



Can an Accessory Apartment Help You Qualify for a Mortgage on Long Island?



Scan for the live
version with
working links

MORTGAGE BASICS

Can an Accessory Apartment Help You Qualify for a Mortgage on Long Island?

Coltrain Mortgage Team · October 20, 2026 · 8 min read

"The house has an apartment downstairs. Can the rent help us qualify?" We've been hearing that question on Long Island for more than 20 years, and for most of that time the honest answer on a one-family home was "not really." That's changed. Fannie Mae, Freddie Mac and FHA now all let rent from an accessory apartment count toward your qualifying income, within limits. There's one big Long Island catch, though: the apartment has to be legal. Let's walk through how it works.

75%

Of the rent is what
typically counts

30%

Cap on how much of
your income can be
ADU rent

1

ADU per property, on a
one-unit home

Legal

Permitted apartments
only, per your town

What Counts as an Accessory Apartment (ADU)?

Lenders call it an accessory dwelling unit, or ADU. On Long Island you'll hear "mother-daughter," "accessory apartment," or "the apartment over the garage." FHA's definition is a good plain-English one: a single, complete living unit with its own way in and out, smaller than the main house, that's built into, added onto, or detached from a one-family home, with both sold together as one property.

Here's a detail that surprises people. Under FHA's rules, a one-family home with a single ADU *stays a one-unit property*. It isn't automatically a two-family. That matters, because one-unit homes get the best down payment and program options, which we'll come back to below.

How Fannie Mae, Freddie Mac and FHA Count ADU Rent

All three now allow it, and the math is surprisingly similar. Tap a program to see its specific rules.

ADU Rent Rules by Loan Program

INTERACTIVE

Property	One-unit principal residence. Rent can come from only one ADU, even if there's more than one.
Loan purpose	Purchase or limited cash-out refinance.
How rent counts	Standard rental income rules apply, which generally means 75% of the lease or market rent, to allow for vacancy and upkeep. The appraiser can estimate market rent for the apartment on a comparable rent schedule (Form 1007).
Cap	ADU rent can't be more than 30% of your total qualifying income.
Status	Announced October 2025 (Selling Guide Announcement SEL-2025-08), with Desktop Underwriter updated in early 2026.

Property	One ADU on a one-unit primary residence when the rent is used to qualify.
Loan purpose	Purchase or no cash-out refinance.
How rent counts	Rent documented with a lease can't exceed 75% of the lease amount.
Cap	Qualifying ADU rent can't exceed 30% of total income used to qualify.
Appraisal	A full appraisal with at least one comparable sale that has an ADU, plus at least three comparable rentals, one of them a rented ADU.
Landlord education	On a purchase, at least one borrower completes landlord education unless they have a year of property management or ADU rental experience.
Legal status	The ADU must be legal, legal non-conforming, or in an area with no zoning. Freddie Mac is blunt about it: rent from an illegal ADU can't be used to qualify.

Property	A one-unit home with a single ADU, which FHA treats as one unit.
How rent counts	Without a rental history, the lender uses 75% of the <i>lesser</i> of the appraiser's market rent or the lease rent. With a history on your tax returns, it's averaged from Schedule E instead.
Cap	ADU rent can't exceed 30% of your total monthly effective income.

Zoning

The appraiser has to confirm the ADU fits local zoning, which can include a legal non-conforming use.

Where it comes from

HUD Mortgagee Letter 2023-17, now part of the FHA handbook.

Notice the pattern? Across all three, about 75% of the rent counts, and ADU rent can't be more than 30% of your qualifying income. That 30% cap is measured against your total income *including* the rent, so in practice the apartment can add up to about 43% on top of your other income, never more. Plug in your own numbers below.

ADU Qualifying Income Estimator**INTERACTIVE****YOUR MONTHLY INCOME****\$ 8,000**

Gross, before taxes, not counting the apartment

EXPECTED MONTHLY RENT**\$ 2,000**

From a lease or the appraiser's market rent

MONTHLY DEBTS (OPTIONAL)**\$ 0**

New housing payment plus car, cards, loans

75% OF RENT**\$1,500**

Before the cap

MAX ALLOWED BY CAP**\$3,429**

Keeps ADU rent at 30% of the total

RENT THAT MAY COUNT**\$1,500**

Qualifying income becomes \$9,500/mo

The full 75% of the rent, **\$1,500 a month**, fits under the 30% cap.

Estimate only, using the 75% and 30% rules described above. Actual qualifying income depends on the loan program, documentation, the appraisal, the apartment's legal status, and underwriting. This is not a commitment to lend.

That extra qualifying income flows straight into your **debt-to-income ratio**, which is often the number standing between a buyer and the house they want.

Why "Legal" Is the Whole Ballgame on Long Island

This is where Long Island is different from a lot of the country. Accessory apartments here are regulated town by town, and plenty of homes have an apartment that was never permitted. An illegal apartment doesn't just risk a fine. On the financing side, it usually means the rent can't count, and it can complicate the appraisal too.

Most towns tie the permit to an owner who lives on the property, and many permits have to be renewed. That's why buyers should never assume a seller's permit simply carries over at closing. Here's a snapshot of how a few towns handle it. Notice how often the permit is tied to the current owner.

Town of Huntington

ANNUAL PERMIT

Owner on the deed must live there as a primary residence

Apartment between 300 and 650 square feet of living space

House needs a certificate of occupancy for at least three years

New basement, cellar and attic apartment applications haven't been accepted since July 2019

Town of Brookhaven

TWO-YEAR LICENSE

An owner has to live on the property, and the application requires proof of ownership and residency

The license is good for 24 months, then has to be renewed

After you buy, there's a separate "New Owner Transfer" application

Town of Babylon

OWNER-OCCUPANT PERMIT

Permits are issued to the owner-occupants named on them

A permit ends when those owners no longer live there

It can be transferred to a buyer, but only if that's done within 30 days of the title transfer

Town of Islip

SPECIAL PERMIT

An owner has to live in the main house

Minimum lot of 7,500 square feet and 75 feet wide, for an apartment inside a one-family home

Not allowed in a detached accessory structure

Zoning Board of Appeals hearing, except for renewals and transfers

The permit ends when the title transfers, so a buyer needs to apply

Nassau County towns

VARIES WIDELY

Rules differ by town and by incorporated village

Some Nassau towns have historically limited accessory apartments to family members or seniors

Villages often have their own codes on top of the town's

Always check with the building department for the exact address

Town rules change. This is a summary from each town's code and website as of October 2026, not legal advice. Confirm the permit status of any specific property with the town or village building department.

Our advice to buyers and agents: before you count on the rent, ask for the town's accessory apartment permit and the certificate of occupancy for the property, and find out exactly what you'd need to do to get the permit in your name after closing. It's a two-minute question that can save a deal.

One-Family With an ADU vs. a Legal Two-Family

These sound alike but finance differently. The appraiser decides which one a property is, based on its layout, zoning, and how similar homes sell. A one-family with an ADU gets one-unit treatment, with the 30% cap on the rent. A legal two-family is a two-unit property, which has its own down payment, reserve, and rental income rules, and doesn't qualify for one-unit-only programs.

Neither one is better across the board. It depends on the house and your numbers, which is exactly the kind of thing we sort out for buyers every week. And if you're buying purely as an investor rather than to live there, that's a different conversation entirely: see our guides to **DSCR investment property loans** and **second homes vs. investment properties**.

How to Use ADU Rent When You Buy

1 Check the permit first

Get the town's accessory apartment permit and certificate of occupancy for the property, and ask what it takes to get the permit in your name.

2 Document the rent

A lease helps, and the appraiser will also estimate market rent for the apartment. Lenders generally count 75% of it.

3 Pick the right program

Fannie Mae and Freddie Mac **conventional loans** and **FHA** all allow it, with slightly different paperwork. We'll run it both ways.

4 Plan for the appraisal

The appraiser needs comparable sales and rentals with ADUs, which is easier in some Long Island neighborhoods than others.

Want the full picture of what happens from application to keys? Here's our **step-by-step loan process**.

Looking at a house with an apartment? Let's see what the rent can do for you.

COMMON QUESTIONS

Can rent from an accessory apartment help me qualify for a mortgage? ×

Yes, if the apartment is legal and the property is a one-unit home you'll live in. Fannie Mae, Freddie Mac and FHA all allow rent from one accessory dwelling unit to count toward qualifying income, generally 75% of the rent, capped so the rent is no more than 30% of your total qualifying income.

How much of the ADU rent counts toward my income? ×

Lenders generally use 75% of the rent from a lease or the appraiser's market rent estimate. FHA uses 75% of whichever is lower. Then the 30% cap applies: the ADU rent can't be more than 30% of your total qualifying income, including the rent itself.

Does the accessory apartment have to be legal? ×

For the rent to count, yes. Freddie Mac states that rent from an illegal ADU can't be used to qualify, and FHA requires the appraiser to confirm the ADU fits local zoning. On Long Island, that usually means a current town accessory apartment permit, and most towns require an owner to live on the property.

Does a seller's accessory apartment permit transfer to me? ×

Don't assume it does. Long Island towns generally tie the permit to the owner who lives there, and many require renewals. Ask the town or village building department what the new owner needs to do, before you're under contract.

Is a house with an ADU a one-family or a two-family for financing? ×

Under FHA's rules, a one-family home with a single ADU remains a one-unit property. The appraiser makes the final call based on the layout, zoning, and comparable sales. A legal two-family is financed as a two-unit property, which has different down payment, reserve, and rental income rules.

Program guidelines are based on published Fannie Mae, Freddie Mac and HUD/FHA requirements as of October 2026 and are subject to change. Town accessory apartment rules summarized here are for general information only and are not legal advice. All loans are subject to credit approval, underwriting, and property eligibility. This article is for educational purposes and is not a commitment to lend. Coltrain Mortgage is a mortgage broker; all loans are arranged through third-party lenders. Equal Housing Opportunity.

SOURCES

Fannie Mae, **Selling Guide Announcement SEL-2025-08 (October 8, 2025)**, rental income from ADUs

Fannie Mae Selling Guide, **B3-3.1-08, Rental Income**

Freddie Mac Single-Family, **Accessory Dwelling Units fact sheet (February 2026)**

Freddie Mac Single-Family, **Accessory Dwelling Units**

U.S. Department of Housing and Urban Development, **Mortgagee Letter 2023-17, Rental Income Policies and Appraisal Protocols for Accessory Dwelling Units**

Town of Huntington, **Accessory Dwelling Unit Bureau**

Town of Brookhaven, **Accessory Apartment License**

Town of Babylon, **Town Code, accessory apartments article**

Town of Islip, **Town Code accessory apartment provisions**

← **Back to all posts**

READY WHEN YOU ARE

Buying a Long Island home with an apartment?

We'll check how the rent can count under Fannie Mae, Freddie Mac and FHA, and help you sort out the permit questions before you're under contract. No pressure, no obligation.



Ready to talk it through?

Scan to reach a loan officer, or call (631) 851-4420.
coltrain.com/our-staff

Call [\(631\) 851-4420](tel:6318514420) | coltrain.com

Coltrain Funding Group LLC, DBA Coltrain Mortgage (NMLS#10640) 140 Fell Court Suite 101 Hauppauge, NY 11788 is a Registered Mortgage Broker with the NYS Department of Financial Services. Licensed Mortgage Broker NJ Department of Banking & Insurance. Licensed Mortgage Broker, Florida Office of Financial Regulation. Licensed Mortgage Broker by the Pennsylvania Department of Banking and Securities. All loans arranged through a third party. We do not make any mortgage loan commitments or fund any mortgage loans. MORTGAGE BROKER ONLY, NOT A MORTGAGE LENDER OR MORTGAGE CORRESPONDENT LENDER. Rates subject to change without notice. Phone 631-851-4480 Fax 631-963-3209. www.coltrain.com