ADULP

July 2026

ADULP OVERVIEW

PRODUCT

WORKFLOW

PRE-SCREENING/ LOAN CLOSING/ PROJECT MANAGEMENT

MassHousing ADU Loan Program "ADULP" supports low and moderate homeowners desiring to construct an Accessory Dwelling Unit "ADU" on a lot they currently reside as their primary residence. Lenders will enable the construction of the ADU by tapping into the homeowner's equity with MassHousing's ADULP with a matching 0% deferred loan option.

ADUs may be constructed internal to the existing primary residence, like converting a basement into an apartment, attachment to the primary residence as a new construction addition, or detached unit like a cottage.

PRODUCT

WHAT IS AN ADU?

ADUs are residential living spaces that are located on the same lot as another dwelling. ADUs can be within a home (example: basement apartment) or detached (example: garage/shed conversion).

ADUs can be built by right in single-family zoning districts. Approval by a local zoning board is not required.

ADUs can be no larger than half the gross floor area of the principal dwelling, or 900 square feet, whichever is smaller (example: if a home is 1,700 square feet, then the maximum size for the ADU would be 850 square feet).

ADUs must have a separate entrance, either directly from outside or through a hall or corridor shared with the principal residence.

ADUs must have sleeping, cooking, and sanitary facilities.

The regulations include details about what additional rules cities and towns can implement and which they cannot. If allowed by the regulations and instituted by a city or town, ADUs must comply.

ADULP (Amortized)	
ADULP 20 YR Amortized – Product 5009 **ADULP 0% Deferred -Match**	
Transaction Type	• Subordinate Mortgage
Interest Rate	• Refer to MassHousing rate sheet
Income Limits	• Up to 135% of AMI
Loan Limits	Amortized: • Detached unit: $150,000 *(Grid for ADU 0% Match Loan referenced below)* • Attached unit: $100,000 *(Grid for ADU 0% Match Loan referenced below)*
	Deferred *(match):* • MH will match the ADU loan amount up to the values below: o Detached unit: Up to maximum of $100,000 o Attached unit: Up to maximum of $50,000
Loan Term	• Amortized Loans -20 Year • 0% Deferred Loans- Due upon payoff of ADULP Amortized Loan
Property Type	• 1 Unit
Partners	• Lender
MassHousing Processing Fee	• $300 – Amortized • NA - Deferred
Lender Fee	• Origination fee up to 175 basis points may be charged by the lender to the borrower
Eligible Borrower	• All owner-occupied 1 Unit incomes that meet the income limit guidelines • Trusts will be pre-reviewed by MassHousing.
Ineligible Borrower	• Any person(s) who does not have an ownership interest in the property should NOT be on any closing documents or be a part of the loan transaction. • Life Estates are not eligible for this Program.
Credit Score	• 640
Max DTI	• 50%
Max LTV/CLTV	• 95/95% (based *off appraised value, "subject to" completion)*

Lien Position	• The ADULP has been designed as a second mortgage loan program. MassHousing will assume a third position behind a 1st and 2nd DPA or equity line, making sure the borrower meets all the eligibility requirements.
Occupancy	• Owner Occupied *(Subject property must be the borrower's current primary residence)*
Appraisal	• Full Appraisal Required
Closing Costs and Fees	• Borrowers will be responsible for all closing costs and fees (reasonable) which can be rolled into the loan
Required Documents and MassHousing Forms	• Click here for Document Loan Delivery
Right of Recission	• Required
Eligible Improvements	• Construction of an ADU which is typically an additional living area independent of the primary dwelling that may have been added to, created within, or detached from a primary one-unit dwelling. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be on the same parcel as the primary one-unit dwelling.
Contingency Fee	• 10% Contingency Required
Maximum Construction Timeframe	• Borrowers applying for mortgage financing have a maximum time limit of six months from the note date of the mortgage to complete the work.
Final Completion	• Final Completion Documentation depending on the repairs, i.e. permits signed off by city/town, COO, Completion Certificate from Appraiser.
Pre-Payment Penalties	• N/A

WORKFLOW

Borrower calls MassHousing looking for information on the ADULP and directed to www.masshousing.com to find a Participating Lender

Borrower reaches out to Lender to apply for an ADUL

Lender determines eligibility:

-Pre-Development Completed

-Income

-Owner Occupied

-Ownership of the Property

-No work has started

Lender Vets Contractor/Reviews Plans and Specs/Permits/Pre-Development Documents

See Pre -Closing Review on Slide 9

Lender Discloses the loan and Underwrites: Credit, Ratios, Title, etc. according to MassHousing Guidelines and will work with MassHousing on UW issues that might come up.

Lender closes the loan and submits Loan Package to emasshousing.com for Pre-Purchase Review

MassHousing conducts Pre-Purchase Review and Funds Loan

MassHousing Services Loan

Lender acts as Escrow Agent

-Sets up Escrow Account (interest bearing)

-Disburses Funds at Borrower Request

-Conducts Project Management

Project Completion, Lender holds back 10% until you receive Certificate of Completion from Appraiser and uploads to emasshousing.com

Lender closes out Escrow Account returning any remaining funds to MassHousing to be applied to Borrower loan balance.

PRE-CLOSING REVIEW

As this is a new program that is still in the development phase, MassHousing will temporarily conduct a Pre-Closing Review for all ADULP loans.

For the Pre-Closing Review, we ask that the lender upload the following documentation to eMassHousing.com:

- Appraisal
- ADULP Square Footage
- Contract/Disbursement Schedule
- Plans and Specs
- Contractor License
- 1008
- Final CDs

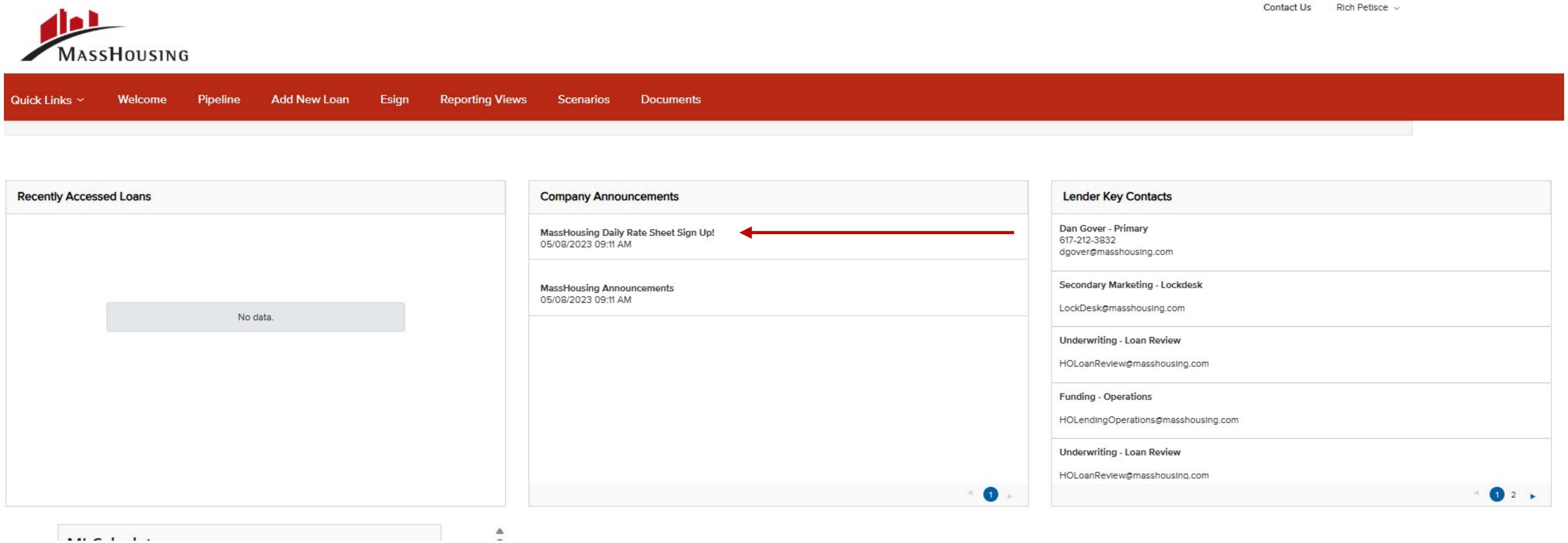
We may also request a borrower profile as part of the review process.

Collecting this information will help MassHousing identify opportunities to improve and streamline the process for our lending partners, ultimately creating a more efficient experience for lenders and the best possible customer experience for borrowers.

RATES AND PRICING

- Amortized Loan- Rate could change monthly and will be set by MassHousing.
- The stated Rate will be published on the Rate Sheet with the other Repair Loan Programs.
- You can "Subscribe" on emasshousing.com to sign up for the Rate Sheet to access the ADU Rates.
- 60 Day Lock-loan must be delivered to MassHousing by expiration date.
- Pricing will be 100.500, the 0.500 being SRP

Rate sign up sheet



PRE-DEVELOPMENT

- The Pre-Development of an ADU project must be complete, and the project must be "Dig Ready" before the Lender can lock an ADULP loan in emasshousing.com.
- The Borrower must provide the Lender the following documents *(but not limited to)* as part of the Pre-Development Pkg. These documents may vary depending on each city/town ADU requirements:
- Architect
- Contracts/Disbursement Schedule
- Contractor Insurance Policy and License
- Plans and Specs
- Permits
- Title V (if applicable)
- Utility Hook Ups
- Soft Costs
- Feasibility Study: A study that shows an ADU can be built on the site. This could include a site visit, zoning, utility access review, etc. (This could also be part of the Permit or Plans and Specs.
- PLEASE NOTE IF A PROJECT HAS STARTED PRIOR TO CLOSING, IT IS NOT ELIGIBLE UNDER THE ADU PROGRAM

PRE-SCREENING/LOAN CLOSING/PROJECT MANAGEMENT

Please see Seller Guide located on www.emasshousing.com for more detailed information on these processes.

STEP 1: Program Marketing

- Advertise availability of funds locally
- Inform property owners of eligibility requirements

STEP 2: Applicant Pre-Screening

- Verify Pre-Development is in place (must be "dig ready")
- Financially pre-screen applicants
- Ensure they understand:
    - Loan terms
    - Compliance requirements

Confirm:

- Property eligibility
- Borrower eligibility
- Understanding of program obligations
- No work has started prior to closing

STEP 3: Inspection & Contractor Vetting

Lender Responsibilities:

- Participate in preliminary inspection/cost discussions
- Conduct preconstruction conference (if needed)

Applicant Must Submit:

- Contractor cost estimate/Schedule of Disbursements
- Executed contract

Lender Must Review:

- Contractor licensing and insurance
- Bid accuracy and completeness

Contractors Must:

- Be licensed in Massachusetts
- Be active and in good standing
- Maintain required insurance
- Comply with federal and state regulations

STEP 4. Escrow & Loan Closing

- After loan approval:

Lender Must:

- Execute Escrow Agreement with borrower
- Establish escrow account (interest bearing)
- Ensure borrower understands:
  - Payment schedule
  - Completion deadlines
  - Holdback requirement

Lender Issues:

- Joint check (Borrower + Contractor)
- **NEW-** Lenders can now issue a 1/3 of the Project Cost Upfront.

STEP 5. Construction Oversight

- Coordinate site overviews
- Monitor project timeline
- Ensure work follows:
    - Plans and specifications
    - Contractor bid
    - Building codes
- Verify required permits are obtained

STEP 6. Disbursement of Funds

- Review Disbursement Requests (with backup) from Borrower for Payment to Contractor
- Issue Joint check (Borrower + Contractor)

STEP 7. Monthly Reporting Requirements

- Once a month you will receive an email from MassHousing requesting the Project Status

STEP 8. Extensions

- If project delays occur:
    - Identify reason for delay
    - Submit Extension Request
    - Monitor extension implementation
    - Provide updates to MassHousing

STEP 9. 10% Holdback Requirement, Final Disbursement and Documentation

- A 10% holdback is required until:
- The certification must be documented on the *Appraisal Update and/or Completion Report* .
- The Appraiser's Update and Completion Report must confirm all "subject to" items listed on the appraisal were completed.
- The lender must also obtain a certificate of occupancy upon completion of renovation if it is required by local authorities for the type of renovation work that was completed.
- Final Disbursement can be made

Remaining Escrow Funds Must Be Sent To:

- MassHousing Home Ownership CASH
  One Beacon Street, 6th Floor
  Boston, MA 02108
- Check payable to: MassHousing
  Include:
- Cover Letter with Borrower name and Property address
- Borrower must be notified in writing.

Final Documentation You Must Submit to MassHousing

- Appraisal Update and/or Completion Report
- Certificate of Occupancy
- All supporting documentation for Project Management

Compliance Best Practices for New Staff

✓ Use checklists for every file
✓ Document every communication
✓ Monitor timelines closely
✓ Never release funds without required documentation
✓ Confirm licenses and insurance before construction begins
✓ Keep escrow tracking updated monthly
✓ Notify borrower in writing for all major actions

Common Compliance Risks to Avoid

- Work started prior to closing, PROJECT IS NOT ELIGIBLE
- Financing non-eligible work
- Incomplete contractor documentation
- Missing insurance verification
- Delayed extension requests
- Releasing funds before compliance certification
- Failure to submit monthly reports

Subordination Requests

- MassHousing will consider subordination of its liens whereby the new Loan amount is to be less than, or equal to, the outstanding principal balance of the existing loan(s) and which is to be subject to an interest rate that is lower than the existing priority loan(s); and which is to be for a term greater than, or equal to, the remaining term of the existing loan(s); this is more commonly referred to as a “no-cash-out, rate/term refinance.”
- The only exception to this policy is that we will allow Borrowers to finance the closing costs into the new Loan amount. All subordination requests should be directed to the Home Ownership Mortgage Service Center 1-888-843-6432.

FAQs

Q: Can a borrower be its own GC on the project?
A: Yes. A Borrower can be its own GC on the project and must be a licensed GC. Please note, sweat equity is not allowed to be included into the loan, only materials for the work they are engaged in can be included.

Q: Is there a limit on disbursements?
A: The amount of disbursements will depend on the size of the project and will up to the Lender's discretion.

Q: What is the timeline for project completion?
A: Project Completion must be 180 from Note date.

Q: Can the Lender charge the Borrower for Project Monitoring/Inspection Fees?
A: Yes. Reasonable project monitoring and Inspection fees can be charged to the borrower.

Q: Will an initial upfront fee to the contractor at closing be allowed?
A: Yes, Lenders can disburse 1/3 of the project costs upfront at closing after the ROR.

Q. Can I use the rental information on the Appraisal?
A. Yes, you can use the rental on the Appraisal.

Q. Is there a cost associated with a rate extension?
A. No, there is no cost associated with a rate extension.

Q. Are Sidewalks, landscape and driveways allowed to be part of the ADU project?
A. Yes, these can be included in the project if they directly affect the ADU project and are in line with what is permitted by the city/town.

Q. Are soft costs allowed as part of the ADUL?
A. Yes, permits, fee for feasibility study, plans and specs, etc. can be included into the ADUL, as long as they are directly related to the development of the ADU under the ADULP.

Q. How many loans do I register on emasshousing.com?
A. Even though the Lender creates 2 loans for ADULP on their systems, they will only register 1 loan in emasshousing.com and will receive only 1 wire.

Q. Can the Deferred and Amortized funds be consolidated into 1 Escrow Account?
A. Yes, all ADULP funds from the wire can combined in the Escrow Account and it does not matter which monies are applied to the project first.

Contact Information

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Additional Resources

MassHousing Lender Forms and Resources - Second Mortgage Programs