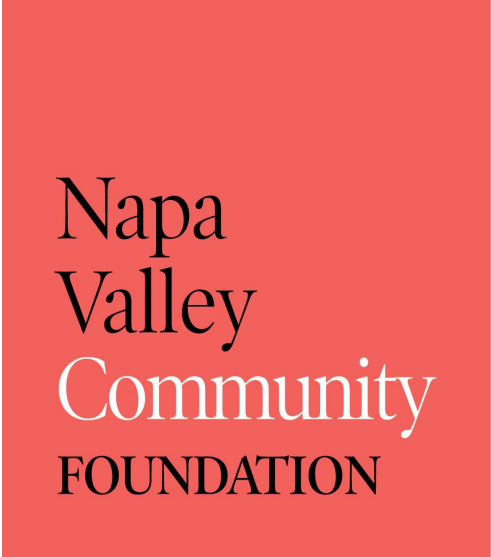
Reach out to us anytime, and make sure to check out all our free online resources!

www.napasonomaadu.org

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

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Thanks to
our
supporters



COMMUNITY
FOUNDATION
SONOMA
COUNTY



**...and
thank
YOU!**

