ADU Financing Chart										
Consideration	Reverse Second	Reverse First	Senior HELOC	HELOC	HELOAN	Renofi	Cash-out Refinance	Agency Renovation	FHA Renovation	HEI
Loan based on after improved value	No	No	No	NO	No	Yes	No	Yes	Yes	N/A
Minimum Age	55	55	62	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Current Value Programs- Maximum LTV	Varies by borrower age	Varies by borrower age	75%	90% (1)	90% (1)	N/A	80 (2)	N/A	N/A	N/A
First or Second Position	2nd	1st	2nd	2nd	2nd	2nd	1st	1st	1st	N/A
Uses after improved value	No	No	No	No	No	Yes	No	Yes	Yes	N/A
Monthly Payments Required	**No**	**No**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Debt to Income Restricted	**No**	**No**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Maximum as-improved LTV	N/A	N/A	N/A	N/A	N/A	90%	N/A	95%	106.15%	N/A
Refinance of current loan required	No	Yes	No	No	No	No	Yes	Yes	Yes	No
Payment Shock	**No**	**No**	**No**	Yes	Sometimes	Yes	No	No	No	N/A
Inspections & Draws	No	No	No	No	No	No	No	Yes	Yes	No
Estimated Approval Time	30 Days	30 Days	1 to 2 weeks	1-3 weeks	1-3 weeks	1-2 weeks	30 days	30-45 days	30-45 days	2 to 4 weeks

This is intended to be a general reference guide. It does not represent the policies of all lending institutions, borrower circumstances, and property characteristics.

(1) This will vary by lender, program, occupancy, credit scores, and other considerations. In some instances, CLTVs may be allowed as high as 95%.
(2) Although most lenders and mortgage programs will loan up to 80% of a home's value, this will vary by factors like occupancy type, program, credit scores, and other considerations.

Terms and Definitions	
Loan based on after improved value	This can allow for higher loan amounts by calculating the loan-to-value based on the house as if the improvements have already been completed. However, this requires all project and contractor documents to be provided prior to the appraisal being ordered. If there is sufficient value without consideration for the work being performed that is generally advantageous for all parties involved.
Minimum Age	The specialty financing programs for seniors do have minimum age requirements. Depending on the specific program being used, the minimum age is generally 55 or 62.
Maximum LTV/CLTV Current Value Programs	This is the maximum Loan-to-Value (LTV) allowed for each program. For second loan products it is the maximum Combined-Loan-to-Value (CLTV). This is the maximum value that the loan can represent between the first and second loans. For the Senior Reverse products, the loan to value allowed increases as the borrowers age increases. An 80-year-old can access a lot more of their home's equity than a 55 year old.
First or Second Position	First position loans require homeowners to refinance their current loans which are often at much better interest rates than what is currently available. For this reason, most borrowers are much better served with the second position options right now. The exception to this is the Reverse First Mortgage that has the added benefit of eliminating the homeowners required monthly mortgage payment.
Required Monthly Payments	This is a huge advantage to seniors (*55 and above*) with the menu of Reverse Mortgage Products we have. On these programs the monthly payments are optional. However, the borrowers can pay down the balance of the loan whenever they desire with no prepayment penalties.
Debt to Income Restricted	This is where the Reverse Mortgage products open a huge area of opportunities. Standard loan products require the borrower's total monthly payment obligations not to exceed a certain percentage of their income, this is their Debt-to-Income (DTI) ratio. This excludes many seniors as they have limited monthly income. Not only are there no required mortgage payments on our Reverse Mortgage products, but there is no debt-to-income limitation.
Maximum as-improved LTV	This is the maximum percentage of the value including the work that is going to be performed.
Refinance of current loan required	This is required on first loan products. Since most homeowners have a much better existing rate than what is currently available, they are generally very reluctant to pursue the products that require them to refinance their current mortgage. *This is why many people prefer the Second Mortgage Products*.
Payment Shock	Many products like HELOCs allow interest only payments during the initial draw period, and then the borrower is required to pay balance over a relatively short period. When this occurs, the minimum required payment can increase significantly. This sudden increase is often referred to as "Payment Shock". Seniors will often avoid these financing options due to their concerns about this payment shock on many second loan products.
Inspections & Draws	On these loans the lender disperses the construction funds as the project is completed. They require documentation of the work that has been performed and a site inspection to confirm that progress. This is why we generally recommend current LTV products whenever the as-improved value is not needed.
Estimated Approval Time	Typical amount of time needed to close this type of loan.
HEI	The HEI (Home Equity Investment) product is a program that provides money to homeowners in exchange for a share of their current and future equity in their home. It is being heavily promoted on social media. Lenders offering this program are bypassing all consumer protection laws by asserting that their product isn't actually a

	home loan. Many seniors in particular are getting caught in this because they do not know that there are financing programs available to them that do not require income qualifying.
HELOAN	Although most people are familiar with HELOCs, HELOANs are less understood. HELOCs are a revolving line of credit that allows people to draw and repay the funds during the draw period (usually 10 years). They are generally adjustable-rate loans. HELOANs generally disburse the full amount of the available funds up front and there are no additional draws available. Funds that are repaid cannot be drawn again like a HELOC.

How to determine which option best serves a particular clients needs and circumstances	
Reverse Second	Borrowers who are 55 and above who currently have a first mortgage at a favorable interest rate and a payment they are comfortable making. This is a MUCH better option than a HEI loan for seniors who do not have adequate income to qualify for other mortgage programs. We have been able to save seniors hundreds of thousands of dollars compared to an HEI agreement. The Reverse Second can also be a good opportunity for seniors who cannot qualify for a Reverse First mortgage due to LTV restrictions.
Reverse First	Borrowers who are 55 and above that would like to eliminate their required first mortgage payment and free up additional funds for other expenses including home repairs, upgrades, and renovations.
Senior HELOC	Seniors who are 62 and above who are averse to doing a standard HELOC due to the adjustable-rate feature and the payment shock when the draw period ends and the accelerated repayment period starts. Draws are fixed set at a fixed rate for the life of the loan, and they retain the ability to make interest only payments for as long as they remain living in the home.
HELOC	Borrowers who currently have a favorable first mortgage rate and sufficient equity to cover the cost of their construction project
HELOAN	This can be a good option for people who are not comfortable with the risks of an adjustable rate and the payment shock of a HELOC.
Renofi	This can be a good option for borrowers who have a favorable first mortgage rate but need the added value consideration for their proposed construction project to qualify for financing.
Cash-out Refinance	There are not too many situations right now where a cash-out refinance is the most advantageous option for a borrower because the current rates are generally higher than the rate they already have.
Agency Renovation	This can be a very good option for home buyers that want to include upgrades and repairs. It is not generally the best option for a home they already own because it would require them to give up their current interest rate. This program will allow a buyer to include additions, repairs, upgrades, and ADUs in their purchase loan and finance up to 95% of the value (including the construction).
FHA Renovation	This is similar to the Agency Renovation product. It also requires the refinancing of the current mortgage, so it is mainly just being used on purchases now. An interesting quirk on this program is that it will actually allow a borrower to finance up to 106.15% of the after completed value.

HEI	Although there are lawsuits going on this program, and I think many people are being misled by it, I do think there are a few circumstances where this product is the best option for a homeowner. If someone is under age 55, in desperate need of a home repair, and unable to qualify for any other financing option due to a temporary setback, this may be their only way to hold onto their house.