



ADU-specific financing

Accessory Dwelling Units (ADUs) are a major part of California's housing strategy, supported by favorable state laws and local incentives. Whether you're building a backyard unit, garage conversion, or detached in-law suite, financing your ADU requires the right loan structure.

What Is ADU Financing?

ADU financing refers to construction or renovation loans designed to fund the addition of a secondary unit on an existing residential property. These loans help homeowners unlock rental income, increase property value, and comply with California's housing development goals.

ADU Loan Options

- **Renovation Loans:** Finance garage conversions, interior remodels, or additions.
- **Construction-to-Permanent Loans:** Cover full build costs for detached ADUs, then convert into a long-term mortgage.
- **Home Equity Loans / HELOCs:** Tap into existing property equity to fund ADU projects.
- **Owner-Builder Loans:** For experienced homeowners acting as their own general contractor.

- **FHA/VA Programs:** Some FHA 203(k) and VA construction loans can be used for ADUs if property meets requirements.
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Key Benefits of ADU Financing

- Supports **California's ADU legislation**, easing zoning restrictions.
 - Generates **passive rental income** (often \$1,500–\$2,500/month depending on location).
 - Increases **overall property value** by 20% or more in many CA markets.
 - Flexible loan programs available for **primary residences, investment properties, and multi-units**.
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Considerations & Challenges

- Permit and zoning compliance varies by city.
 - Construction costs can exceed expectations—budget with a 10–15% contingency.
 - Appraisals must consider both the primary residence and the ADU.
 - Some lenders limit ADU financing to owner-occupied properties.
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EEAT Authority Links

- [California HCD – Accessory Dwelling Unit Program](#)
- [California ADU Handbook \(2023\)](#)

Compliance & Author

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Disclaimer

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