

From: [Ryan O'Connell](#)
To: [#FHFA REG-COMMENTS](#)
Subject: [EXT] Public Comment - New Product Notice for Freddie Mac Second Mortgage Proposal
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Hello,

The new second mortgage proposal from Freddie Mac is very exciting and I'd like to make some recommendations, namely about making sure to set a maximum loan value that will accommodate large residential projects like Accessory Dwelling Units.

In our work with thousands of homeowners, primarily in California, we see that ADU development costs are often \$250,000 or higher. Even smaller conversions typically have something like \$150,000 in hard costs, and several thousand dollars in soft costs and fees.

Financing these projects is still very difficult, especially for homeowners who are reluctant to refinance their primary mortgages and lose their current rates.

The product proposed by Freddie Mac seems like a very good solution to this financing hurdle. Since Freddie currently owns the primary mortgage, and the LTV is maxed at 80%, it also seems like a low risk proposition to offer a very high maximum loan amount like \$350,000.

This high loan amount will make the product very appealing for homeowners who are looking for financing to develop a project. It will also be appealing for homeowners want to take out a second mortgage after they've finished an ADU with their own funding sources since they will have added significant equity to the home and will have an increased LTV opportunity.

We would also recommend that written materials about this program explicitly state some of these positive use cases involving ADU financing, to help lenders connect the dots on the potential of this secondary market.

And naturally, I look forward to Fannie's participation in a similar program.

Cheers,
Ryan O'Connell
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