



STATE OF MAINE  
GOVERNOR'S OFFICE OF POLICY INNOVATION AND THE FUTURE  
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Testimony Neither For, Nor Against  
**L.D. 654**, Resolve, Directing the Finance Authority of Maine to Establish a Pilot Program to Encourage the Development of Accessory Dwelling Units

April 11, 2023

Senator Pierce, Representative Gere, and distinguished members of the Joint Select Committee on Housing, my name is Greg Payne and I serve as the Senior Advisor on Housing Policy in the Governor's Office of Policy Innovation and the Future. I am here today to offer testimony neither for, nor against **L.D. 654, Resolve, Directing the Finance Authority of Maine to Establish a Pilot Program to Encourage the Development of Accessory Dwelling Units.**

The Mills Administration is committed to addressing the housing crunch caused by growing demand and limited supply. L.D. 2003 passed last year with bipartisan support in both legislative chambers and was signed into law by Governor Mills. The law provides homeowners across the state, within reasonable limits, the right to create accessory dwelling units on their property. However, we recognize that creating such a right is only one part of the equation. Most Mainers also need to be able to access financing in order to turn this new opportunity into reality. L.D. 654 seeks to address potential barriers to obtaining that financing.

Those seeking loans will, at times, face challenges with getting approved for a loan due to their debt-to-income (DTI) ratio. According to Total Mortgage, construction lenders look for a DTI under 45 percent and a down payment of at least 20 percent. As of April 7, Bath Savings offered a 30-year construction loan at a 6.25% interest rate. However, many lending institutions do not allow for potential rental income from the ADU to be considered when determining loan eligibility, further constraining the DTI ratio. Other financing options include, but are not limited to, cash-out refinancing, home equity lines of credit, and home improvement loans. However, financing for an ADU is not as commonplace as the traditional 30-year home mortgage, and can present major obstacles for Mainers who want to add an ADU for an aging parent or simply to add a new income source that could help them pay their bills.

The Mills Administration understands that the Finance Authority of Maine (FAME) does not want to be responsible for a housing-related loan product. We offer testimony neither for, nor against this proposal for that reason. However, we wish to work with the sponsor, this committee, and interested stakeholders to identify a way forward that would make financing an ADU more accessible to more Maine homeowners.

We thank you for your diligent consideration of this initiative. I would be happy to answer any questions you may have.