



THE STOWERS TEAM
CROSSCOUNTRY MORTGAGE™

Largest ADU Lender in California



ADU Coalition

CASITA 
COALITION



AIA San Diego
A Chapter of The American
Institute of Architects



NAHREP®



THE STOWERS TEAM
CROSSCOUNTRY MORTGAGE™

The Questions

Do ADUs create greater financial resiliency?

Do ADUs make housing more affordable?



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The Questions

Do ADUs create greater financial resiliency?

YES! ADUs are historic sources of income.



Do ADUs make housing more affordable?

YES! The extra rental income makes it affordable to buyers.
It also makes RENT more affordable.

Where else can you buy or rent a \$200,000 new custom-built 2-3 bedroom home in California?



What do ADUs look like?

Indoor-outdoor Multigenerational
\$150,000 - \$250,000



Garage conversion for elderly parent
\$50,000 - \$100,000



1,200 sqft 3 bedroom home
\$300,000 - \$350,000





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Our Clients
CROSSCOUNTRY MORTGAGE™



Retirees - especially women



For aging
parents

Multigenerational families



First-time
Homebuyers

TURNER CENTER OF HOUSING INNOVATION
UC BERKELEY



Challenges

- Cannot factor rental income
- Only one ADU per property
- Appraisal rules = \$0 value
- Loan limit = limited budgets



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- Cannot factor rental income
- Only one ADU per property
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Solution: Treat ADUs as Rental Units

- Allow rental income in qualifying and appraisals
- Match zoning rules as they change
- 1-4 units (FHA)
- Loan limits naturally increase with each unit added



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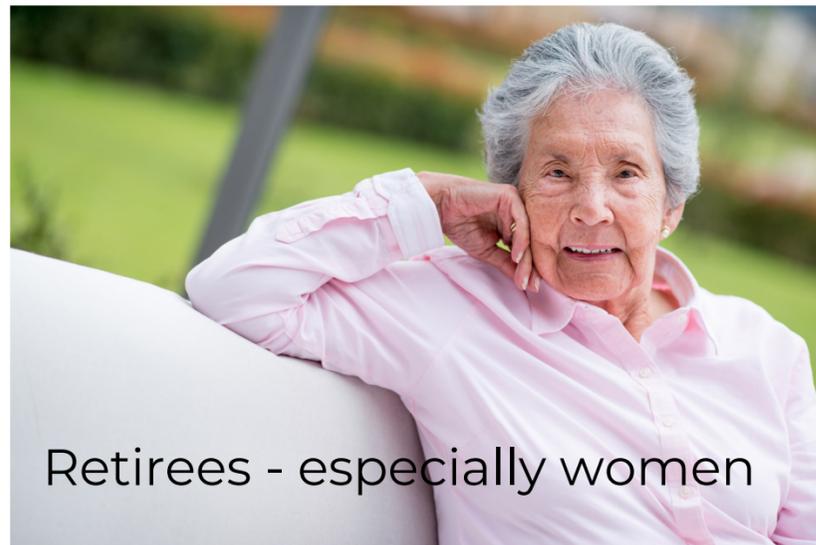
Challenges

- Investors are strictly limited with ADUs.



Solution

- SFR Investors are average people! Let them build!
 - 91% of single family homes in San Diego County are owned by Individuals
 - Of which only 54% only own 2 homes, i.e. **original starter home (94.3% of NOOC)**



Retirees - especially women

Multigenerational families



Challenges

- Contradiction on Manufactured Homes

Origination Through Subpart B2

Eligibility Chapter B2-3

Property Eligibility B2-3-04

Special Property Eligibility

The construction method of an ADU can be site- or factory-built, including modular, and single- or multi-width HUD Code manufactured homes that are legally classified as real property. If an ADU is present, the primary dwelling must be site-built or a modular home.

Origination Through Subpart B5

Unique Eligibility Chapter B5-3

Construction and Section B5-3.2

HomeStyle Renovation B5-3.2-02

HomeStyle Renovation Mortgages:

The cost of renovations must not exceed...

Manufactured homes the lesser of

- \$50,000 or
- 50% of the “as completed” appraised value.

Challenges

- Contradiction on Manufactured Homes

Origination Through Subpart B2
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HomeStyle Renovation Mortgages:

The cost of renovations **of existing properties** must not exceed...

Existing manufactured homes the lesser of

- \$50,000 or
- 50% of the “as completed” appraised value.

Does not apply to new manufactured homes being added to the property as an ADU.



Challenges

- Paying for Start-up Costs, i.e. designs & permits.



**Step 1: Customer discusses
Renovation Loan with
Loan Officer. Needs funds
for designs & permits.**



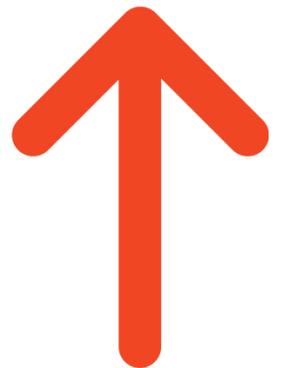
Credit Card?
Personal Loan?
Grants?

Typially 1 year

Designs: 2 months
\$5,00 - \$10,000

Permits: 4-6 months
\$2,000 - \$20,000

Construction



Close Renovation Loan
Funds Disbursed
Start paying higher mortgage

Rental Income

Proposed ADU Jumpstart Funding Process

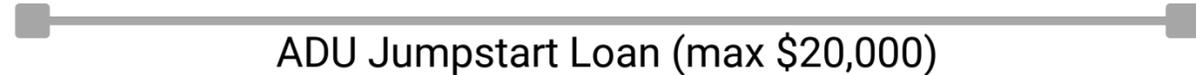
Step 1: Customer applies for Renovation Loan. Loan officer assesses need & applicability of ADU Jumpstart





Proposed ADU Jumpstart Funding Process

Step 2: Pre-approval for Renovation loan and approval for Jumpstart. Funds placed in Escrow. Authorize Draw Desk to work with client.





Proposed ADU Jumpstart Funding Process

Step 3: Draw desk pays for designs, permits & soft costs as invoiced or receipts provided.



ADU Jumpstart Loan (max \$20,000)

Renovation Loan





Proposed ADU Jumpstart Funding Process

Step 4: Permits near completion. Commence renovation loan.



ADU Jumpstart Loan (max \$20,000)

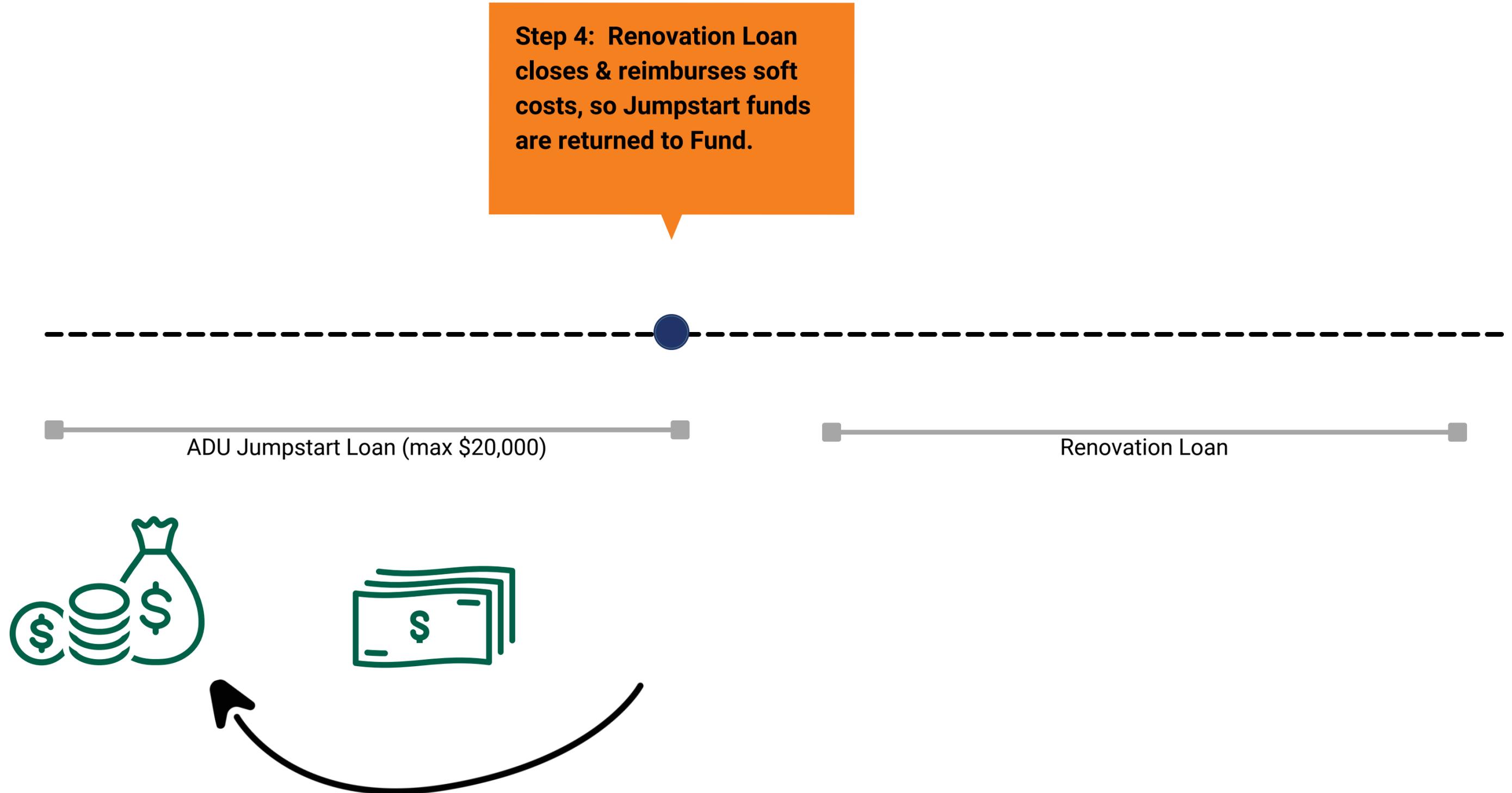
Renovation Loan



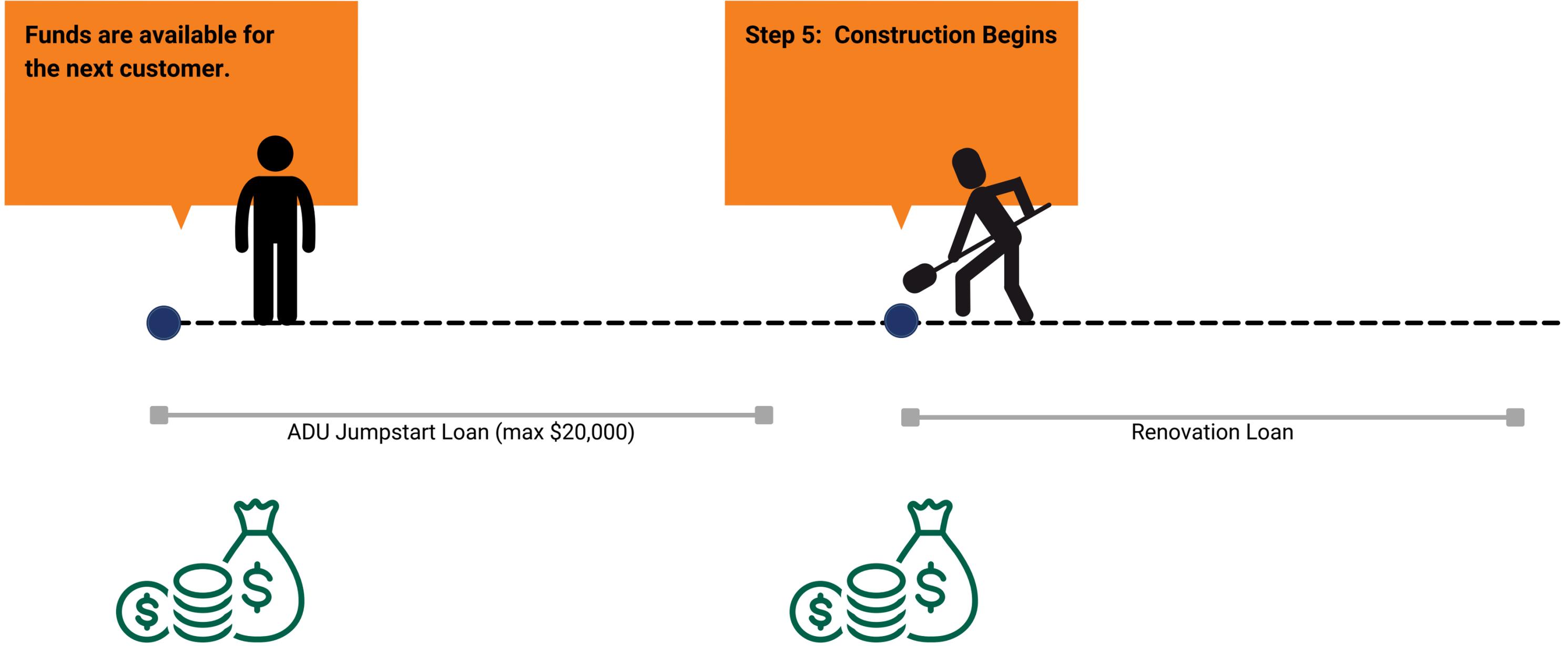


Proposed ADU Jumpstart Funding Process

Step 4: Renovation Loan closes & reimburses soft costs, so Jumpstart funds are returned to Fund.

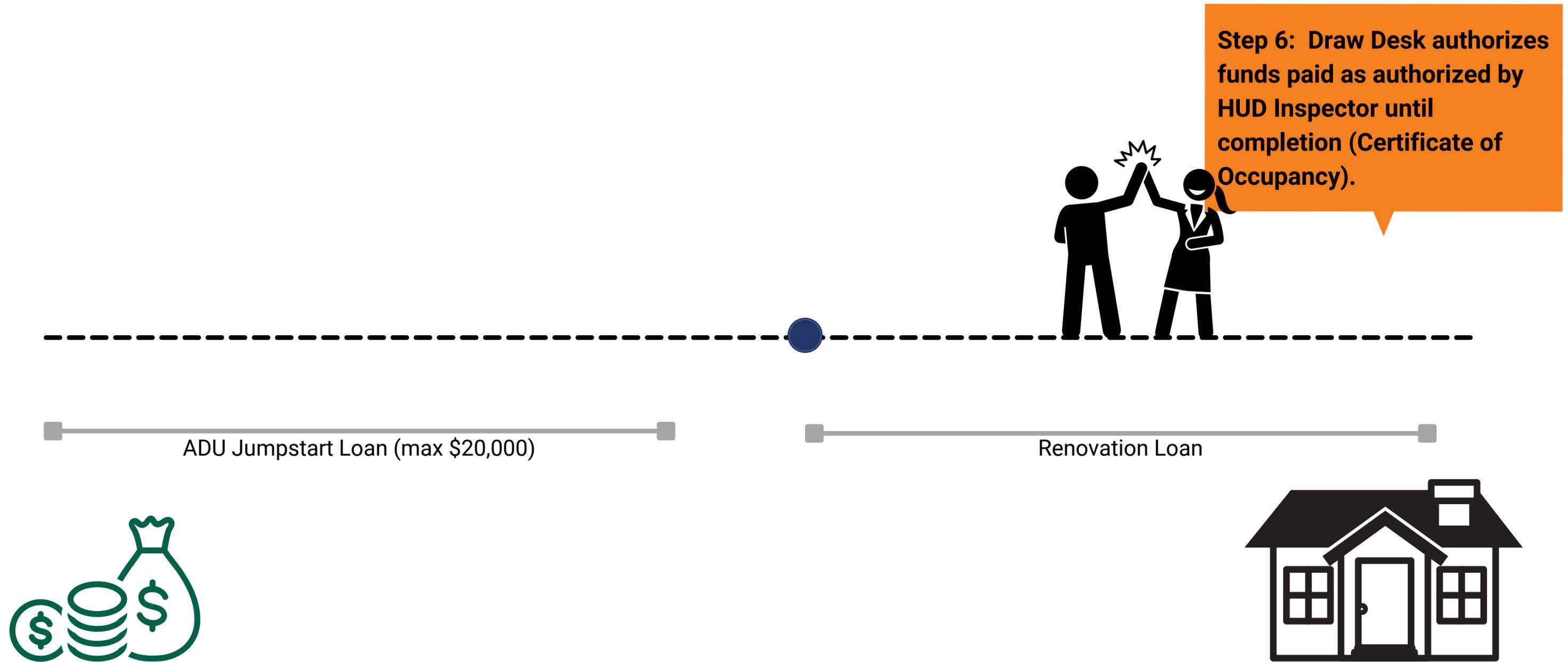


Proposed ADU Jumpstart Funding Process





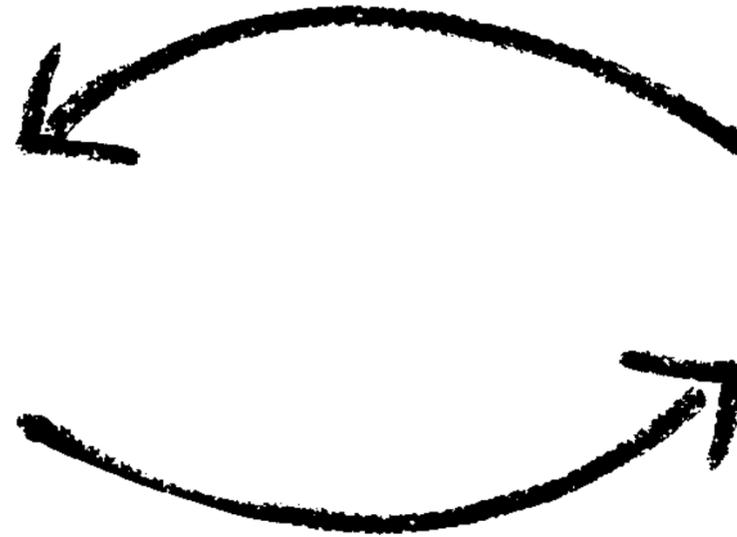
Proposed ADU Jumpstart Funding Process



Proposed ADU Jumpstart Funding Process



ADU Jumpstart Funds



Renovation Loan

ADU Jumpstart funds are recycled to the next customer and not sunk into the property.
Renovation loans avoid any bonds.

Common Sense Lending for ADUs

- Treat as rental properties (1-4 units)
- Allow investors
- Allow manufactured homes
- Allow start-up funding (like Freddie Mac)

Result: Double the Housing Stock at Half the Price

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