



WHOLESALE BULLETIN

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22W-049

Attention: Valued Broker Partners

June 09, 2022

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: **Freddie Mac ADU Update**

Property Eligibility

Previously, a mortgage secured by a property with an ADU was eligible for sale to Freddie Mac only if the property was a 1-unit dwelling. In response to recent zoning and ordinance changes in many geographic areas, Freddie Mac has expanded their ADU eligibility requirements to allow one ADU on 2- and 3-unit properties.

Rental Income Generated from an ADU on a Subject 1-unit Primary Residence

Previously, rental income generated from an ADU on a 1-unit Primary Residence could be considered for mortgage qualification only when the borrower had a disability and the rental income was from a live-in aide, or when the mortgage was a Home Possible® Mortgage.

Freddie Mac has updated their requirements to allow rental income generated from an ADU on a subject 1-unit Primary Residence to be considered when qualifying the borrower for a purchase or a “no cash-out” refinance mortgage, provided that certain requirements are met, including but not limited to:

- The ADU must comply with zoning and land use requirements (legal, legal non-conforming, or no zoning).
- An appraisal report must be obtained to support the ADU’s marketability and include at least one comparable sale with an ADU that is rented. If an Automated Collateral Evaluation (ACE) appraisal waiver is offered, it **must not** be accepted.
- The appraiser’s rental analysis must include a minimum of three comparable rentals that support the market rent of the ADU, and at least one of the comparable rentals must be a property with an ADU.
- MWF must ensure that the ADU rental income used to qualify the borrower for the mortgage does not exceed 30% of the total stable monthly income.
- At least one qualifying borrower must participate in a landlord education program or have previous landlord experience for a minimum of one year.

As a result of these expanded requirements, Freddie Mac has reorganized the content of their guide Chapter 5306. No changes to their other rental income requirements have been made. In addition, the

guide **Form 92, Net Rental Income Calculations**, has been updated to incorporate the calculation and eligibility requirements for the use of rental income from an ADU on a subject 1-unit Primary Residence.

Entering ADU Rental Income in Loan Product Advisor

When entering rental income from an ADU on a subject 1-unit Primary Residence, MWF should select Accessory Unit Income under the Income Type data point (ID #258) as detailed in the Loan Product Advisor v5.0.06 Data Specifications.

ACE Eligibility in Loan Product Advisor

When rental income generated from an ADU on a subject 1-unit Primary Residence is used to qualify the borrower, MWF must ignore the ACE appraisal waiver message and the corresponding data in the Assessment Summary of the Feedback Certificate that indicates ACE eligibility, if offered, because an appraisal report must be obtained.

Loan Product Advisor will be updated in the fall of 2022 with a new feedback message reminding MWF that if rental income generated from an ADU on the subject 1-unit Primary Residence is used to qualify the borrower, an ACE appraisal waiver **may not** be accepted. This message will only fire if the rental income generated from the ADU is entered into Loan Product Advisor as described above.

Delivery Requirements

Effective for mortgages with Settlement Dates on or after September 1, 2022, implementation may be immediate:

MWF must deliver the valid value of "J66" for ULDD Data Point *Investor Feature Identifier* (Sort ID 368) for a mortgage secured by a 1-unit Primary Residence with rental income generated from an ADU.

If you have any questions, contact your local Account Executive, Production Coordinator, Regional Vice President, or Brian Daily, SVP Wholesale: Brian.Daily@mwfinc.com, 909-255-8332.

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