

Announcement # 23-88**Date:** December 22, 2023

FHA Mortgagee Letter (ML) 2023-17 Accessory Dwelling Units Eligibility Updates

Effective immediately, Pennymac is aligning with FHA ML 2023-17 supporting the use of rental income for single-family properties with an Accessory Dwelling Unit (ADU).

Highlights of the new guidance include, but is not limited to, the following:

- FHA defines an ADU as a single habitable living unit with separate ingress and egress from the primary housing unit
 - One-unit properties, with a single ADU unit only
- Allows for the use of rental income (including projected rental income) from the subject property ADU for qualification purposes
 - Rental income from the ADU cannot exceed 30% of the total monthly effective income
 - Use of rental income from an ADU is ineligible for cash-out refinance transactions.
- Full appraisal required
 - A Single-Family Comparable Rent Schedule (Form 1007/1000) may be required depending on how long the borrower has owned the property, and the length of time ADU rental income has been received by the borrower.
- Two months PITIA reserves are required.
- 203k eligible
 - Eligible improvements include the addition of an ADU that will be attached to an existing structure, or renovation of an existing ADU that is attached or detached to an existing single family primary residence.
 - If there is no previous rental income history from the ADU, the rental income from the ADU is limited to 50% of the lesser of the fair market rents reported on Form 1007 or the lease agreement.

Refer to the FHA Handbook for complete requirements that apply to ADU minimum property requirements, appraisal protocols for ADUs, and ADU rental income documentation requirements.

Please contact your Sales Representative with any questions.