



MORTGAGE BANKERS ASSOCIATION

April 27, 2023

The Honorable Julia Gordon  
Assistant Secretary for Housing and Federal Housing Commissioner  
Office of Housing – Federal Housing Administration  
U.S. Department of Housing and Urban Development  
451 7th Street, SW  
Washington, DC 20410

**Re: Draft Mortgagee Letter: Consideration of Accessory Dwelling Unit Rental Income**

Dear Commissioner Gordon,

The Mortgage Bankers Association<sup>1</sup> (MBA) and its members appreciate the opportunity to offer comments in response to the Department of Housing and Urban Development's (HUD) draft mortgagee letter posted to the Federal Housing Administration's (FHA) Single Family Housing Drafting Table (Drafting Table) concerning the inclusion of rental income generated by an accessory dwelling unit (ADU) as qualifying income when underwriting a borrower.

MBA applauds FHA for its continued use of the Drafting Table to gather feedback from stakeholders before implementing policy. However, we would be remiss if we did not also comment on the reduced amount of time FHA provided to submit feedback on the current draft ML. Traditionally, FHA has provided a minimum of 30 days for stakeholders to provide feedback on both draft and published MLs, a practice maintained even throughout the height of the COVID-19 pandemic. It is imperative that FHA afford enough time for the industry to gather the relevant information needed to provide thorough comments on a policy that will have a significant impact on the mortgage market. To facilitate the needed time for industry review and feedback, and in the absence of urgent circumstances, MBA encourages FHA to provide at least 30 days between publication on the drafting table and the comment deadline.

In general, MBA supports enabling prospective borrowers seeking to finance a property with an ADU to use the actual or projected rental income from the ADU to help meet FHA

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,100 companies includes all elements of real estate finance: independent mortgage banks, commercial banks, mortgage brokers, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: [www.mba.org](http://www.mba.org).

income guidelines. ADUs can provide much-needed affordable housing options, especially in communities where housing affordability is a challenge. They can provide real economic benefits for FHA homebuyers and are often used to facilitate multi-generational housing – accommodating aging parents, adult children, or other family members, while maintaining independence and privacy. Enabling the rental income generated by ADUs to be counted for income qualification purposes makes sense as an opportunity to sustainably and responsibly expand access to an FHA mortgage loan.

While we support the policy change, our members have identified areas where additional clarification is needed. **The attached “Feedback Response Worksheet” provides a list of our members’ concerns, as well as a list of other recommendations to improve the efficacy of this proposal.**

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MBA appreciates FHA’s commitment to addressing the housing affordability challenges that remain persistent across the country. Should you have questions or wish to discuss these issues further, please contact Darnell Peterson, Senior Policy Advisor, at (202) 557-2922 or [dpeterson@mba.org](mailto:dpeterson@mba.org).

Sincerely,



Pete Mills  
Senior Vice President  
Residential Policy and Strategic Industry Engagement  
Mortgage Bankers Association