

Effective Date

Effective Immediately

Update:

A Practical Guide to Appraising Accessory Dwelling Units (ADUs)

ADU Background:

- Accessory dwelling units (ADUs) are growing in popularity nationwide to provide homeowners with more choices, options and housing opportunities. They've become a way to create additional housing units within the footprint of existing properties that can help address both affordability and inventory concerns in many markets. ADUs help homeowners maximize their space in a variety of different ways. They can also offer space to house extended family or tenants, which could provide rental income.

Freddie Mac Policy:

- To support the growing popularity of ADUs and their role in increasing housing affordability, Freddie Mac has updated requirements in the Freddie Mac Single-Family Seller/Servicer Guide (Guide) to provide more flexibility for mortgages secured by properties with ADUs. Freddie Mac allows the financing of properties with ADUs through our mortgage offerings, giving borrowers the flexibility to finance, refinance or renovate an ADU.
(<https://guide.freddiemac.com/app/guide/section/5602.3>)

Appraiser Quality Monitoring (AQM):

- As a part of the ongoing monitoring of appraisal reports submitted to Freddie Mac, we're able to see appraiser patterns and trends in report development when completing assignments with ADUs. These assignments take additional work and effort by the appraiser to properly and appropriately analyze and develop an opinion of value. Compliance with above guidelines is an important element to Freddie Mac Risk Management. We're messaging directly to appraisers when we see patterns of quality concerns and, on occasion, referring appraisers to state agencies that demonstrate a pattern of inconsistent development and concern. We anticipate that with the migration to the new UAD 3.6 data set will see improved consistency, transparency and quality in the appraisals completed with ADUs.

Appraisal Considerations:

- Firstly, an appraiser can't simply ignore an ADU. If the determination is made that additional finished area qualifies and meets the definition of an ADU, there are some practical steps the appraiser must take in the analysis.

Note: The Seller/Servicer Guide defines an ADU as an additional finished area that includes a kitchen, bathroom and a separate entrance that is independent of the primary dwelling unit. Also, an ADU is

October 21, 2026

Freddie Mac Update

described as being smaller in size than the primary dwelling unit and contributes less to the value of the property than the primary dwelling unit.

- In addition to property characteristics, when determining whether a property has an ADU the appraiser must consider zoning and land use requirements including the unit's utility and the property's highest and best use.

Appraisal Development:

- The appraiser will need to determine any effect the ADU has on the market value or marketability of the subject property. The appraiser's analysis must be documented in the appraisal report and conclude whether an adjustment is supported for the ADU (remembering that the conclusion for no adjustment also requires market support).
- If the analysis of comparable data (i.e., comparable sales, contract or pending sales and/or current listings) with an ADU indicates that there is no market reaction to an ADU in that market, the appraiser may then reflect no value for the ADU. Again, to simply ignore the ADU due to lack of comparable sales is an unacceptable appraisal practice. As with any appraisal, the appraiser must justify and support their analysis and conclusions.
- Specific information about the ADU, including its general condition, room count, any functional differences and the finished living area must all be analyzed and addressed, measuring market reaction to same.

Allowable Flexibility:

- A good best practice for any appraiser is to reference and use Freddie Mac resources and published appraisal guidelines, which detail the steps an appraiser may take when valuing a property with an ADU. If a subject property ADU complies with zoning and land use requirements, the appraisal report must include at least one comparable sale with an ADU. If not available, then the appraiser may consider an older sale from the subject's market or a competing market. The appraiser may also expand the search and comparison beyond just three sales, including pending contract sales or listings to justify the support for adjustments.
- If a subject property ADU doesn't comply with zoning and land use requirements, the appraiser must include at least two comparables with an ADU that is also non-compliant with zoning (illegal) to demonstrate marketability of the subject property.
- Appraisers should also be aware that Freddie Mac will purchase a mortgage secured by a 1-, 2- or 3-unit property that contains a manufactured home ADU that meets Guide requirements (including legally classified as real property and minimum of 400 SF finished area). Full eligibility requirements are detailed in Sections 5703.2 and 5703.3
(<https://guide.freddiemac.com/app/guide/section/5703.2/highlight/5703.2>)
(<https://guide.freddiemac.com/app/guide/section/5703.3/highlight/5703.3>)

Decommissioning of an ADU:

- The decommissioning of an ADU generally involves several steps to ensure compliance with local regulations and the property's zoning requirements. If choosing to decommission an ADU, a



WHOLESALE ANNOUNCEMENT 2026-91

October 21, 2026

Freddie Mac Update

significant reconfiguration of the unit or property may be required such that there is no longer a separate unit. From an ownership or appraisal perspective, simply removing one component of the unit (such as a stove) does not satisfy this definition. Component or appliance removal is also not an alternative or creative path to ignoring or avoiding the appropriate analysis needed to develop a value opinion.

Freddie Mac Mission

- At Freddie Mac, our mission is to provide liquidity, stability and affordability to the U.S. housing market in all economic environments. An important part of executing that mission is to ensure that the company effectively oversees and manages market risks. We appreciate the collaboration with industry stakeholders to help ensure compliance with our Guide requirements and remain transparent with our valuation requirements.

Should you have any questions, please reach out to your Account Executive or Client Manager