


Let's Build It: Incentives for Middle Housing Construction

*Financing Strategies for Middle
Housing*

Presented by Susan Brown

Lending 101

❖ A Brief History

Prior to the Great Recession
The New Reality

❖ Definitions

Owner Occupied
Non-Owner Occupied
Developer/Builder



Conventional Sources to add an ADU

Who lends this money:

Banks

Credit unions

Independent Mortgage Banks

Who would use these sources?

Individual homeowners building or renovating their homes

Sources:

Cash

Borrower from a relative

Borrower from retirement savings

Cash out refinance

Home Equity Line of Credit

Construction Loan – two time close

Construction Loan – one time close



Conventional Sources to add an ADU

Available for:

Single family properties

New construction and renovation

Owner occupied

One ADU per property

Generally, owner occupied

Limited investment purposes

Loan amounts up to \$548,250

Sources of capital:

Fannie Mae, Freddie Mac and FHA

Portfolio funds at some banks



Sources to create new middle housing

Who lends this money?

People who specialize in connecting capital to projects

Who would use these sources?

Builders and Developers

Sources:

Cash

Borrower from a relative

Line of Credit on a different property

Guidance line on subject

Construction Loan – two time close

Private Investors

Social Impact Investors



Sources to create new middle housing

Available for:

Duplex, Triplex, Fourplex

Multiple ADUs

Cottage clusters

Generally, non owner occupied

Loan amounts from \$100,000 to \$2.5 million













Sources of Capital:

Private Equity Funds

Wealth Funds

Hedge Funds



FINANCING TYPE	FOR WHOM?	TYPE OF PROJECT	FUNDS	SOURCES OF FUNDS	HOW DO YOU ACCESS THESE SOURCES?
 <p>CONVENTIONAL</p>	 <p>Individuals who own their property</p>	 <p>Single family homes (new construction/ renovation)</p> <p>One ADU per property</p> <p>Owner-occupied</p> <p>Limited investment purposes</p>	 <p>Cash</p> <p>Borrow from relative</p> <p>Home Equity Line of Credit</p> <p>Construction Loan</p>	 <p>FDIC-insured sources:</p> <p>Fannie Mae</p> <p>Freddie Mac</p> <p>FHA</p>	 <p>Banks</p> <p>Credit unions</p> <p>Independent mortgage brokers</p>
 <p>UNCONVENTIONAL</p>	 <p>Builders</p> <p>Developers</p> <p>Real Estate Investors</p>	 <p>Duplex, triplex, fourplex</p> <p>Multiple ADUs</p> <p>Cottage Clusters</p> <p>Generally not owner-occupied</p>	 <p>Cash</p> <p>Borrow from relative</p> <p>Line of credit on another property</p> <p>Guidance lines on subject property</p> <p>Temporary construction loan</p>	 <p>Private equity funds</p> <p>Wealth funds</p> <p>Private foundations</p> <p>Social impact investing funds</p>	 <p>A "financial matchmaker"</p>



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Motivated by big challenges and inspired by great ideas