

Calculating Rental Income

Fannie Mae and Freddie Mac Guidelines

August 2021

Genworth Mortgage Insurance Corporation and Genworth Mortgage Insurance Corporation of North Carolina
©2021 Genworth Mortgage Insurance Corporation. All rights reserved.



Genworth MI is now Enact

We're changing to remain focused on you.

As part of our evolution, we are now known as Enact. We're building on our trusted reputation for quality service and success with an increased focus on providing responsive solutions and insightful expertise for you.

Learn more at <https://pages.genworth.com/about-enact>

Objectives

- General guidelines for calculation of rental income for Fannie Mae and Freddie Mac
- Recent changes relating to rental properties from Fannie Mae Announcements and Freddie Mac Bulletins
- Overview of Freddie Mac Rental Form 92
- Overview of Fannie Mae Rental Forms 1037, 1038, 1039
- Calculation of rental income from the Schedule E
- Questions

Enact Training Resources

The screenshot displays the Enact website interface. At the top left, it says "Genworth MI is now Enact™". On the top right, there is a phone number "800 444.5664", a search bar, and a "LOG IN TO:" button with options for "ORDER MI", "MANAGE MI", and "VIEW ACCOUNT". The main navigation bar includes "MI & RATES", "UNDERWRITING & GUIDES", "LOS & CONNECTIONS", "ENACT TOOLKIT", "TRAINING", "LOG", and "ABOUT US". The "TRAINING" menu is open, showing "Course Catalog", "Live Webinar Calendar", "Self-Employed Borrower Calculators", and "Our Trainers". Two orange arrows point to the "TRAINING" menu item and the "Course Catalog" link. The main content area features a large green banner with the text "We've changed to remain focused on you. Genworth MI is now Enact." and a "LEARN MORE" button. Below the banner are three promotional cards: "Underwriting Innovate Underwriting KNOW MORE", "Rate Express Find Rates Quick GET A QUOTE NOW", and "Training Boost Your Knowledge LEARN NOW". The "Training" card is highlighted with an orange border. A large white plus sign is overlaid on the right side of the banner.

Enact Training Resources

Genworth MI is now
Enact™













MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | ENACT TOOLKIT | **TRAINING** | OUR BLOG | ABOUT US

Self-Employed Borrower Tools by Enact MI

We get it, mental math is hard. That's why Enact provides a collection of downloadable calculators and reference guides to help you analyze a self-employed borrower's average monthly income and expenses.

Please note that these tools offer suggested guidance, they don't replace instructions or applicable guidelines from the GSEs.

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

 Fannie Mae Form 1084 Calculator (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. UPDATED	 Fannie Mae Form 1084 Calculator XLS (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. UPDATED	 Freddie Mac Form 91 Calculator (2019-2020) Quick reference guide and income analysis for Freddie Mac Form 91 UPDATED
 Freddie Mac Form 92 Calculator (2019-2020) Form 92 Net Rental Income Calculations - Schedule E UPDATED	 Schedule Analysis Method (SAM) Calculator (2019-2020) Calculate qualifying income from tax returns. UPDATED	 Rental Income Calculator (2019-2020) Assists in calculating rental income from IRS form 1040 Schedule E. UPDATED
 Current Ratio - Liquidity Calculator (2019-2020) Calculate working capital liquidity against current liabilities. UPDATED	 Quick Ratio - Liquidity Calculator (2019-2020) Calculate an organization's liquidity against current liabilities. UPDATED	 Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence, 2- to 4-unit Property)
 Fannie Mae Rental Guide (Calculator 1039) Calculate qualifying rental income for Fannie Mae Form 1039 (Business Rental Income from Investment Property)	 Fannie Mae Form 1088 Cheat Sheet Use this quick reference guide for Fannie Mae's Comparative Analysis Form (Form 1088)	 Fannie Mae Comparative Analysis Form 1088 Calculate increases/decreases in gross income, expenses and taxable income.

Borrower(s) Name(s)

Loan Number

Calculator and Quick Reference Guide: Rental Income

Please use the following calculator and quick reference guide to assist in calculating rental income from IRS Form 1040 Schedule E. It provides suggested guidance only and does not replace Fannie Mae or Freddie Mac instructions or applicable guidelines. This method should not be used when calculating rental income on a borrower's primary residence. Check applicable guidelines when rental income is declining year to year. Please check with your own legal advisors for interpretations of legal and compliance principles applicable to your business.

Property 1 *Calculator Usage Note: Click Green Buttons to Divide for Monthly Totals*

Rental Income Calculation		2020	2019	NOTES
1	Gross Rents (Line 3)			
2	Expenses (Line 20)	-		*Check applicable guidelines if not using 12 months.
3	Depreciation (Line 18)	+		
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		**Net rental losses are typically included with liabilities when calculating the debt ratio.
5	Insurance (Line 9)	+		
6	Mortgage Interest (Line 12)	+		
7	Taxes (Line 16)	+		
8	Other: (HOA if Applicable)	+		
9	Annual Rental Income/Loss	=	\$ 0.00	\$ 0.00
<hr/>				
10	Number of Months Considered (Line 2)*	/		
11	Monthly Income/Loss	=	●	●
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**	=	\$ 0.00	\$ 0.00

Property 2

Rental Income Calculation		2020	2019	NOTES
1	Gross Rents (Line 3)			
2	Expenses (Line 20)	-		*Check applicable guidelines if not using 12 months.
3	Depreciation (Line 18)	+		
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		**Net rental losses are typically included with liabilities when calculating the debt ratio.
5	Insurance (Line 9)	+		
6	Mortgage Interest (Line 12)	+		
7	Taxes (Line 16)	+		
8	Other: (HOA if Applicable)	+		
9	Annual Rental Income/Loss	=	\$ 0.00	\$ 0.00
<hr/>				
10	Number of Months Considered (Line 2)*	/		
11	Monthly Income/Loss	=	●	●
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**	=	\$ 0.00	\$ 0.00

This calculator can be found at <https://EnactMI.com/self-employed-borrower-calculators>

Rental Income

Basics about rental income requirements:

- Rental income must be supported by the borrower's most recent personal tax returns if used for qualification purposes*
 - Follow the underwrite you are utilizing
 - Desktop Underwriter® follow the DU findings report
 - Loan Product Advisor® follow the Feedback certificate
 - Manual underwrite, follow the appropriate guidelines for your investor as the documentation rules vary
- Use of rental income (boarder income) from a single family property is typically not allowed except for certain Affordable Lending Products or a disabled borrower receiving boarder income from a live-in personal assistant
- Rental income from a second home is not allowed for qualifying purposes
- A primary residence that applicants intend to “convert”, make sure occupancy makes sense. Check specific investor guidelines for policies on rental income use.
- Gift funds are not allowed for investment property transactions

*Documentation will vary, See www.freddiemac.com or <https://www.fanniemae.com/singlefamily/index>



Freddie Mac Rental Income Guidelines



Freddie Mac Rental Income

Borrower Name: _____

Freddie Mac

Form 92
Net Rental Income Calculations – Schedule E

Form 92 is to be used to document the Seller's calculation of net rental income from Schedule E. This form is a tool to help the Seller calculate the net rental income from Schedule E; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Guide Chapter 5306. This form does not replace the requirements and guidance for the analysis and treatment of rental income as described in Chapter 5306.

I. Net Rental Income from Schedule E (2- to 4-unit Primary Residence)

2- TO 4-UNIT PRIMARY RESIDENCE NET RENTAL INCOME CALCULATION – SCHEDULE E ¹ <small>Reference: Transaction owned in the prior year(s)</small>		
IRS 1040 Schedule E – Supplemental Income and Loss	Subject: Y / N Property Address: _____	
	Year: _____	Year: _____
Rents received	(+)	(+)
Less total expenses	(-)	(-)
Insurance ²	(+)	(+)
Mortgage interest paid to banks, etc. ²	(+)	(+)
Taxes (real estate only) ^{2,3}	(+)	(+)
Depreciation and/or depletion	(+)	(+)
*Homeowners association (HOA) dues (if specifically reported as an expense) ²	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)
Non-cash deductions (e.g., amortization)	(+)	(+)
Subtotal(s)	\$ 0.00	\$ 0.00
Result: Net Rental Income (calculated to a monthly amount)⁴ <small>(Sum of subtotal(s) divided by number of applicable months = Net Rental Income)</small>	\$ _____	

¹Refer to Section 5306.1(c)(i) for net rental income calculation requirements.
²This expense, if added back, must be included in the monthly housing expense being used to establish the DTI ratio.
³The taxes added back must represent only real estate taxes included in the monthly housing expense.
⁴**Establishing DTI ratio (Section 5306.1(d)):** The monthly housing expense must be calculated without the use of rental income. The net rental income may be added to the stable monthly income.

Freddie Mac Single-Family Seller/Service Guide 12/04/19 Bulletin 2019-25
F92-1

https://guide.freddie.mac.com/ci/okcsFattach/get/1001351_4

Rental Income Matrix **Freddie Mac**
Single-Family

Rental income may be used in qualifying the borrower(s) provided the requirements of Guide Section 5306.1 and the documentation requirements contained in Guide Sections 5102.3 and 5102.4 and Chapter 5302 are met. If rental income is not used to qualify the borrower, the requirements of Chapter 5306.1 do not apply.

Notes: A vertical revision bar "*" is used in the margin of this quick reference to highlight new requirements and significant changes. Effective for mortgages with Freddie Mac settlement dates on and after July 1, 2020.

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Documentation, history and analysis – property owned in the prior calendar year	If the borrower's monthly debt payment-to-income ratio (as described in Section 5401.2) includes the full monthly payment amount for the subject investment property and/or non-subject investment property, no further evaluation is required. If rental income from the subject investment property and/or non-subject investment property is to be considered in qualifying the borrower, the following requirements apply:		
Streamlined and Standard Documentation levels	<ul style="list-style-type: none"> The Seller must obtain the borrower's complete federal income tax returns (Internal Revenue Service (IRS) Form 1040) including Schedule E for the most recent year. Except as set forth below when use of a signed lease may be permitted, if the subject property has been owned for at least one year and income from the subject property is reported on the borrower's federal income tax returns, the Seller must use Schedule E to determine the net rental income or loss. If the subject property has been owned for at least one year and is reported on Schedule E of the borrower's prior year federal income tax return, use the income or loss as reported. A signed lease may be used: <ul style="list-style-type: none"> If the property was out of service for any time period in the prior year and the mortgage file contains a documented event such as a renovation and Schedule E supports this by a reduced number of days in use and reflects repair costs; or The property was purchased later in the calendar year and Schedule E supports this by a reduced number of days in use; and Additional documentation provided, as follows: <ul style="list-style-type: none"> Forms 72, Small Residential Income Property Appraisal Report, or 1000, Single-Family Comparable Rent Schedule, supporting the income reflected on the lease; or Documentation (e.g., bank statements evidencing deposit or electronic transfer of rental payments, canceled rent checks) to support two months of receipt of rental income. Note: A Form 72 or 1000 is always required for the subject property as described in Guide Section 5306.1(c)(i). 		
Unless the above requirements are met, a signed lease may not be used and the rental income or loss from Schedule E must be used and annualized for qualifying purposes.			

July 2020 [Freddie Mac Learning](#)

<https://sf.freddie.mac.com/content/assets/resources/pdf/update/rental.pdf>

Let's Review The New Rental Income Matrix And Form 92



Freddie Mac Rental Income

Use Rental Income Matrix

- Documentation and History
- Lease requirements
- Properties placed into service in current calendar year
- Maximum eligible amount rent
- Rental Income calculations
- Establishing the DTI
- Appraisal Forms
- Investment Property Management Experience
- Form 8825
- Max number of financed properties

Rental Income Matrix **Freddie Mac**
Single-Family

Rental income may be used in qualifying the borrower(s) provided the requirements of Guide Section 5306.1 and the documentation requirements contained in Guide Sections 5102.3 and 5102.4 and Chapter 5302 are met. If rental income is not used to qualify the borrower, the requirements of Chapter 5306.1 do not apply.

Notes: A vertical revision bar " | " is used in the margin of this quick reference to highlight new requirements and significant changes. Effective for mortgages with Freddie Mac settlement dates on and after July 1, 2020.

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Documentation, history and analysis – property owned in the prior calendar year	<p>If the borrower's monthly debt payment-to-income ratio (as described in Section 5401.2) includes the full monthly payment amount for the subject investment property and/or non-subject investment property, no further evaluation is required.</p> <p>If rental income from the subject investment property and/or non-subject investment property is to be considered in qualifying the borrower, the following requirements apply:</p>		
Streamlined and Standard Documentation levels	<ul style="list-style-type: none"> • The Seller must obtain the borrower's complete federal income tax returns (Internal Revenue Service (IRS) Form 1040) including Schedule E for the most recent year. Except as set forth below when use of a signed lease may be permitted, if the subject property has been owned for at least one year and income from the subject property is reported on the borrower's federal income tax returns, the Seller must use Schedule E to determine the net rental income or loss. • If the subject property has been owned for at least one year and is reported on Schedule E of the borrower's prior year federal income tax return, use the income or loss as reported. • A signed lease may be used: <ul style="list-style-type: none"> ○ If the property was out of service for any time period in the prior year and the mortgage file contains a documented event such as a renovation and Schedule E supports this by a reduced number of days in use and reflects repair costs; or ○ The property was purchased later in the calendar year and Schedule E supports this by a reduced number of days in use; and ○ Additional documentation provided, as follows: <ul style="list-style-type: none"> • Forms 72, Small Residential Income Property Appraisal Report, or 1000, Single-Family Comparable Rent Schedule, supporting the income reflected on the lease; or • Documentation (e.g., bank statements evidencing deposit or electronic transfer of rental payments, canceled rent checks) to support two months of receipt of rental income. Note: A Form 72 or 1000 is always required for the subject property as described in Guide Section 5306.1(c)(ii). <p>Unless the above requirements are met, a signed lease may not be used and the rental income or loss from Schedule E must be used and annualized for qualifying purposes.</p>		

July 2020 [Freddie Mac Learning](#)

<https://sf.freddiemac.com/content/assets/resources/pdf/update/rental.pdf>

Freddie Mac Rental Income

Notes: A vertical revision bar " | " is used in the margin of this quick reference to highlight new requirements and significant changes. Effective for mortgages with Freddie Mac settlement dates on and after July 1, 2020.

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Documentation, history and analysis – property owned in the prior calendar year	<p>If the borrower's monthly debt payment-to-income ratio (as described in Section 5401.2) includes the full monthly payment amount for the subject investment property and/or non-subject investment property, no further evaluation is required.</p> <p>If rental income from the subject investment property and/or non-subject investment property is to be considered in qualifying the borrower, the following requirements apply:</p>		
Streamlined and Standard Documentation levels	<ul style="list-style-type: none"> • The Seller must obtain the borrower's complete federal income tax returns (Internal Revenue Service (IRS) Form 1040) including Schedule E for the most recent year. Except as set forth below when use of a signed lease may be permitted, if the subject property has been owned for at least one year and income from the subject property is reported on the borrower's federal income tax returns, the Seller must use Schedule E to determine the net rental income or loss. • If the subject property has been owned for at least one year and is reported on Schedule E of the borrower's prior year federal income tax return, use the income or loss as reported. • A signed lease may be used: <ul style="list-style-type: none"> ○ If the property was out of service for any time period in the prior year and the mortgage file contains a documented event such as a renovation and Schedule E supports this by a reduced number of days in use and reflects repair costs; or ○ The property was purchased later in the calendar year and Schedule E supports this by a reduced number of days in use; and ○ Additional documentation provided, as follows: <ul style="list-style-type: none"> • Forms 72, Small Residential Income Property Appraisal Report, or 1000, Single-Family Comparable Rent Schedule, supporting the income reflected on the lease; or • Documentation (e.g., bank statements evidencing deposit or electronic transfer of rental payments, canceled rent checks) to support two months of receipt of rental income. Note: A Form 72 or 1000 is always required for the subject property as described in Guide Section 5306.1(c)(ii). <p>Unless the above requirements are met, a signed lease may not be used and the rental income or loss from Schedule E must be used and annualized for qualifying purposes.</p>		

Freddie Mac Rental Income Page 2

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Documentation, history and analysis – purchased or placed in service for use as a rental in the current calendar year Streamlined and Standard Documentation levels	<p>Subject property purchase transaction:</p> <ul style="list-style-type: none"> Lease, if available, must be used to determine the net rental income or Forms 72 or 1000, as applicable, may be used to determine net rental income when a lease is not available 	<p>Subject property refinance transaction or non-subject investment property:</p> <ul style="list-style-type: none"> Lease must be used to determine the net rental income and: <ul style="list-style-type: none"> Forms 72 or 1000 supporting the income reflected on the lease or Documentation (e.g., bank statements evidencing deposit or electronic transfer of rental payments, canceled rent checks) supporting two months of rec income. Note: Form 72 or 100 required for the subject prop described in Guide Section 5: Purchase date or conversion date, as must be documented 	
Lease Requirements	<ul style="list-style-type: none"> Property purchased or placed in service in the current calendar year: Leases must be current and fully executed, with a minimum original term of one year. If the lease is documented as assigned from the property seller to the borrower and is in the automatically renewable month-to-month phase of an original one-year (or longer) term lease, then a month-to-month term is acceptable. Property owned in the prior calendar year: Leases must be current and fully executed, with a minimum original term of one year. If the lease is in the automatically renewable month-to-month phase of an original one-year (or longer) term lease, then a month-to-month term is acceptable. 		
Maximum eligible amount of net rental income	<ul style="list-style-type: none"> The borrower must currently own a primary residence to use rental income to qualify when purchasing a new rental property in the current calendar year. In such instances, net rental income can only offset the principal, interest, taxes and insurance (PITI) and when applicable, mortgage insurance premiums, leasehold payments, homeowner's association dues (excluding unit utility charges) and payments on secondary financing (full monthly payment) of the new rental property. If the borrower's current primary residence is being converted to a rental property, net rental income can only offset the full monthly payment of that primary residence. If the net rental income exceeds the full monthly payment of the new rental property or the converted primary residence, as applicable, the excess rental income cannot be added to the borrower's gross monthly income to qualify unless the file documentation demonstrates the borrower has a minimum of one-year investment property management experience. 		

Rental income may be used in qualifying the borrower(s) provided the requirements of Guide Section 5306.1 and the documentation requirements contained in Guide Sections 5102.3 and 5102.4 and Chapter 5302 are met. Use the following chart as a tool to help summarize these rental income requirements.

Freddie Mac Rental Income Page 3

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Net Rental Income Calculation Requirements	<ul style="list-style-type: none"> Lease: 75% of the gross monthly rent or gross monthly market rent. Form 72 or Form 1000: 75% of the gross monthly rent or gross monthly market rent. Schedule E: Calculate the net rental income from Schedule E using Form 92, Net Rental Income Calculations – Schedule E, or a similar alternative form, as follows: Rents received (-) less total expenses (+) plus insurance, mortgage interest paid to banks, real estate taxes, depreciation and/or depletion, homeowners association dues (if specifically reported as an expense), one-time losses (e.g., casualty loss due to documented catastrophic event), and non-cash deductions (e.g., amortization). When calculating the net rental income for each individual property, the following expenses reported on Schedule E (and noted above) can only be added back if they are included in the payment amount being used to establish the debt payment-to-income ratio for that property: insurance, mortgage interest paid to banks, real estate taxes, homeowners association dues. 		

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Establishing the debt payment-to-income (DTI) ratio	<ul style="list-style-type: none"> The monthly housing expense (as described in Section 5401.1) must be calculated without the use of rental income The net rental income may be added to the stable monthly income 	Subtract the monthly payment amount (as described in Section 5401.2(a)(7)) from the net rental income: <ul style="list-style-type: none"> If the result is positive, add it to the stable monthly income If the result is negative, add it to the monthly liabilities 	Subtract the monthly payment amount (as described in Section 5401.2(a)(7)) from the net rental income: <ul style="list-style-type: none"> If the result is positive, add it to the stable monthly income If the result is negative, add it to the monthly liabilities For multiple non-subject investment properties, apply the calculation above to each property, and: <ul style="list-style-type: none"> If the combined result is positive, add it to the stable monthly income If the combined result is negative, add it to the monthly liabilities

Freddie Mac Rental Income Page 4

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Appraisal forms – Comparable rent data Documentation Form 72 or 1000	Form 72	Form 1000 or Form 72, as applicable	Appraisal form requirements as described in Guide Section 5306.1(c)(iii) may also apply.
Appraisal forms – Comparable rent data Analysis	<ul style="list-style-type: none"> Analyze the rental market viability and income producing potential for the subject property Determine whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, you must determine if additional documentation is necessary to support income stability, and provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the borrower is stable and reasonably expected to continue 		
Investment Property Management Experience	Not required. However, see requirement for counting net rental income in excess of PITI referenced above in "maximum eligible amount of net rental income" when a minimum of one-year investment-property-management experience is required.		
IRS Form 8825, Rental Real Estate Income and Expenses from a Partnership or an S Corporation	<p>Refer to Chapter 5304 for treatment of all rental real estate income or loss reported on the IRS Form 8825, which reflects all income and expenses for the rental property and the IRS Schedule K-1, which reflects the borrower's proportionate share of the net rental income or loss.</p> <p>The requirements of Chapter 5304 are applicable regardless of the borrower's percentage of ownership interest in the partnership or S corporation and regardless of whether the borrower is personally obligated on the Note.</p>		

<https://sf.freddiemac.com/content/assets/resources/pdf/update/rental.pdf>

Freddie Mac Rental Income Page 5

Topic	Rental Income is from...		
	Subject Property: 2- to 4-unit Primary Residence	Subject Property: 1- to 4-unit Investment Property	Non-subject Investment Property Owned by the Borrower
Reserves – Guide Section 5501.2	<p>Loan Product Advisor® Mortgages: Verify all reserves required by Loan Product Advisor as stated on the Feedback Certificate.</p> <p>Manually underwritten mortgages: Verified reserves must equal or exceed six months reserves*, regardless of whether rental income is used in qualifying the borrower. * Reserves are measured by the number of months of the monthly payment amount.</p> <p>Investment property mortgages where the borrower** is obligated on:</p> <ul style="list-style-type: none"> • 1-6 financed properties including the subject property and the borrower’s primary residence: Two months of reserves (as described in Section 5501.2(a)) for each additional second home and/or 1- to 4-unit investment property that is financed and on which the borrower is obligated, regardless of whether rental income is used in qualifying the borrower for both Loan Product Advisor mortgages and manually underwritten mortgages. • 7-10 financed properties including the subject property and the borrower’s primary residence: Eight months’ reserves for each additional second home and/or 1- to 4-unit investment property that is financed and on which the borrower is obligated, regardless of whether rental income is used in qualifying the borrower for Loan Product Advisor mortgages only. Manually underwritten mortgages not permitted. <p>** Each borrower individually and all borrowers collectively.</p>		

Additional Notes:

1. Rental income generated from the borrower’s second home may not be used as stable monthly income.
2. Rental income from the borrower’s 1-unit primary residence may not be used to qualify the borrower unless it meets the requirements in Guide Section 5306.1(b) or Guide Section 4501.9 for Home Possible® mortgages.
3. Rental Income from an accessory unit may be considered for a subject 1-unit investment property and non-subject investment property. Refer to sections 5306.1(b) and 4501.9(a) for information on a 1-unit primary residence with an accessory unit. Refer to Chapter 5601 for property eligibility and appraisal requirements.
4. When rental income from other investment properties owned by the borrower in the previous tax year is reported on the borrower’s individual federal tax returns, the Seller must use Schedule E of the borrower’s tax returns to determine the net rental income. Signed leases may be used to determine the net rental income for an investment property not owned during the previous tax year.

<https://sf.freddiemac.com/content/assets/resources/pdf/update/rental.pdf>


Freddie Mac Rental Income Page 6

Frequently Asked Questions:

1. What constitutes "owning" a primary residence?
 - The borrower must be an individual who is on title to their primary residence but does not need to be the party obligated to repay the indebtedness secured by the mortgaged premises.
2. Is there a time limit associated with documenting when the borrower's one-year investment property management experience occurred?
 - No, there is no historical time limit as long as there is documentation that the borrower has had prior experience managing an investment property for one year at a minimum.
3. Can you use short term rental income to qualify the borrower?
 - Yes; however, the rental income or loss from Schedule E must be annualized for qualification purposes.
4. Are 2- to 4-unit primary residences exempt from the minimum one-year investment property management experience.
 - There is no minimum one-year investment property management experience required. However, excess rental income above the PITI may be used only when the file documents a minimum of one-year investment property management experience.
5. A borrower has owned investment property for several years with no documented event supporting a renovation or evidence that the property had been generating rental income. Can the borrower provide a lease to be used for qualification purposes?
 - No. This scenario does not indicate that the property was purchased or converted for use as an investment in the current calendar year. The most recent tax returns including Schedule E must be annualized for qualification purposes. Refer to the maximum amount of eligible net rental income calculation requirements since the borrower does not have a one-year history of managing rental property.

<https://sf.freddiemac.com/content/assets/resources/pdf/update/rental.pdf>

Freddie Mac Form 92



Form 92

Net Rental Income Calculations – Schedule E

Form 92 is to be used to document the Seller's calculation of net rental income from Schedule E. This form is a tool to help the Seller calculate the net rental income from Schedule E; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Guide Chapter 5306. This form does not replace the requirements and guidance for the analysis and treatment of rental income as described in Chapter 5306.

I. Net Rental Income from Schedule E (2- to 4-unit Primary Residence)

2- TO 4-UNIT PRIMARY RESIDENCE NET RENTAL INCOME CALCULATION – SCHEDULE E ¹ Refinance Transaction owned in the prior year(s)		
IRS 1040 Schedule E – Supplemental Income and Loss	Subject: Y / N Property Address: _____	
	Year:	Year:
Rents received	(+)	(+)
Less total expenses	(-)	(-)
Insurance ²	(+)	(+)
Mortgage interest paid to banks, etc. ²	(+)	(+)
Taxes (real estate only) ^{2,3}	(+)	(+)
Depreciation and/or depletion	(+)	(+)
*Homeowners association (HOA) dues (if specifically reported as an expense) ²	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)
Non-cash deductions (e.g., amortization)	(+)	(+)
Subtotal(s)	\$ 0.00	\$ 0.00
Result: Net Rental Income (calculated to a monthly amount)⁴ <i>(Sum of subtotal(s) divided by number of applicable months = Net Rental Income)</i>	\$ ____ / ____ = \$ ____	

¹Refer to Section 5306.1(c)(i) for net rental income calculation requirements
²This expense, if added back, must be included in the monthly housing expense being used to establish the DTI ratio
³The taxes added back must represent only real estate taxes included in the monthly housing expense
⁴Establishing DTI ratio (Section 5306.1(d)): The monthly housing expense must be calculated without the use of rental income. The net rental income may be added to the stable monthly income.

Freddie Mac Single-Family Seller/Service Guide Bulletin 2019-25
12/04/19 F92-1

II. Net Rental Income from Schedule E (Subject Investment Property)

SUBJECT INVESTMENT PROPERTY NET RENTAL INCOME CALCULATION – SCHEDULE E ¹ Refinance Transaction owned in the prior year(s)		
IRS 1040 Schedule E – Supplemental Income and Loss	Subject Property Address: _____	
	Year:	Year:
Rents received	(+)	(+)
Less total expenses	(-)	(-)
Insurance ²	(+)	(+)
Mortgage interest paid to banks, etc. ²	(+)	(+)
*Taxes (real estate only) ^{2,3}	(+)	(+)
Depreciation and/or depletion	(+)	(+)
HOA dues (if specifically reported as an expense) ²	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)
Non-cash deductions (e.g., amortization)	(+)	(+)
Subtotal(s)	\$ 0.00	\$ 0.00
Result: Net Rental Income (calculated to a monthly amount)⁴ <i>(Sum of subtotal(s) divided by number of applicable months = Net Rental Income)</i>	\$ ____ / ____ = \$ ____	

¹Refer to Section 5306.1(c)(i) for net rental income calculation requirements
²This expense, if added back, must be included in the monthly payment amount being used to establish the DTI ratio
³The taxes added back must represent only real estate taxes included in the monthly payment amount
⁴Establishing DTI ratio (Section 5306.1(d)): Subtract the monthly payment amount from the net rental income. If the result is positive, it may be added to income; if the result is negative, add it to the monthly liabilities

https://guide.freddiemac.com/ci/okcsFattach/get/1001351_4

Check Out Enact Website for Calculator

Freddie Mac Form 92

Borrower Name: _____

III. Net Rental Income from Schedule E (Non-subject investment property(s))

NON-SUBJECT INVESTMENT PROPERTY(S) NET RENTAL INCOME CALCULATION – SCHEDULE E ^{1,2} Refinance Transactions owned in the prior year(s)						
Property Address ³	Property Address #1:		Property Address #2:		Property Address #3:	
IRS 1040 Schedule E – Supplemental Income and Loss	Year:	Year:	Year:	Year:	Year:	Year:
Rents received	(+)	(+)	(+)	(+)	(+)	(+)
Less total expenses	(-)	(-)	(-)	(-)	(-)	(-)
Insurance ⁴	(+)	(+)	(+)	(+)	(+)	(+)
Mortgage interest paid to banks, etc. ⁴	(+)	(+)	(+)	(+)	(+)	(+)
Taxes (real estate only) ^{4,5}	(+)	(+)	(+)	(+)	(+)	(+)
Depreciation and/or depletion	(+)	(+)	(+)	(+)	(+)	(+)
HOA dues (if specifically reported as an expense) ⁴	(+)	(+)	(+)	(+)	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)	(+)	(+)	(+)	(+)
Non-cash deductions (e.g., amortization)	(+)	(+)	(+)	(+)	(+)	(+)
Subtotals	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Result: Net Rental Income (calculated to a monthly amount)⁶	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?

¹ Refer to Section 5306.1(c)(1) for net rental income calculation requirements.

² Refer to Chapter 5304 and Form 91 for the treatment of all rental real estate income or loss reported on IRS Form 8825, regardless of Borrower's percentage of ownership interest in the business or whether the Borrower is personally obligated on the Note.

³ Review rental properties on Schedule E against URLA. If properties are on the tax return(s) but not on the URLA, provide evidence the Borrower no longer owns the property.

⁴ This expense, if added back, must be included in the monthly payment amount used to establish the DTI ratio.

⁵ The taxes added back must represent only real estate taxes that are included in the monthly payment amount used to establish the DTI ratio.

⁶ Establishing DTI ratio (Section 5306.1(d)): Subtract the monthly payment amount from the net rental income. For one property, if the result is positive, add it to the income; if the result is negative, add it to the monthly liabilities. For multiple properties, subtract the monthly payment amount from the net rental income for each property. Combine the results and if the combined result is positive, add it to the income; if the combined result is negative, add it to the monthly liabilities.

⁷ Net Rental Income = the sum of the subtotal(s) divided by the number of applicable months.

Borrower Name: _____

NON-SUBJECT INVESTMENT PROPERTY(S) NET RENTAL INCOME CALCULATION – SCHEDULE E^{1,2} Refinance Transactions owned in the prior year(s)

Property Address ³	Property Address #4:		Property Address #5:		Property Address #6:	
IRS 1040 Schedule E – Supplemental Income and Loss	Year:	Year:	Year:	Year:	Year:	Year:
Rents received	(+)	(+)	(+)	(+)	(+)	(+)
Less total expenses	(-)	(-)	(-)	(-)	(-)	(-)
Insurance ⁴	(+)	(+)	(+)	(+)	(+)	(+)
Mortgage interest paid to banks, etc. ⁴	(+)	(+)	(+)	(+)	(+)	(+)
Taxes (real estate only) ^{4,5}	(+)	(+)	(+)	(+)	(+)	(+)
Depreciation and/or depletion	(+)	(+)	(+)	(+)	(+)	(+)
HOA dues (if specifically reported as an expense) ⁴	(+)	(+)	(+)	(+)	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)	(+)	(+)	(+)	(+)
Non-cash deductions (e.g., amortization)	(+)	(+)	(+)	(+)	(+)	(+)
Subtotals	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Result: Net Rental Income (calculated to a monthly amount)⁶	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?	\$ _____ / _____ = \$ _____ ?

¹ Refer to Section 5306.1(c)(1) for net rental income calculation requirements.

² Refer to Chapter 5304 and Form 91 for the treatment of all rental real estate income or loss reported on IRS Form 8825, regardless of Borrower's percentage of ownership interest in the business or whether the Borrower is personally obligated on the Note.

³ Review rental properties on Schedule E against URLA. If properties are on the tax return(s) but not on the URLA, provide evidence the Borrower no longer owns the property.

⁴ This expense, if added back, must be included in the monthly payment amount used to establish the DTI ratio.

⁵ The taxes added back must represent only real estate taxes that are included in the monthly payment amount used to establish the DTI ratio.

⁶ Establishing DTI ratio (Section 5306.1(d)): For multiple properties, subtract the monthly payment amount from the net rental income for each property. Combine the results and if the combined result is positive, add it to the income; if the combined result is negative, add it to the monthly liabilities.

⁷ Net Rental Income = the sum of the subtotal(s) divided by the number of applicable months.

DTI Calculation for Multiple Non-Subject Investment Properties (Section 5306.1(d))			
Property	Monthly Net Rental Income	Less Monthly Payment Amount (Section 5401.2(a)(5)(I))	Result (+) Positive / (-) Negative
Property #1	\$ _____	\$ _____	(+/-) \$ _____
Property #2	\$ _____	\$ _____	(+/-) \$ _____
Property #3	\$ _____	\$ _____	(+/-) \$ _____
Property #4	\$ _____	\$ _____	(+/-) \$ _____
Property #5	\$ _____	\$ _____	(+/-) \$ _____
Property #6	\$ _____	\$ _____	(+/-) \$ _____
Combined Result (positive, add to income; negative, add to liabilities)			(+/-) \$ _____

https://guide.freddiemac.com/ci/okcsFattach/get/1001351_4


Check Out Enact Website for Calculator

Enact's Freddie Mac Form 92 Calculator

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.

Borrower(s) Name(s) _____ Lender Number _____

Property Address _____



Calculator and Quick Reference Guide: Form 92 Net Rental Income Calculations – Schedule E

Please use the following quick reference guide to assist you in completing Freddie Mac Form 92. This form is for suggested guidance and does not replace Freddie Mac instructions or applicable guidelines.

Note: For entries with the marker (+/-) type a '-' for entering a negative amount. Example: -12,345.67

I. Net Rental Income from Schedule E¹ (Subject 2- to 4-unit Primary Residence)

Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E – Supplemental Income and Loss	2020	2019	NOTES
Subject Property Address:			
Rents received (Line 3)	+		
Less total expenses (Line 20)	--		
Insurance* (Line 9)	+		
Mortgage interest paid to banks, etc.* (Line 12)	+		
Taxes (real estate only)** (Line 16)	+		
Depreciation and/or depletion (Line 18)	+		
HOA dues (if specifically reported as an expense)* (Line 19)	+		
One time losses or non-cash deductions (e.g., casualty loss or amortization) if documented (Review Lines 5-19)	+		
Subtotal(s)	\$ 0.00	\$ 0.00	
Result: Net Rental Income (calculated to a monthly amount)* (Sum of subtotal(s) divided by number of applicable months = Net Rental Income)	\$ 0.00 / _____ = \$ _____		

Refer to Section 5324 (b)(3) for net rental income calculation requirements.
*This expense, if added back, must be included in the monthly housing expense being used to establish the DTI ratio.
**The taxes added back must represent only real estate taxes included in the monthly housing expense.
*Establishing DTI ratio (Section 5324 (d)). The monthly housing expense must be calculated without the use of rental income. The net rental income may be added to the stable monthly income.

This calculator can be found at <https://EnactMI.com/self-employed-borrower-calculator>

Page 1 of 3

II. Net Rental Income from Schedule E¹ (Subject Investment Property)

Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E – Supplemental Income and Loss	2020	2019	NOTES
Subject Property Address:			
Rents received (Line 3)	+		
Less total expenses (Line 20)	--		
Insurance* (Line 9)	+		
Mortgage interest paid to banks, etc.* (Line 12)	+		
Taxes (real estate only)** (Line 16)	+		
Depreciation and/or depletion (Line 18)	+		
HOA dues (if specifically reported as an expense)* (Line 19)	+		
One time losses or non-cash deductions (e.g., casualty loss or amortization) if documented (Review Lines 5-19)	+		
Subtotal(s)	\$ 0.00	\$ 0.00	
Result: Net Rental Income (calculated to a monthly amount)* (Sum of subtotal(s) divided by number of applicable months = Net Rental Income)	\$ 0.00 / _____ = \$ _____		

III. Net Rental Income from Schedule E² (Non-subject investment property(s))

Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E – Supplemental Income and Loss	2020	2019	2020	2019	2020	2019	NOTES
Property Address:							
Rents received (Line 3)	+						
Less total expenses (Line 20)	--						
Insurance* (Line 9)	+						
Mortgage interest paid to banks, etc.* (Line 12)	+						
Taxes (real estate only)** (Line 16)	+						
Depreciation and/or depletion (Line 18)	+						
HOA dues (if specifically reported as an expense)* (Line 19)	+						
One time losses or non-cash deductions (e.g., casualty loss or amortization) if documented (Review Lines 5-19)	+						
Subtotal(s)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Result: Net Rental Income (calculated to a monthly amount)*	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	

Refer to Section 5324 (b)(3) for net rental income calculation requirements.
Refer to Chapter 5324 and Form 91 for the treatment of all rental real estate income or loss reported on IRS Form 922, regardless of Borrower's percentage of ownership interest in the business or whether the Borrower is personally obligated on the note.
*The taxes added back must represent only real estate taxes that are included in the monthly payment amount used to establish the DTI ratio.
**The taxes added back must represent only real estate taxes that are included in the monthly payment amount used to establish the DTI ratio.
*Establishing DTI ratio (Section 5324 (d)). For multiple properties, submit the monthly payment amount from the net rental income for each property. Combine the results and if the combined result is positive, add it to the income; if the combined result is negative, add it to the monthly liabilities.
Net Rental Income: the sum of the subtotal(s) divided by the number of applicable months.

Page 2 of 3

IRS 1040 Schedule E – Supplemental Income and Loss	2020	2019	2020	2019	2020	2019	NOTES
Property Address:							
Rents received (Line 3)	+						
Less total expenses (Line 20)	--						
Insurance* (Line 9)	+						
Mortgage interest paid to banks, etc.* (Line 12)	+						
Taxes (real estate only)** (Line 16)	+						
Depreciation and/or depletion (Line 18)	+						
HOA dues (if specifically reported as an expense)* (Line 19)	+						
One time losses or non-cash deductions (e.g., casualty loss or amortization) if documented (Review Lines 5-19)	+						
Subtotal(s)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Result: Net Rental Income (calculated to a monthly amount)*	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	(Subtotal / # of months) \$ 0.00 / _____ = \$ _____	

DTI Ratio Calculation for Multiple Non-Subject Investment Properties (Section 5324 (d))

Property	Monthly Net Rental Income	Less Monthly Payment Amount (Section 5401.2(a)(7))	Result (+/-)	Result (+/-) Negative
Property #1	\$	\$	(+/-) \$	0.00
Property #2	\$	\$	(+/-) \$	0.00
Property #3	\$	\$	(+/-) \$	0.00
Property #4	\$	\$	(+/-) \$	0.00
Property #5	\$	\$	(+/-) \$	0.00
Property #6	\$	\$	(+/-) \$	0.00
Combined Result (positive, add to income; negative, add to liabilities)			(+/-) \$	

Print Form Save Form Clear Form

12413405.0621
Enact Mortgage Insurance underwriters include: Genworth Mortgage Insurance Corporation and Genworth Mortgage Insurance Corporation of North Carolina
©2021 Genworth Mortgage Insurance Corporation. All rights reserved.

Page 3 of 3



Freddie Mac Seller/Servicer Guide

5306.1 < Prev Next >

Rental income

Effective 05/05/2021

[Guide Home](#) > [Selling](#) > [Series 5000 : Origination and Underwriting](#) > [Topic 5300 : Stable Monthly Income and Asset Qualification Sources](#) > [Chapter 5306 : Rental Income](#)

[Copy Link](#) | [Print](#)

This chapter contains requirements and guidance for the use of rental income:

- General eligibility requirements (Refer to [Section 5306.1\(a\)](#))
- Rental income from the Borrower's 1-unit Primary Residence (Refer to [Section 5306.1\(b\)](#))
- Rental income from the Borrower's 2- to 4-unit Primary Residence, subject 1- to 4-unit Investment Property and non-subject investment property (Refer to [Section 5306.1\(c\)](#))
- Establishing the debt payment-to-income ratio (Refer to [Section 5306.1\(d\)](#))
- IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation (Refer to [Section 5306.1\(e\)](#))
- Data delivery requirements for rental income (Refer to [Section 5306.1\(f\)](#))
- Other Guide provisions related to rental income (Refer to [Section 5306.1\(g\)](#))

(a) General eligibility requirements

Related Sections

- [4501.9 Borrower income and qualifying ratios for Home Possible® Mortgages](#)

Related Bulletins

- [Bulletin 2021-16 Selling](#)
- [Bulletin 2020-26 Selling](#)
- [Bulletin 2019-25 Selling](#)
- [Bulletin 2019-5 Selling](#)

https://guide.freddiemac.com/app/guide/content/a_id/1000660

For Complete Rental Income Policy Refer To The Updated Chapter 5306.1 Of The Freddie Mac Seller/Servicer Guide

Reserves

Guide Impacts: 5501.2(b)

- Max number of financed properties is 10 when subject is second home or investment property
- 720 Credit score required when 7-10 financed properties and loan must be submitted to Loan Product Advisor with Accept/Eligible Recommendation
- Loan Product Advisor will calculate the additional reserve requirements

(b) Minimum required reserves

For Loan Product Advisor[®] Mortgages, the Seller must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate. The amount of reserves stated on the Feedback Certificate and required to be verified for Loan Product Advisor Mortgages secured by second homes and Investment Properties includes the following additional reserves:

Number of financed properties	Additional required reserves for second home or Investment Property Mortgages
When each Borrower individually, and all Borrowers collectively, are obligated on one to six financed properties, including the subject property and the Borrower's <u>Primary Residence</u>	Two months of the monthly payment amount (as described in Section 5501.2(a)) on each additional second home and/or 1- to 4-unit <u>Investment Property</u> that is financed and on which the Borrower is obligated
When each Borrower individually, and all Borrowers collectively, are obligated on seven to 10 financed properties, including the subject property and the Borrower's <u>Primary Residence</u>	Eight months of the monthly payment amount (as described in Section 5501.2(a)) on each additional second home and/or 1- to 4-unit <u>Investment Property</u> that is financed and on which the Borrower is obligated

For Manually Underwritten Mortgages, the verified reserves must equal or exceed the following reserves requirements:

Subject property	Required reserves
<u>Primary Residence - 1-unit</u>	None
<u>Primary Residence - 2- to 4-unit</u>	Six months for the subject property

For Home Possible[®] Mortgages, refer to [Section 4501.10](#) for minimum reserves requirements.



Fannie Mae

Rental Income Guidelines



Fannie Mae Selling Guide

General Requirements for Documenting Rental Income

If a borrower has a history of renting the subject or another property, generally the rental income will be reported on IRS Form 1040, Schedule E of the borrower's personal tax returns or on Rental Real Estate Income and Expenses of a Partnership or an S Corporation form (IRS Form 8825) of a business tax return. If the borrower does not have a history of renting the subject property or if, in certain cases, the tax returns do not accurately reflect the ongoing income and expenses of the property, the lender may be justified in using a fully executed current lease agreement. Examples of scenarios that justify the use of a lease agreement are

- purchase transactions;
- refinance transactions in which the borrower purchased the rental property during or subsequent to the last tax return filing; or
- refinance transactions of a property that experienced significant rental interruptions such that income is not reported on the recent tax return (for example, major renovation to a property occurred in the prior year that affected rental income).

When the subject property will generate rental income and it is used for qualifying purposes, one of the following Fannie Mae forms must be used to support the income-earning potential of the property:

- For one-unit properties: *Single-Family Comparable Rent Schedule* ([Form 1007](#)) (provided in conjunction with the applicable appraisal report), or
- For two- to four-unit properties: *Small Residential Income Property Appraisal Report* ([Form 1025](#)).

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B3-Underwriting-Borrowers/#Documenting.20Rental.20Income.20from.20Subject.20Property>

Calculating Monthly Rental Income or Loss

Selling Updates

- Also applies to manually underwritten loans

Calculating Monthly Qualifying Rental Income (or Loss)

To determine the amount of rental income from the subject property that can be used for qualifying purposes when the borrower is purchasing or refinancing a two- to four-unit principal residence or one- to four-unit investment property, the lender must consider the following:

If the borrower...	Then for qualifying purposes...
<ul style="list-style-type: none">• currently owns a principal residence (or has a current housing expense), and• has at least a one-year history of receiving rental income or documented property management experience	there is no restriction on the amount of rental income that can be used.
<ul style="list-style-type: none">• currently owns a principal residence (or has a current housing expense), and• has less than one-year history of receiving rental income or documented property management experience	<ul style="list-style-type: none">• for a principal residence, rental income in an amount not exceeding PITIA of the subject property can be added to the borrower's gross income, or• for an investment property, rental income can only be used to offset the PITIA of the subject property.
<ul style="list-style-type: none">• does not own a principal residence, and• does not have a current housing expense	rental income from the subject property cannot be used.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B3-Underwriting-Borrowers/#Documenting.20Rental.20Income.20from.20Subject.20Property>

Establishment of Property Management Experience

The lender must obtain documentation that is used to calculate the monthly rental income for qualifying purposes. The documentation may vary depending on whether the borrower has a history of renting the property, and whether the prior year tax return includes the income.

Does the Borrower Have a History of Receiving Rental Income From the Subject Property?	Transaction Type	Documentation Requirements
Yes	Refinance	Form 1007 or Form 1025, as applicable, and either <ul style="list-style-type: none">the borrower's most recent year of signed federal income tax returns, including Schedule 1 and Schedule E, orcopies of the current lease agreement(s) if the borrower can document a qualifying exception (see Partial or No Rental History on Tax Returns below).
No	Purchase	Form 1007 or Form 1025, as applicable, and <ul style="list-style-type: none">copies of the current lease agreement(s). If the property is not currently rented, lease agreements are not required and Form 1007 or Form 1025 may be used. If there is a lease on the property that is being transferred to the borrower, see B2-1.5-03, Legal Requirements B7-2-05, Title Exceptions and Impediments , for additional information.
No	Refinance	Form 1007 or Form 1025, as applicable, and <ul style="list-style-type: none">copies of the current lease agreement(s).

If the borrower is not using any rental income from the subject property to qualify, the gross monthly rent must still be documented for lender reporting purposes.

Fannie Mae Selling Guide

Non-Subject Rental Properties

Documenting Rental Income from Property Other Than the Subject Property

When the borrower owns property – other than the subject property – that is rented, the lender must document the monthly gross (and net) rental income with the borrower’s most recent signed federal income tax return that includes Schedule 1 and Schedule E. Copies of the current lease agreement(s) may be substituted if the borrower can document a qualifying exception. See *Reconciling Partial or No Rental History on Tax Returns* below.

Fannie Mae Selling Guide

Partial or No Rental History Any Property

- Annualize Schedule E or
- Fully executed leases

Reconciling Partial or No Rental History on Tax Returns

In order for the lender to determine qualifying rental income, the lender must determine whether or not the rental property was in service for the entire tax year or only a portion of the year. In some situations, the lender's analysis may determine that using alternative rental income calculations or using lease agreements to calculate income are more appropriate methods for calculating the qualifying income from rental properties. This policy may be applied to refinances of a subject rental property or to other rental properties owned by the borrower.

If the borrower is able to document (per the table below) that the rental property was not in service the previous tax year, or was in service for only a portion of the previous tax year, the lender may determine qualifying rental income by using

- Schedule E income and expenses, and annualizing the income (or loss) calculation; or
- fully executed lease agreement(s) to determine the gross rental income to be used in the net rental income (or loss) calculation.

If ...	Then ...
the property was acquired during or subsequent to the most recent tax filing year,	the lender must confirm the purchase date using the settlement statement or other documentation. <ul style="list-style-type: none">• If acquired during the year, Schedule E (Fair Rental Days) must confirm a partial year rental income and expenses (depending on when the unit was in service as a rental).• If acquired after the last tax filing year, Schedule E will not reflect rental income or expenses for this property.
the rental property was out of service for an extended period,	<ul style="list-style-type: none">• Schedule E will reflect the costs for renovation or rehabilitation as repair expenses. Additional documentation may be required to ensure that the expenses support a significant renovation that supports the amount of time that the rental property was out of service.• Schedule E (Fair Rental Days) will confirm the number of days that the rental unit was in service, which must support the unit being out of service for all or a portion of the year.
the lender determines that some other situation warrants an exception to use a lease agreement,	the lender must provide an explanation and justification in the loan file.

Fannie Mae Rental Calculators

Rental Income Worksheet Principal Residence, 2- to 4-unit Property: Monthly Qualifying Rental Income					
Documentation Required: • Schedule E (IRS Form 1040) OR • Lease Agreement or Fannie Mae Form 1007 or Form 1025		Address of Principal Residence:			
Enter	Rental Unit	Rental Unit	Rental Unit		
Step 1. When using Schedule E, determine the number of months the property was in service by dividing the Fair Rental Days by 30. <i>If Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.</i>					
Step 1. Result: The number of months the property was in service:		Result			
Step 2. Calculate monthly qualifying rental income using Step 2A: Schedule E OR Step 2B: Lease Agreement or Fannie Mae Form 1025.					
Step 2A. Schedule E - Part I			For each property complete ONLY 2A or 2B		
A1	Enter total rents received (from the non-owner-occupied units). May enter rent from an individual unit(s) or combine.	Enter			
A2	Subtract total expenses.	Subtract			
A3	Add back insurance expense.	Add			
A4	Add back mortgage interest paid.	Add			
A5	Add back tax expense.	Add			
A6	Add back homeowners' association dues. This expense must be specifically identified on Schedule E in order to add it back.	Add			
A7	Add back depreciation expense or depletion.	Add			
A8	Add back any one-time extraordinary expense (e.g., casualty loss). There must be evidence of the nature of the one-time extraordinary expense.	Add			
	Equals adjusted rental income.	Total	0	0	0
A9	Divide by the number of months the property was in service (Step 1 Result).	Divide	0	0	0
Step 2A. Result: Monthly qualifying rental income (or loss):		Result	0	0	0
Step 2B. Lease Agreement OR Fannie Mae Form 1025 For each property complete ONLY 2A or 2B <i>This method is used when the transaction is a purchase, the property was acquired subsequent to the mortgage tax filing.</i>					
B1	Enter the gross monthly rent (from the lease agreement) or market rent (from Form 1025) for the applicable rental unit	Enter			
B2	Multiply gross monthly rent or market rent by 75% (.75). <i>The remaining 25% accounts for vacancy loss, maintenance, and management expenses.</i>	Multiply	x.75	x.75	x.75
	Equals monthly rental income per unit	Total	0	0	0
B3	Combine the monthly rental income of all non-owner-occupied rental units (up to a maximum of 3 rental units since rental income is not eligible on the unit occupied by the borrower).	Add	0		
Step 2B. Result: Monthly qualifying rental income:		Result	0		
Step 3. Determine the qualifying impact using the combined result of Step 2A or Step 2B.					
3A	Add the monthly qualifying rental income to the borrower's monthly qualifying income.		0		
3B	Identify the full amount of the PITIA as the borrower's primary housing expense and include it in the debt-to-income ratio. <i>Use proposed PITIA when the subject property is a time PITIA when the subject property.</i>				
DU Data Entry	Monthly Income and Combined Housing Expenses		Mortgage Liabilities		
Subject Property	Enter the amount of the monthly qualifying income ("Subject Net Cash.")	Include as the borrower's primary housing expense. For refinance transactions, identify the mortgage as a subject	For refinance transactions, identify the mortgage as a subject property lien.		
Non-Subject Property	Enter the amount of the monthly qualifying income ("Net Rental.")	Include as the borrower's primary housing expense.	Identify the mortgage as a rental property lien.		

Refer to the Rental Income topic in the Selling Guide for additional guidance.

Rental Income Worksheet Individual Rental Income from Investment Property(s): Monthly Qualifying Rental Income (or Loss)						
Documentation Required: • Schedule E (IRS Form 1040) OR • Lease Agreement or Fannie Mae Form 1007 or Form 1025		Investment Property	Investment Property	Investment Property	Investment Property	Investment Property
Enter						
Step 1. When using Schedule E, determine the number of months the property was in service by dividing the Fair Rental Days by 30. <i>If Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.</i>						
Step 1. Result: Enter the number of months the property was in service:		Result				
Step 2. Calculate monthly qualifying rental income (loss) using Step 2A: Schedule E OR Step 2B: Lease Agreement or Fannie Mae Form 1007 or Form 1025.						
Step 2A. Schedule E - Part I			For each property complete ONLY 2A or 2B			
A1	Enter total rents received.	Enter				
A2	Enter total expenses.	Subtract				
A3	Enter insurance expense.	Add				
A4	Enter mortgage interest paid.	Add				
A5	Enter tax expense.	Add				
A6	Enter homeowners' association dues. This expense must be specifically identified on Schedule E in order to add it back.	Add				
A7	Enter depreciation expense or depletion.	Add				
A8	Enter any one-time extraordinary expense (e.g., casualty loss). There must be evidence of the nature of the one-time extraordinary expense.	Add				
	Equals adjusted rental income.	Total	0	0	0	0
A9	Enter the number of months the property was in service (Step 1 Result).	Divide	0	0	0	0
	Equals adjusted monthly rental income	Total	0	0	0	0
A10	Enter proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract				
Step 2A. Result: Monthly qualifying rental income (or loss):		Result	0	0	0	0
Step 2B. Lease Agreement OR Fannie Mae Form 1007 or Form 1025 For each property complete ONLY 2A or 2B <i>This method is used when the transaction is a purchase, the property was acquired subsequent to the mortgage tax filing, or the lender has justification for using a lease agreement.</i>						
B1	Enter the gross monthly rent (from the lease agreement) or market rent (reported on Form 1007 or Form 1025). <i>For multi-unit properties, combine gross rent from all rental units.</i>	Enter				
B2	The remaining 25% accounts for vacancy loss, maintenance, and management expenses.	Multiply	x.75	x.75	x.75	x.75
	Equals adjusted monthly rental income.	Total	0	0	0	0
B3	Enter proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract				
Step 2B. Result: Monthly qualifying rental income (loss):		Result	0	0	0	0
Step 3. Determine the qualifying impact using the result of Step 2A or Step 2B.						
If the result of Step 2A or 2B is positive , add the positive amount to the borrower's monthly qualifying income. <i>Exclude the PITIA expense as included in the calculation above, do not add it to the debt-to-income (DTI) ratio.</i>						
If the result of Step 2A or 2B is negative , include the amount of the loss in the borrower's monthly expenses when calculating the DTI ratio.						
DU Data Entry	Monthly Income and Combined Housing Expenses			Mortgage Liabilities		
Subject Property	Enter the amount of the monthly qualifying income (positive result) or monthly qualifying loss (negative result) in "Subject Net Cash."				For refinance transactions, identify the mortgage as a subject property lien.	
Non-Subject Property	Enter the amount of the monthly qualifying income (positive result) or monthly qualifying loss (negative result) in "Net Rental."				Identify the mortgage as a rental property lien.	

Refer to the Rental Income topic in the Selling Guide for additional guidance.

Rental Income Worksheet Business Rental Income from non-subject Investment Property(s): Qualifying Impact of Mortgaged						
Documentation Required: • IRS Form 9825 (filed with other IRS Form 1065 or 1120S) OR • Lease Agreement		Property	Property	Property	Property	Property
Enter						
Enter the mortgage and the mortgage loan account number.						
Enter	Mortgage#	Mortgage#	Mortgage#	Mortgage#	Mortgage#	
Step 1. When using IRS Form 9825, determine the number of months the property was in service by dividing the Fair Rental Days by 30. <i>If Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.</i>						
Step 1. Result: Enter the number of months the property was in service:		Result				
Step 2. Calculate monthly property cash flow using Step 2A: IRS Form 8825 OR Step 2B: Lease Agreement.						
Step 2A. IRS Form 8825 (IRS Form 1065 or 1120S)			For each property complete ONLY 2A or 2B			
A1	Enter gross rents received.	Enter				
A2	Enter total expenses.	Subtract				
A3	Enter insurance expense.	Add				
A4	Enter mortgage interest paid.	Add				
A5	Enter tax expense.	Add				
A6	Enter homeowners' association dues. This expense must be specifically identified on Form 9825 in order to add it back.	Add				
A7	Enter depreciation expense or depletion.	Add				
A8	Enter any one-time extraordinary expense (e.g., casualty loss). There must be evidence of the nature of the one-time extraordinary expense.	Add				
	Equals adjusted rental income.	Total	0	0	0	0
A9	The number of months the property was in service (Step 1 Result).	Divide	0	0	0	0
	Equals adjusted monthly rental income	Total	0	0	0	0
A10	Enter proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract				
Step 2A. Result: Monthly property cash flow:		Result	0	0	0	0
Step 2B. Lease Agreement For each property complete ONLY 2A or 2B <i>This method is used in certain circumstances (e.g., when the property was acquired subsequent to the mortgage tax filing or the lender has justification for using a lease agreement).</i>						
B1	Enter the gross monthly rent (from the lease agreement) <i>For multi-unit properties, combine the monthly qualifying income of all</i>	Enter				
B2	The remaining 25% accounts for vacancy loss, maintenance, and management expenses.	Multiply	x.75	x.75	x.75	x.75
	Equals adjusted monthly rents.	Total	0	0	0	0
B3	Enter proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract				
Step 2B. Result: Monthly property cash flow:		Result	0	0	0	0
Step 3. Determine qualifying impact of the mortgaged investment property PITIA expense.						
If the result of Step 2A or 2B is negative , include this loss, not to exceed the monthly PITIA expense, in the debt-to-income ratio.						
If the result of Step 2A or 2B is positive , the full amount of the PITIA expense has been offset. Do not include it in the debt-to-income ratio.						
Important: This worksheet provides a means of calculating an offset to the monthly PITIA. To add any net income to the borrower's qualifying income, additional requirements apply (e.g., two-year history vs. one-year history). Refer to the Self-Employment Income topic in the Selling Guide.						
DU Data Entry	Monthly Income and Combined Housing Expenses		Mortgage Liabilities		Real Estate Owned	
Non-Subject Property	Enter the amount of the negative monthly property cash flow in "Net Rental." If the monthly property cash flow is positive, enter \$0.00.	Identify the mortgage or rental property lien.		If FRED Schedule is completed, confirm that the "Net Rental Income" field reflects either the amount of the property cash flow if it is negative, or + \$0.00 if the monthly property cash flow is positive.		

Refer to the Rental Income topic in the Selling Guide for additional guidance.

<https://new.mi.fenworth.com/self-employed-borrower-calculators>



Borrowers with Multiple Financed Properties

DU uses the number of financed properties to apply the following eligibility guidelines:

- A minimum credit score of 720 is required for borrowers with 7-10 financed properties
- Borrowers are limited to a maximum of 10 financed properties

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B2-Eligibility/Chapter-B2-2-Borrower-Eligibility/1736858041/B2-2-03-Multiple-Financed-Properties-for-the-Same-Borrower-08-07-2019.htm>

Applies When The Subject Transaction Is A Second Home Or Investment Property AND The Borrower is Personally Obligated On The Financing

Multiple Financed Properties Fannie Mae

Applying the Multiple Financed Property Policy to DU Loan Casefiles

If the borrower is financing a second home or investment property that is underwritten through DU and the borrower will have one to six financed properties, Fannie Mae's standard eligibility policies apply (for example, LTV ratios and minimum credit scores). If the borrower will have seven to ten financed properties, the mortgage loan must have a minimum representative credit score of 720; all other standard eligibility policies apply.

DU will determine the number of financed properties for the loan casefile based on the following:

- If the Number of Financed Properties field is completed, DU will use the number of financed properties. The lender must complete this field with the number of financed properties (including the subject transaction) for which the borrower is applying for a mortgage or HELOC.
- If the Number of Financed Properties field is not provided, DU will use the Real Estate Owned (REO) section that include a mortgage payment or HELOC, as the number of financed properties.
- If the Number of Financed Properties field and the REO information were not provided, DU will use the number of mortgages and HELOCs disclosed in the liabilities section of the credit report as the number of financed properties. (Applies to the online loan application for the Fannie Mae HomeReady program.)
- When none of the information above is provided on the loan application, DU will use the number of mortgages and HELOCs disclosed on the credit report as the number of financed properties.

Note: In order to account for the subject property, DU will add "1" to the number of financed properties on purchase and construction transactions when the REO section, number of mortgages on the application, or number of mortgages on the credit report are used as the number of financed properties.

After determining the number of financed properties, DU will use that value to assess the eligibility of the loan, including the minimum credit score requirement for seven to ten financed properties, the minimum required reserves the lender must verify, and eligibility for HomeReady transactions.

DU will issue a message informing the lender of the number of financed properties that DU used and where that information was obtained (Number of Financed Properties field, REO section, number of mortgages on application, or number of mortgages on credit report). If DU used the information provided in the Number of Financed Properties field or in the REO section, and that information is inaccurate, the lender must update the data and resubmit the loan casefile to DU. If DU used the number of mortgages and HELOCs on the loan application or credit report as the number of financed properties, and that number is inaccurate, the lender must provide the correct number in the Number of Financed Properties field, or complete the REO section of the loan application and resubmit the loan casefile to DU.

<https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B2-Eligibility/Chapter-B2-2-Borrower-Eligibility/#Limits.20on.20the.20Number.20of.20Financed.20Properties>

Reserves- Fannie Mae Multiple Financed Properties

Calculation of Reserves for Multiple Financed Properties

If the borrower owns other financed properties (determined in accordance with [B2-2-03, Multiple Financed Properties for the Same Borrower](#)), additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:

- 2% of the aggregate UPB if the borrower has one to four financed properties,
- 4% of the aggregate UPB if the borrower has five to six financed properties, or
- 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only).

The aggregate UPB calculation does not include the mortgages and HELOCs that are on

- the subject property,
- the borrower's principal residence,
- properties that are sold or pending sale, and
- accounts that will be paid by closing (or omitted in DU on the online loan application).

Applies When The Subject Transaction Is A Second Home Or Investment Property AND The Borrower is Personally Obligated On The Financing

Reserves- Fannie Mae Multiple Financed Property Examples

Example 1: Three Financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Second Home	\$78,750	\$776	2 Months PITIA =	\$1,552
Principal	\$0	\$179	N/A	\$0
Investor	\$87,550	\$787	\$230,050 x 2% =	\$4,601
Investor	\$142,500	\$905		
	\$230,050		Total =	\$6,153

Applies When The Subject Transaction Is A Second Home Or Investment Property AND The Borrower is Personally Obligated On The Financing

Rental Income-Fannie Mae Amounts*

Fannie Mae Requirements 2-4 Unit Primary Residence

- Purchase: Gross income is calculated from Form 1025 (small residential properties).
- Net rental income is determined by taking the lesser of 75% of the gross rent from form 1025 or 75% of the existing leases. Note: Do NOT subtract to mortgage payment as this is the primary housing payment.
- Refinance: Document the rental cash flow by obtaining copies of the borrower's most recent one years signed federal tax returns.

Fannie Mae Requirements 1-4 Unit Investment

- Purchase: Gross income is calculated from Form 1025 (2-4 unit properties) or *Single Family Rent Schedule* Form 1007 for a single family property.
- Net rental income is determined by taking the lesser of 75% of the gross rent (from Form 1025 or Form 1007) minus the full mortgage payment for the property or 75% of the existing leases.
- Refinance: Document the rental cash flow by obtaining copies of the borrower's most recent one years signed federal tax returns.

*Lenders must meet the existence of a housing payment and one year history of owning and managing a rental property when required

You Need....

- 2020 Schedule “E” handout
- Rental Income Calculation Form
 - Impounded/non-impounded are calculated the same
 - Training today assume an escrowed or impounded loan

SCHEDULE E (Form 1040) **Supplemental Income and Loss** (OMB No. 1545-0074)

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

Department of the Treasury Internal Revenue Service (IRS) **2020** Attachment Sequence No. 13

▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041. ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.

Name(s) shown on return: **Larry Landlord** Your social security number: XXX-XX-XXXX

Part I **Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions Yes No

B If “Yes,” did you or will you file required Form(s) 1099? Yes No

1a Physical address of each property (street, city, state, ZIP code)

A	8 Renters Way Ocean Grove NJ 07754
B	
C	

1b	Type of Property (from list below)	2	Fair Rental Days		Personal Use Days		QJV
			A	B	A	B	
A	1	For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	366		0		<input type="checkbox"/>
B							<input type="checkbox"/>
C							<input type="checkbox"/>

Type of Property:
 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:	Properties:	A	B	C
3 Rents received		73,900.		
4 Royalties received				
Expenses:				
5 Advertising				
6 Auto and travel (see instructions)				
7 Cleaning and maintenance		2,100.		
8 Commissions				
9 Insurance		2,001.		
10 Legal and other professional fees				
11 Management fees				
12 Mortgage interest paid to banks, etc. (see instructions)		19,332.		
13 Other interest				
14 Repairs		2,877.		
15 Supplies				
16 Taxes		10,344.		
17 Utilities				
18 Depreciation expense or depletion		3,661.		
19 Other (list) ▶ HOA		2,400.		
20 Total expenses. Add lines 5 through 19		42,715.		
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198		31,185.		
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)				
23a Total of all amounts reported on line 3 for all rental properties		73,900.		
23b Total of all amounts reported on line 4 for all royalty properties				
23c Total of all amounts reported on line 12 for all properties		19,332.		
23d Total of all amounts reported on line 18 for all properties		3,661.		
23e Total of all amounts reported on line 20 for all properties		42,715.		
24 Income. Add positive amounts shown on line 21. Do not include any losses				31,185.
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here				
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2				31,185.

For Paperwork Reduction Act Notice, see the separate instructions. Schedule E (Form 1040) 2020

BAA REV 02/15/21 TTW

Schedule E Handout

SCHEDULE E (Form 1040) Department of the Treasury Internal Revenue Service (99)	Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041. ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.	OMB No. 1545-0074 2020 Attachment Sequence No. 13			
Name(s) shown on return Larry Landlord		Your social security number XXX-XX-XXXX			
Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C . See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.					
A Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
B If "Yes," did you or will you file required Form(s) 1099?		<input type="checkbox"/> Yes <input type="checkbox"/> No			
1a	Physical address of each property (street, city, state, ZIP code)				
A	8 Renters Way Ocean Grove NJ 07754				
B					
C					
1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days	Personal Use Days	QJV
A	1		366	0	<input type="checkbox"/>
B					<input type="checkbox"/>
C					<input type="checkbox"/>

Mortgage Statement/Payment Coupon

Always ask for one

- If loan is impounded or escrowed
- What property the mortgage payment is associated with
- If non impounded, obtain current tax and insurance information
- If condo, PUD or Coop, most investors want verification of current HOA dues

YOUR MORTGAGE COMPANY

*Return Mail Operations
PO Box 12345
Any Town, USA 12345-0000*

01234567 1 AT 1.123 012345678/001234 012 01 ABCDEFG 012
 JOE HOMEOWNER
 1234 MAIN STREET
 SMALLTOWN USA 00000-1234

Summary

Payment (Principal and/or Interest, Escrow)	\$1,033.50	
Optional Product(s)	\$0.00	
Current Monthly Payment	\$1,033.50	

Property Address
 1234 MAIN STREET
 SMALLTOWN USA 00000-1234
Unpaid Principal Balance \$128,022.58

Quarterly Mortgage Statement

Statement Date 03/10/09
Payment Due Date 04/01/09
Loan Number 01234567890

Customer Service
Online
 yourmortgagecompany.com

Telephone
 (866) 012-3456

Fax
 (866) 012-0123

Payments PO Box 01234
 Big City, USA 01234

Correspondence PO Box 56789
 Any Town, USA 56789

Monthly Mortgage Payment (Verified)

-

Activity Since Your Last Statement							
Date	Description	Total	Principal	Interest	Escrow	Late Charge	Other
03/01	PAYMENT	\$1,033.50	\$293.18	\$629.03	\$111.29		
02/01	PAYMENT	\$1,033.50	\$290.94	\$631.27	\$111.29		
01/01	PAYMENT	\$1,033.50	\$288.70	\$633.50	\$111.29		

Mortgage Statement/Payment Coupon

3a. Property You Own If you are refinancing, list the property you are refinancing FIRST.

Address Street 8 Renters Way Unit # _____
 City Ocean Grove State NJ ZIP 07754 Country _____

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$ 700000	Retained <input type="checkbox"/>	Investment <input type="checkbox"/>	\$ 200	\$	\$

Mortgage Loans on this Property Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
ABC Mortgage	12345	\$ 3200	\$ 300000	<input type="checkbox"/>	Conventional <input type="checkbox"/>	\$
		\$	\$	<input type="checkbox"/>		\$

Total monthly payment is \$3400 PITIA

Payment Above Came From Mortgage Statement And HOA Coupon/Statement From Borrower And Is Impounded; For Non-impounded Loans Obtain Tax And Insurance Information

For full functionality, download PDF first before entering data. Please download before each calculation as calculators are updated periodically.



Borrower(s) Name(s)

 Loan Number

Calculator and Quick Reference Guide: Rental Income

Please use the following calculator and quick reference guide to assist in calculating rental income from IRS Form 1040 Schedule E. It provides suggested guidance only and does not replace Fannie Mae or Freddie Mac instructions or applicable guidelines. This method should not be used when calculating rental income on a borrower's primary residence. Check applicable guidelines when rental income is declining year to year. Please check with your own legal advisors for interpretations of legal and compliance principles applicable to your business.

Property 1 Calculator Usage Note: Click Green Buttons to Divide for Monthly Totals

Rental Income Calculation		2020	2019	NOTES
1	Gross Rents (Line 3)			*Check applicable guidelines if not using 12 months. **Net rental losses are typically included with liabilities when calculating the debt ratio.
2	Expenses (Line 20)	-		
3	Depreciation (Line 18)	+		
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		
5	Insurance (Line 9)	+		
6	Mortgage Interest (Line 12)	+		
7	Taxes (Line 16)	+		
8	Other: (HOA if Applicable)	+		
9	Annual Rental Income/Loss	=	\$ 0.00 \$ 0.00	
10	Number of Months Considered (Line 2)*	/		
11	Monthly Income/Loss	=	● ●	
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**	=	\$ 0.00 \$ 0.00	

Property 2

Rental Income Calculation		2020	2019	NOTES
1	Gross Rents (Line 3)			*Check applicable guidelines if not using 12 months. **Net rental losses are typically included with liabilities when calculating the debt ratio.
2	Expenses (Line 20)	-		
3	Depreciation (Line 18)	+		
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		
5	Insurance (Line 9)	+		
6	Mortgage Interest (Line 12)	+		
7	Taxes (Line 16)	+		
8	Other: (HOA if Applicable)	+		
9	Annual Rental Income/Loss	=	\$ 0.00 \$ 0.00	
10	Number of Months Considered (Line 2)*	/		
11	Monthly Income/Loss	=	● ●	
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**	=	\$ 0.00 \$ 0.00	

This calculator can be found at <https://EnactMI.com/self-employed-borrower-calculators>



Enact Rate Express[®]

Genworth MI is now
Enact[™]

800.444.5664 |

LOG IN TO:
● ORDER MI
● MANAGE MI
● VIEW ACCOUNT

MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | ENACT TOOLKIT | TRAINING | OUR BLOG | ABOUT US

Rate Express
Rate Cards and Risk-Based Pricing
About MI
Master Policy Resources
High LTV Refi Info Tool

We've changed to remain focused on you.
Genworth MI is now Enact.

LEARN MORE

Underwriting
Innovate Underwriting
KNOW MORE

Rate Express
Find Rates Quick
GET A QUOTE NOW

Training
Boost Your Knowledge
LEARN NOW

Enact Underwriting Guidelines

Genworth MI is now **Enact™**

800.444.5664 | |

LOG IN TO:
● ORDER MI
● MANAGE MI
● VIEW ACCOUNT

MI & RATES | **UNDERWRITING & GUIDES** | LOS & CONNECTIONS | ENACT TOOLKIT | TRAINING | OUR BLOG | ABOUT US

Underwriting Guides & Credit Policy Updates
Regulatory Resources
Contract Services Underwriting
Underwriting Tips
COVID-19

changed to remain focused on you.
Genworth MI is now Enact.

LEARN MORE

Underwriting
Innovate Underwriting
KNOW MORE

Rate Express
Find Rates Quick
GET A QUOTE NOW

Training
Boost Your Knowledge
LEARN NOW

Enact Training Resources

The screenshot displays the Enact website interface. At the top left, it says "Genworth MI is now Enact™". On the right, there is a phone number "800 444.5664", a search bar, and a "LOG IN TO:" button with options for "ORDER MI", "MANAGE MI", and "VIEW ACCOUNT". The main navigation bar includes "MI & RATES", "UNDERWRITING & GUIDES", "LOS & CONNECTIONS", "ENACT TOOLKIT", "TRAINING", "LOG", and "ABOUT US". The "TRAINING" menu is open, showing "Course Catalog", "Live Webinar Calendar", "Self-Employed Borrower Calculators", and "Our Trainers". Two orange arrows point to the "TRAINING" menu and the "Course Catalog" link. The main content area features a large green banner with the text "We've changed to remain focused on you. Genworth MI is now Enact." and a "LEARN MORE" button. Below the banner are three service tiles: "Underwriting Innovate Underwriting KNOW MORE", "Rate Express Find Rates Quick GET A QUOTE NOW", and "Training Boost Your Knowledge LEARN NOW". The "Training" tile is highlighted with an orange border. A large white plus sign is overlaid on the banner area.

Enact Training Resources

Genworth MI is now
Enact™













MI & RATES | UNDERWRITING & GUIDES | LOS & CONNECTIONS | ENACT TOOLKIT | **TRAINING** | OUR BLOG | ABOUT US

Self-Employed Borrower Tools by Enact MI

We get it, mental math is hard. That's why Enact provides a collection of downloadable calculators and reference guides to help you analyze a self-employed borrower's average monthly income and expenses.

Please note that these tools offer suggested guidance, they don't replace instructions or applicable guidelines from the GSEs.

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

 Fannie Mae Form 1084 Calculator (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. UPDATED	 Fannie Mae Form 1084 Calculator XLS (2019-2020) Calculate and analyze cash flow to help you complete Fannie Mae form 1084. UPDATED	 Freddie Mac Form 91 Calculator (2019-2020) Quick reference guide and income analysis for Freddie Mac Form 91 UPDATED
 Freddie Mac Form 92 Calculator (2019-2020) Form 92 Net Rental Income Calculations - Schedule E UPDATED	 Schedule Analysis Method (SAM) Calculator (2019-2020) Calculate qualifying income from tax returns. UPDATED	 Rental Income Calculator (2019-2020) Assists in calculating rental income from IRS form 1040 Schedule E. UPDATED
 Current Ratio - Liquidity Calculator (2019-2020) Calculate working capital liquidity against current liabilities. UPDATED	 Quick Ratio - Liquidity Calculator (2019-2020) Calculate an organization's liquidity against current liabilities. UPDATED	 Fannie Mae Rental Guide (Calculator 1037) Use this worksheet to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence, 2- to 4-unit Property)
 Fannie Mae Rental Guide (Calculator 1039) Calculate qualifying rental income for Fannie Mae Form 1039 (Business Rental Income from Investment Property)	 Fannie Mae Form 1088 Cheat Sheet Use this quick reference guide for Fannie Mae's Comparative Analysis Form (Form 1088)	 Fannie Mae Comparative Analysis Form 1088 Calculate increases/decreases in gross income, expenses and taxable income.

Your Enact Resources

- ActionCenter® : 800 444.5664
- Your Local Enact Regional Underwriter
- Your Enact Sales Representative

Legal Disclaimer

Enact Mortgage Insurance is happy to provide you with these training materials. While we strive for accuracy, we also know that any discussion of laws and their application to particular facts is subject to individual interpretation, change, and other uncertainties. Our training is not intended as legal advice and is not a substitute for advice of counsel. You should always check with your own legal advisors for interpretations of legal and compliance principles applicable to your business.

ENACT EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THESE MATERIALS AND THE RELATED TRAINING. IN NO EVENT SHALL ENACT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES OF ANY KIND WHATSOEVER WITH RESPECT TO THE TRAINING AND THE MATERIALS.

Collateral Underwriter®, Home Ready® and Desktop Underwriter® or DU® are registered trademarks of Fannie Mae
Loan Product Advisor®, Home Possible®, Loan Collateral Advisor® and Home Value Explorer® (HVE®) are registered trademarks of Freddie Mac
ActionCenter®, Homebuyer Privileges® and Rate Express® are registered trademarks of Genworth Mortgage Holdings, LLC

Enact Mortgage Insurance offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line, and serve your borrowers better. Visit [EnactMI.com](https://www.enactmi.com) to learn more.