Bloom

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Snap Shot of Local Accessory Dwelling Unit Financing Options

Did you Know that, in the City of Columbus, new legislation and guidebook allows many homeowners to build an Accessory Dwelling Unit (ADU), which can be a creative way to make housing costs more affordable.

However, because this is so new, most lenders are still building their familiarity with ADUs and may offer limited options for construction borrowing. CONVERGENCE Columbus is working to expand these options, and below is a snapshot of what some lenders already offer. Use the chart below to see side-by-side comparisons of their products for different scenarios and view the Glossary of Terms for definitions.

Lender	For Buying a New Home + Building an ADU (Max LTV)	For Refinancing to Build an ADU (Max LTV)	For Preserving a Lower Mortgage Interest Rate	Processing Fee	Other Costs	Timeline	Draw/ Inspection Fees	Other Unique Lending Features
AnnieMac Home Mortgage	Max LTV is 97% Conv, 96.5% for FHA, and 100% VA loans	90% VA / 97% Conv	Renovation HELOC	Standard	Standard closing costs	~30 days	Varies by program	Renovation HELOC up to 95% as-completed value
Fifth Third Bank	Agency renovation (up to 97%**)	97%**	Product and Transactional Specific based upon current rate. Renovation, Consumer Equity, and Agency options available based upon borrower needs	Standard loan processing costs	Standard closing costs	30-60 days	Standard renovation draw costs for appraisal / inspections (location dependent + renovation cost dependent)	Loan Options are for Structured Transactions. Contract required. Builder/Contractor registry. No self builds, sweat equity or self help.
First Commonwealth Bank	Homestyle Renovator (97%)	80%	HELOC	$1,395 (cash-out)	Appraisal, title, escrow	30-60 days	No initial draw	Same appraiser does pre- and post-construction
First Financial Bank	Renovation products (95%)	80%	Equity line/2nd position	Not specified	Draw inspections only	Standard + plan prep	Varies	BUILT program for construction management

** subject to program eligibility (including HomeReady® and other agency requirements, as well as borrower qualifications, transaction structure, and automated underwriting findings. Lower LTV options may be available.

Lender Contact	For Buying a New Home + Building an ADU (Max LTV)	For Refinancing to Build an ADU (Max LTV)	For Preserving a Lower Mortgage Interest Rate	Processing Fee	Other Costs	Timeline	Draw/Inspection Fees	Other Unique Lending Features
Key Bank	Not available	80%	HELOC	$300 (HELOC)	$3-5k (mortgage)	Standard	N/A	HELOC closing costs as low as $300
NFM Lending	FHA 203k/Conventional (100% with comps)	80-90%	HELOC	2-3% of loan	Standard closing costs	5 days conditional	Required	Fast conditional approval (5 days)
Park National Bank	Equity/HELOC/Construction (80% preferred)	80-97%	2nd mortgage construction loan	$0 (HELOC) to $4-6k	Depends on loan	Standard	2-5 draws	Unique 2nd mortgage construction loan
Spring Garden Lending	Construction-to-permanent	75%	No	$1,500	1.2% of loan amount	30 days	$100 per draw + inspection	Reimburses pre-development costs; accepts brokerage
State Bank	Construction loan (Varies)	80% owner / 75% non-owner	Home equity loan	$299	$6,500 renovation	30-35 days	Included	Borrower affidavit at each draw

Expert Tips from Featured Lenders

Fifth Third Bank

"Engage with a mortgage loan officer experienced in construction-to-permanent or renovation lending."

Spring Garden Lending

"Highly recommend pre-vetted contractors who have done ADUs before to save time and money."

First Financial Bank

"Allow time to get your plans prepared."

First Commonwealth Bank

"Finding a reliable and capable general contractor is likely the most important part of the process."

Park National Bank

"Understand all the options and determine what makes the most sense for you."

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Glossary of Terms

Navigate ADU Financing like a pro with these definitions!

Term	What It Means	Why It Matters
2nd Mortgage	A separate loan taken out in addition to your first mortgage. You make two monthly payments.	Allows you to keep your low first mortgage rate.
Cash-Out Refinance	You replace your current mortgage with a larger one and take the difference in cash to use for your ADU.	You lose your current interest rate. Max LTV is typically 80% (meaning you need 20% equity).
Construction-to-Permanent Loan	One loan that covers both the construction phase and the permanent mortgage. During construction, you pay interest only. After completion, it converts to a standard 30-year loan.	It's the most efficient option—one closing, one set of fees.
Fannie Mae Homestyle Renovation	A conventional (not government-backed) renovation loan.	One of the best tools in the market to address homeowner barriers due to lack of equity and high out of pocket costs
FHA 203k Loan	A government-backed renovation loan insured by the Federal Housing Administration. Allows you to finance both purchase/re-finance and renovation costs.	Lower credit score requirements.
HELOC (Home Equity Line of Credit)	A credit line secured by your home's equity. You borrow only what you need, when you need it, like a credit card.	Allows you to keep your low first mortgage rate. But HELOCs have variable rates and aren't designed for construction draws.
Home Equity Loan	A fixed-rate, fixed-term loan secured by your home's equity. You receive all the money at once.	Predictable payments, but you pay interest on the full amount even if construction takes months.
Renovation HELOC	A hybrid product: a HELOC that uses the as-completed value of your home (future value) rather than current equity.	Option for homeowners with limited current equity.
Renovation Loan	A loan that lets you borrow based on the future value of your home after renovations are complete. Examples: FHA 203k, Fannie Mae Homestyle Renovation.	Many lenders use this for ADUs, but it was designed for remodels, not ground-up construction.

Term	What It Means	Why It Matters
VA Renovation Loan	A renovation loan for veterans and service members, backed by the VA.	Highest LTV option—up to 100% in some cases. No down payment required.
Appraisal	A licensed appraiser's estimate of your home's value.	Required for every loan. For ADUs, this is the #1 challenge cited by lenders due to a lack of comparative properties.
CLTV (Combined Loan-to-Value Ratio)	Your total borrowing across ALL loans on the property (first mortgage + HELOC + 2nd mortgage) divided by home value.	Important if you're adding a 2nd loan on top of an existing mortgage.
Construction-to-Permanent Loan	One loan that covers both the construction phase and the permanent mortgage. During construction, you pay interest only. After completion, it converts to a standard 30-year loan.	It's the most efficient option—one closing, one set of fees.
Draw	A disbursement of construction funds from your loan. Contractors get paid in "draws" as work is completed.	Number of draws varies by lender (3 draws, 2-5 draws, or unlimited). Each draw may have a fee ($100+).
Draw Inspection	A lender sends an inspector to verify that work has been completed before releasing the next draw.	Required for each draw. Some lenders charge an inspection fee per draw.
Draw Schedule	The timeline and milestones for releasing construction funds (e.g., 10% after foundation, 30% after framing).	Required by most lenders. Your contractor needs to agree to the schedule.
Interest-Only Period	The time during construction when you pay only interest on the money borrowed so far, not principal.	Keeps payments low during construction. Common in construction-to-permanent loans.
LTV (Loan-to-Value Ratio)	The percentage of your home's value that you're borrowing. Example: If your home is worth $500k and you borrow $400k, your LTV is 80%.	Lower LTV = better loan terms. Most cash-out refinances max at 80% LTV. Some renovation loans go to 95-97%.

WHO WE ARE

Bloom614 & CONVERGENCE Columbus

Bloom is a public education initiative by CONVERGENCE Columbus, a grassroots, cross-sector partnership to increase Black, minority, and first-generation homeownership in Columbus, Ohio.

Housed at the Affordable Housing Alliance of Central Ohio, it brings together nonprofit, public, and private sector leaders to drive impactful and sustainable homeownership solutions by closing information, trust, resource, and housing supply gaps in our community.

ABOUT THIS SNAPSHOT GUIDE

CONVERGENCE Columbus initiatives, like the Accessory Dwelling Unit Sprint, create strategies for leaders and advocates to expand ADU access in Franklin County. This Snapshot Guide is a continuation of the coalition's efforts to make ADU benefits available for all residents.

-This Snapshot Guide is not an exhaustive list of all ADU-friendly lending products. It highlights tools that are available from participants in the CONVERGENCE Columbus coalition.

To our knowledge, there is no nationwide, comprehensive database for all ADU loan products. **This is our starting place.** Additional public information about ADU financing tools is available from Fannie Mae.

If you are a lender with an ADU-friendly resource that serves Central Ohio, we invite you to join our coalition and share your knowledge. You can find us at www.Bloom614.org

WE EXPRESS OUR GRATITUDE

This work is made possible because of cornerstone funding support from Huntington Bank, Fifth Third Bank, and JPMorgan Chase, who share CONVERGENCE Columbus' mission to expand sustainable and affordable homeownership to all in our community.