

# Evaluating & Calculating Rental Income

Presented by: Sandra Sweeney, Senior Customer Trainer

**MGIC**

**Legal disclaimer:**

The materials included in this presentation are intended for general information only. This presentation is not intended to be complete or all-inclusive regarding the matters discussed herein, and nothing contained in this presentation is intended, or should be relied upon, as legal, accounting, compliance or other professional advice.

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The MGIC logo is displayed in white, bold, sans-serif capital letters. It is positioned on the right side of a dark blue horizontal band that features a geometric pattern of light blue lines forming various shapes and angles. The logo is partially overlaid by a white arrow pointing to the right.

# Objectives

# MGIC

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Eligibility and underwriting

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Documenting rental income

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Calculating rental income/loss

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Multiple financed properties



# **Rental income fundamentals**

The MGIC logo is positioned in the bottom right corner of a dark blue footer. The footer features a white geometric pattern of overlapping squares and rectangles. The logo itself consists of the letters 'MGIC' in a bold, white, sans-serif font, followed by a white arrow pointing to the right.

# Are you using rental income to qualify?



No

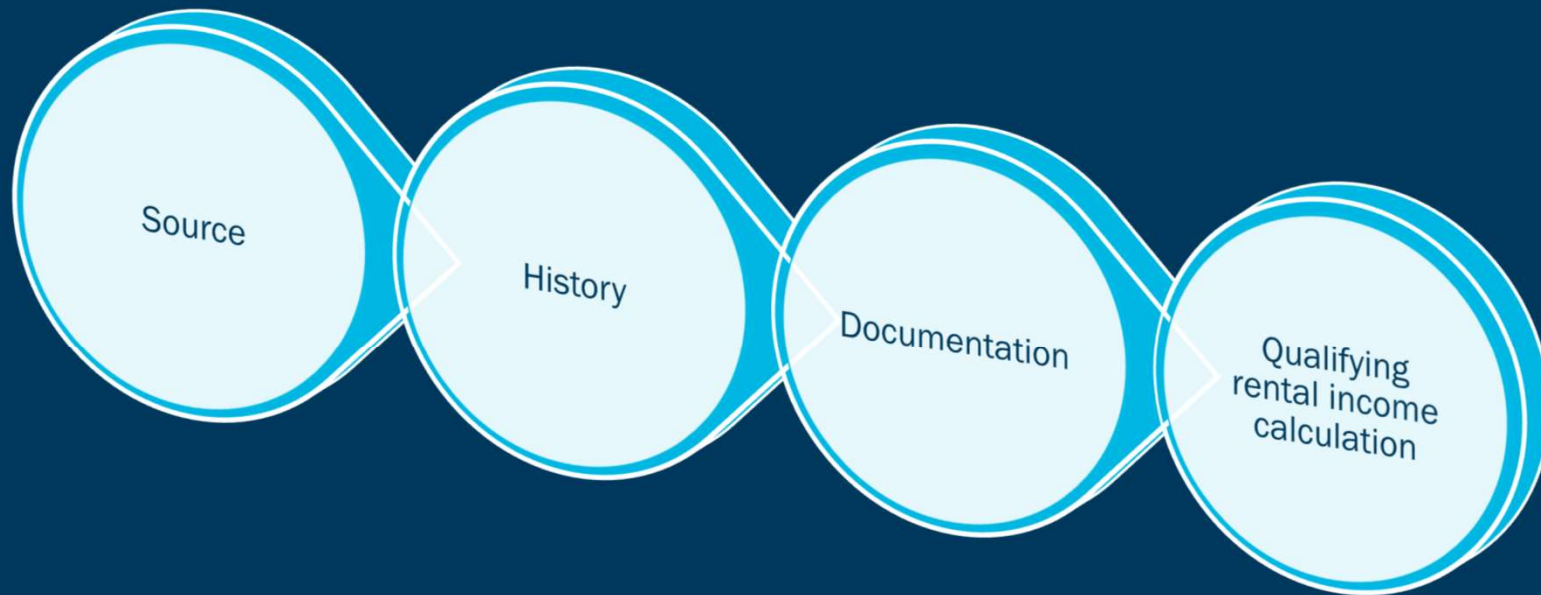
Include  
PITIA in DTI  
*However, documentation  
of gross rents  
is still required.*

Yes

Let's  
continue  
on...

# The fundamentals

# MGIC



## Source

MGIC

- Subject 2- to 4-unit primary residence
  - Purchase or refinance
- Subject 1- to 4-unit investment property
  - Purchase or refinance
- Non-subject investment property
- Subject 1-unit primary residence (boarder income)
- Accessory units

## History

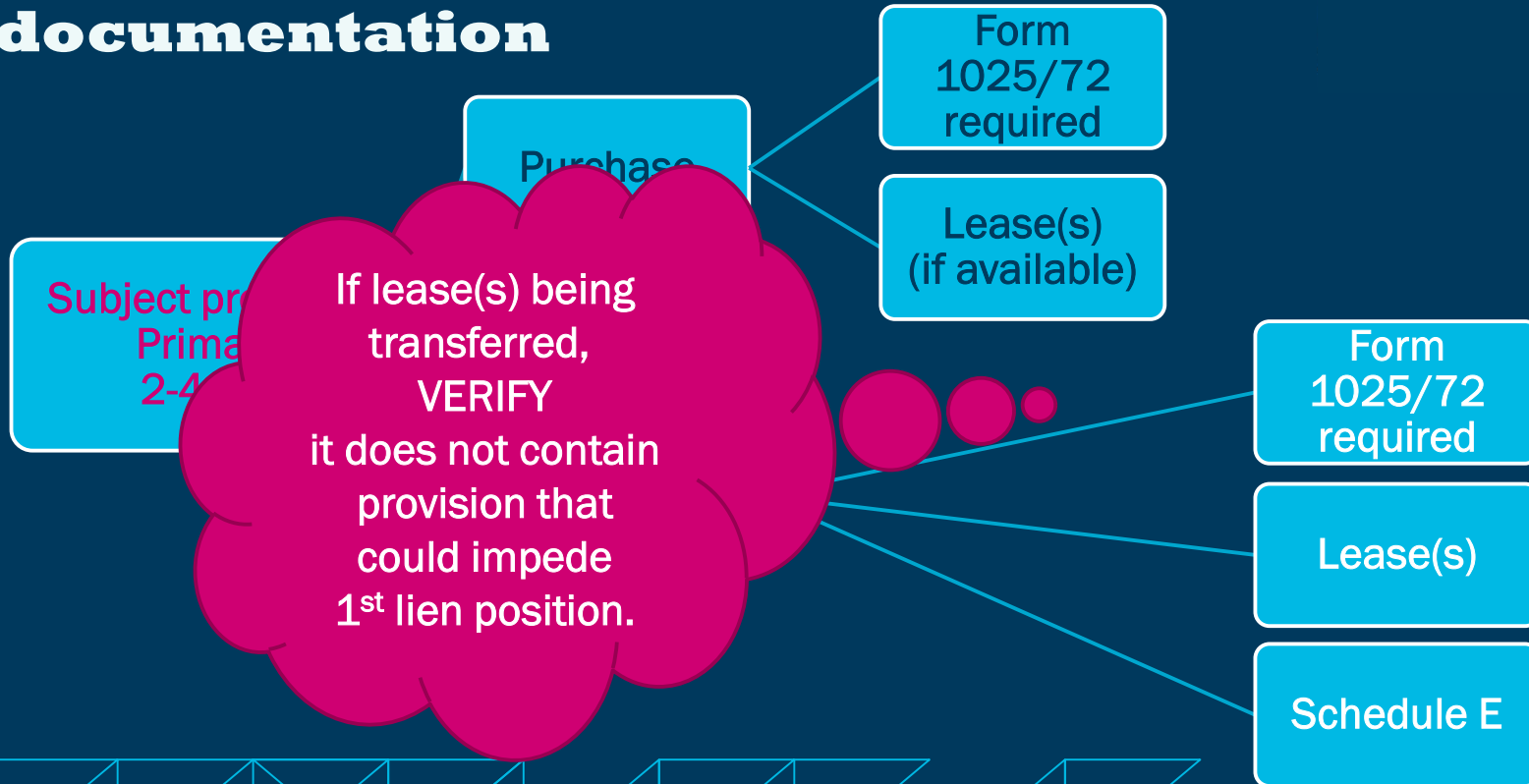
# MGIC

How long has property been owned or in service?

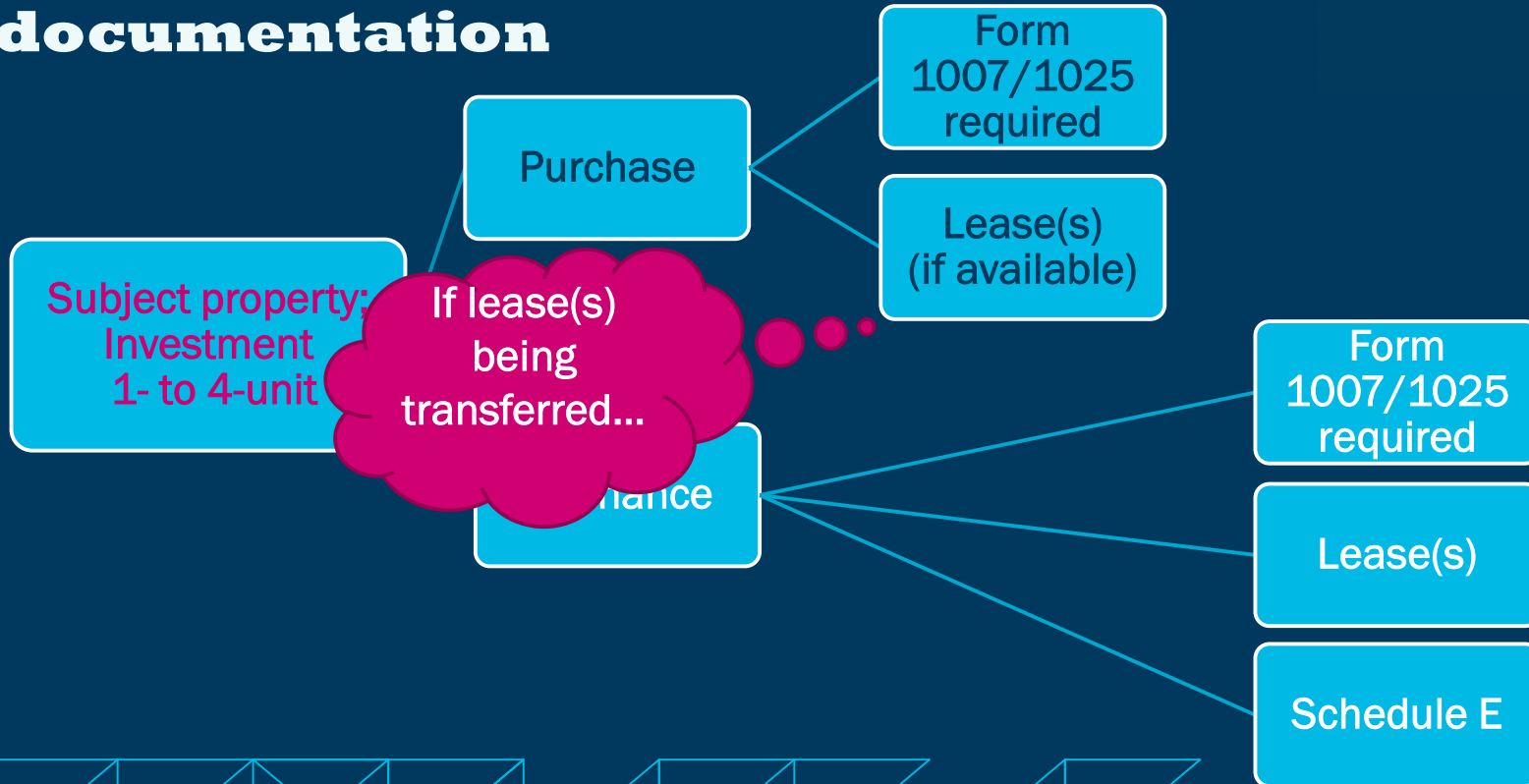
- Prior calendar year (and beyond)
  - Schedule E or combination of documentation
- Current calendar year (no taxes)
  - Lease or Forms 1007 or 1025



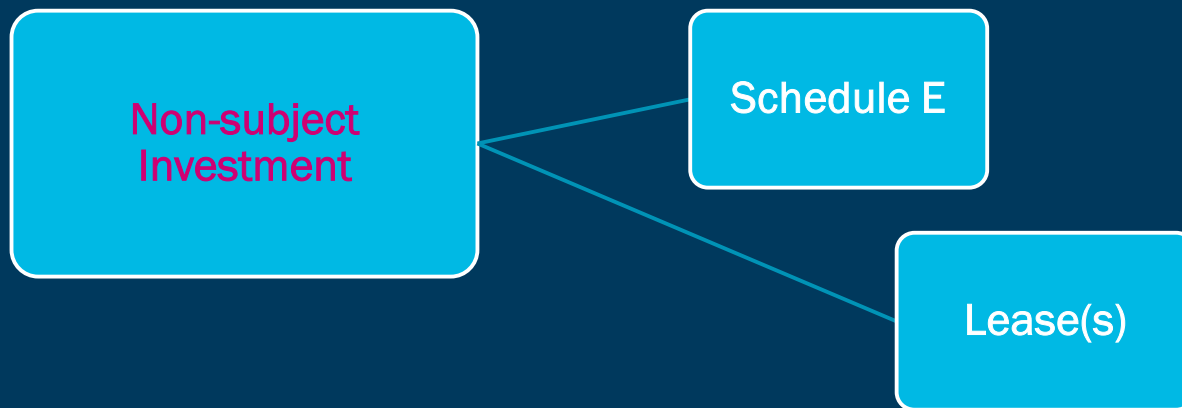
# Source, history & documentation

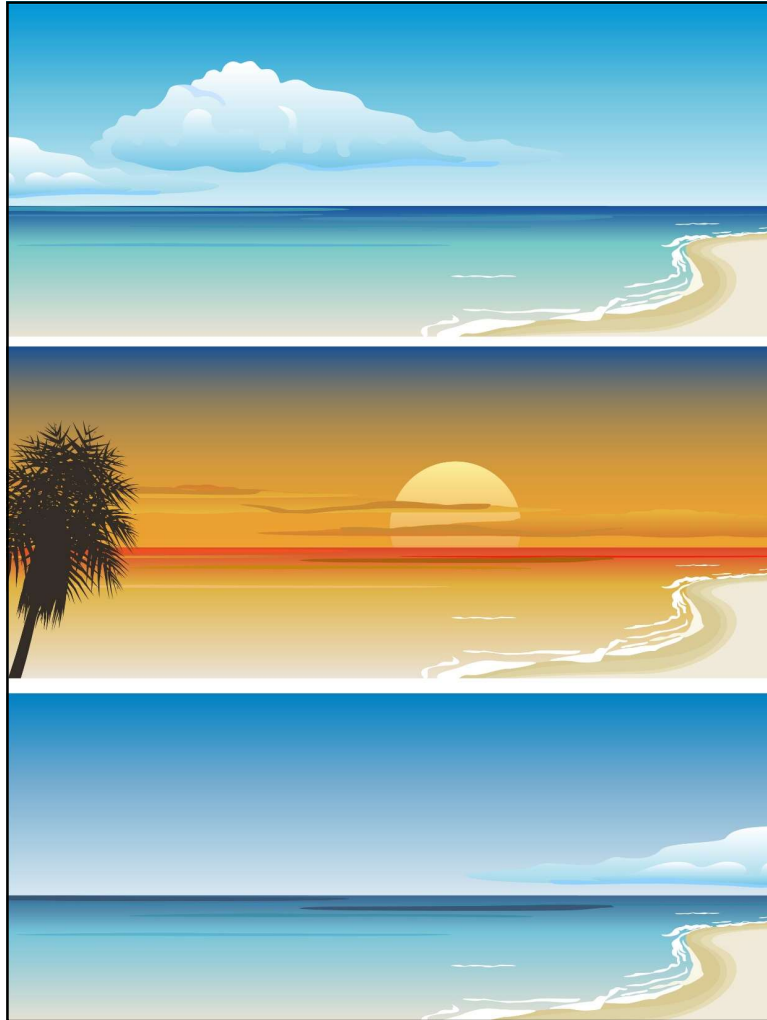


# Source, history & documentation



# Source, history & documentation





## Can rental income be used?

Arthur and Elizabeth own a beach condo that they use as a second home. Their tax returns reflect receipt of rental income.

Can you use the rental income obtained from their seasonal rental of this second home as part of the qualifying income?

# **Rental income documentation**

The MGIC logo is displayed in white, bold, sans-serif capital letters on a dark blue background. The background of the slide features a pattern of white geometric lines forming various shapes like squares and triangles.

## Form 1007

# MGIC

- 1-unit investment property
- Provided in addition to appraisal

<b>SINGLE FAMILY COMPARABLE RENT SCHEDULE</b>				
<small>This form is intended to provide the appraiser with a familiar format to estimate the market rent of the subject property. Adjustments should be made only for items of significant difference between the comparables and the subject property.</small>				
ITEM	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3
Address				
Proximity to Subject				
Date Lease Begins Date Lease Expires				
Monthly Rental	If Currently Rented: \$	\$	\$	\$

# Fannie Mae Form 1025/ Freddie Mac Form 72



2- to 4-unit property

Small Residential Income Property Appraisal Report				File #	
The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.					
Property Address		City	State	Zip Code	
Borrower		Owner of Public Record	County		
Legal Description					
S U B J E C T	Assessor's Parcel #		Tax Year	R.E. Taxes \$	
	Neighborhood Name		Map Reference	Census Tract	
	Occupant	<input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Special Assessments \$	<input type="checkbox"/> PUD HOA \$ <input type="checkbox"/> per year <input type="checkbox"/> per month	
	Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)				
	Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)				
	Lender/Client		Address		
	Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Report data source(s) used, offering price(s), and date(s).					

# Leases



**Agreement To Rent Or Lease**

This Agreement is made and entered into between \_\_\_\_\_, hereinafter "Owner" and (names of all Residents and names and ages of children to reside on the premises):

Resident \_\_\_\_\_ (Age) \_\_\_\_\_ Resident \_\_\_\_\_ (Age) \_\_\_\_\_

Resident \_\_\_\_\_ (Age) \_\_\_\_\_ Resident \_\_\_\_\_ (Age) \_\_\_\_\_

Resident \_\_\_\_\_ (Age) \_\_\_\_\_ Resident \_\_\_\_\_ (Age) \_\_\_\_\_

Hereinafter "Resident." The word Resident as used herein shall include the singular as well as the plural, and shall include the word "and" as well as the word "or".

Owner rents to Resident, and Resident rents from Owner, for residence \_\_\_\_\_ in the City of \_\_\_\_\_.

**Owner and Resident mutually agree as follows:**

**1. TERM.** The term of the rental shall begin on \_\_\_\_\_, and shall continue for one month and the security deposit: (check one)

For a period of \_\_\_\_\_ months and \_\_\_\_\_ days thereafter expiring on \_\_\_\_\_ Renewal of the term shall be as described in Paragraph 22 of this Agreement (A Fixed Term Lease).

On a periodic tenancy basis, terminable by either party by the giving of a written notice of termination in accordance with Paragraph 22 of this Agreement (A Periodic Tenancy).

**2. RENT.** Resident shall pay to Owner the Monthly rent of \$ \_\_\_\_\_, in advance of each month without deduction or offset. On signing this Agreement Resident shall pay one full month's rent.

**Residential Lease Agreement**

This Residential Lease Agreement is made between the Landlord \_\_\_\_\_ and the Tenant \_\_\_\_\_ on this date \_\_\_\_\_.

The Landlord hereby agrees to rent the Premises to the Tenant and Tenant hereby agrees to rent the Premises from the Landlord. The Premises is described as follows:

Street Address: \_\_\_\_\_

Premises Description: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**1. TERM:**

The Lease term shall be as follows (choose one):

Fixed term lease beginning on \_\_\_\_\_ and ending on \_\_\_\_\_ for a total period of \_\_\_\_\_ months.

Month to month lease beginning on \_\_\_\_\_.

**2. RENT:**

The Tenant agrees to pay the Landlord an amount of \$ \_\_\_\_\_ per month as rent on or before the \_\_\_\_\_ day of each month.



## When can a lease be used?

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- Purchase transactions with existing, transferring leases
- Refinance transactions with properties purchased in the last year
- Refinance transactions for a property that experienced rental interruptions (file contains verification of documented event)
- Conversion of a principal residence to investment property

## Lease agreement requirements



Fannie Mae and Freddie Mac – Old Guidelines	Fannie Mae and Freddie Mac – New Guidelines
<p>No evidence was required to ensure that lease was in effect.</p>	<ul style="list-style-type: none"> <li>• Form 1007/1000 or 1025/70 must support the income reflected on the lease agreement <b>OR</b></li> <li>• Evidence the terms of lease have gone into effect               <ul style="list-style-type: none"> <li>• 2 months' bank statements, copies of cancelled checks, or electronic transfers of rent payments <b>OR</b></li> <li>• Copy of security deposit and 1<sup>st</sup> month's rent check with proof of deposit</li> </ul> </li> </ul>
Freddie Mac – Old Guidelines	Freddie Mac – New Guidelines
<p>Newly Executed Lease Agreements or No Rental History –</p> <p>Lease must be for at least one year.</p>	<p>Newly Executed Lease Agreements or No Rental History –</p> <p>Lease must have the first payment due no later than the 1<sup>st</sup> payment on the subject mortgage.</p> <p>Transferring leases must be current and fully executed in the property seller's name as the landlord.</p>

# Schedule E



**SCHEDULE E (Form 1040) Supplemental Income and Loss**  
 (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)  
 Department of the Treasury Internal Revenue Service  
 Attach to Form 1040, 1040-SR, 1040-NR, or 1041.  
 Go to [www.irs.gov/ScheduleE](http://www.irs.gov/ScheduleE) for instructions and the latest information.  
 Name(s) shown on return: \_\_\_\_\_ Your social security number: \_\_\_\_\_

**OMB No. 1545-0074**  
**2023**  
 Attachment Sequence No. 13

**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 2023 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** \_\_\_\_\_  
**B** \_\_\_\_\_  
**C** \_\_\_\_\_

Type of Property (from list below)	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	B	C	A	B	C	
<b>A</b>								<input type="checkbox"/>
<b>B</b>								<input type="checkbox"/>
<b>C</b>								<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) \_\_\_\_\_

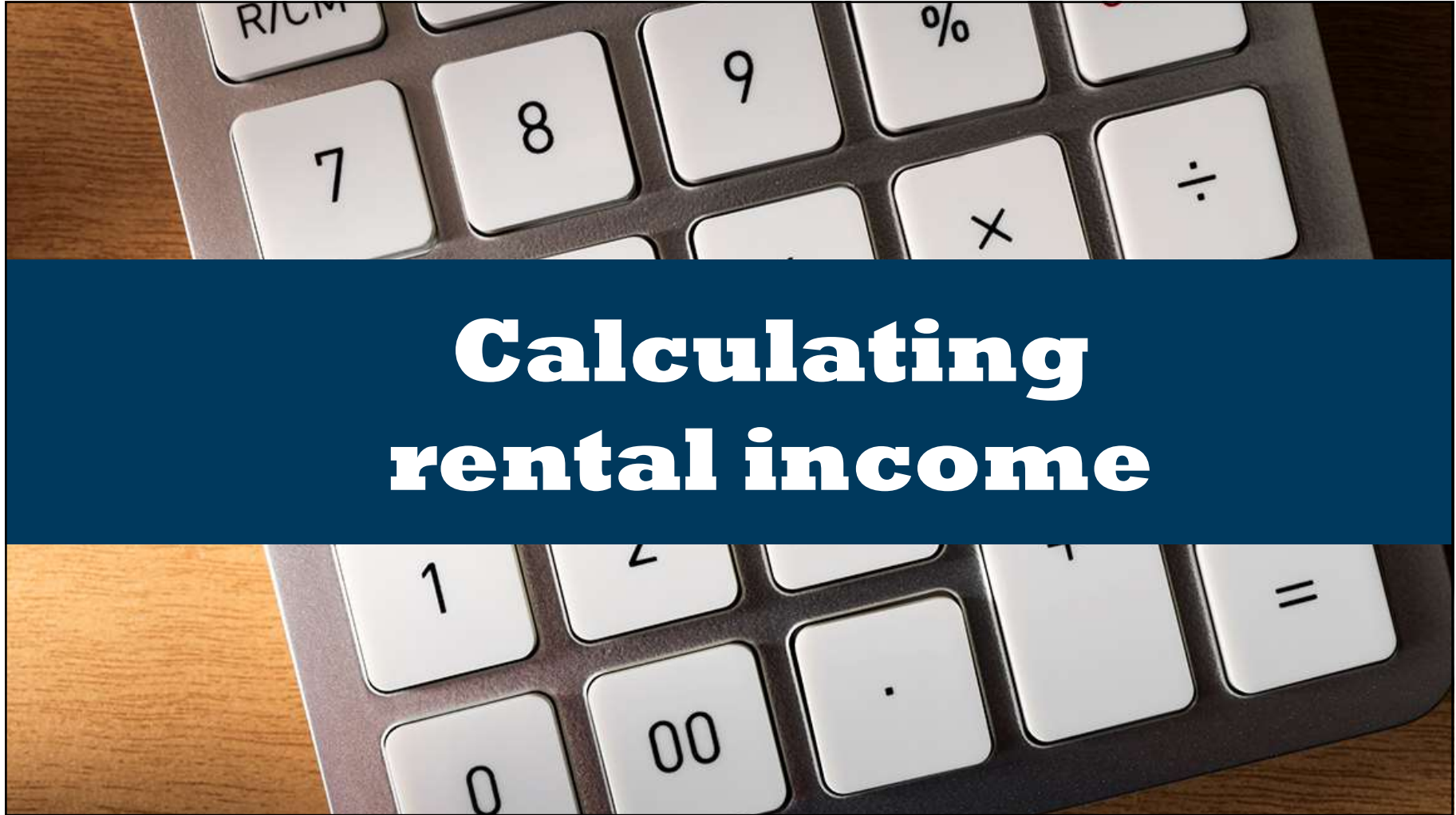
		Properties:		
		A	B	C
<b>Income:</b>				
<b>3</b> Rents received	3			
<b>4</b> Royalties received	4			
<b>Expenses:</b>				
<b>5</b> Advertising	5			
<b>6</b> Auto and travel (see instructions)	6			
<b>7</b> Cleaning and maintenance	7			
<b>8</b> Commissions	8			
<b>9</b> Insurance	9			
<b>10</b> Legal and other professional fees	10			
<b>11</b> Management fees	11			
<b>12</b> Mortgage interest paid to banks, etc. (see instructions)	12			
<b>13</b> Other interest	13			
<b>14</b> Repairs	14			
<b>15</b> Supplies	15			
<b>16</b> Taxes	16			
<b>17</b> Utilities	17			
<b>18</b> Depreciation expense or depletion	18			
<b>19</b> Other (list)	19			
<b>20</b> Total expenses. Add lines 5 through 19	20			
<b>21</b> 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	21			
<b>22</b> Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22			
<b>23a</b> Total of all amounts reported on line 3 for all rental properties	23a			
<b>b</b> Total of all amounts reported on line 4 for all royalty properties	23b			
<b>c</b> Total of all amounts reported on line 12 for all properties	23c			
<b>d</b> Total of all amounts reported on line 18 for all properties	23d			
<b>e</b> Total of all amounts reported on line 20 for all properties	23e			
<b>24</b> Income. Add positive amounts shown on line 21. Do not include any losses	24			
<b>25</b> Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25			
<b>26</b> Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, and 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	26			

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2023

## Current docs

- Mortgage statement
- Homeowner's insurance declaration page
- Property tax bill
- HOA statement (if applicable)





# Rental income worksheet

[www.mgic.com/seb](http://www.mgic.com/seb)



[www.mgic.com/seb](http://www.mgic.com/seb)

## Rental Income Worksheet



BORROWER AND/OR CO-BORROWER NAME:

DATE:

Based on the usage of the property(ies), complete your rental analysis using Schedule E, Lease Agreement (or alternate), or Form 8825, as required by your investor.  
(For Schedule E – Traditional Method complete rows 15-18 & 22).

In general, investors require analysis of the most recent tax year for net rental income (loss).  
For your convenience, average monthly rental figures are provided.

YEAR 1:

YEAR 2:

### Primary Residence (2 - 4 unit)

Schedule E

Lease Agreement (or alternate)

### Investment Property

Schedule E

Lease Agreement (or alternate)

### Business Rental

Form 8825

Lease Agreement (or alternate)

Comments / Notes (For a new line, hold Alt and press Enter)

For Fannie Mae – If the borrower . . . (Selling Guide B3-3.1-08)	Rental income from . . .	Then, for qualifying purposes . . .
Currently owns a principal residence (or has a current housing expense), <b>AND</b> at least a 1-year history of receiving rental income <b>OR</b> at least 1 year of documented property management experience	Subject property <b>OR</b> Non-subject property	No restrictions on the amount of rental income that can be used
No current housing expense, <b>AND</b> Has at least 1-year history of receiving rental income from subject property	Non-subject property in service for at least 1 year	No restrictions on the amount of rental income that can be used
Currently owns primary residence (or has current housing expense), <b>AND</b> has < 1-year history of receiving rental income <b>OR</b> documented property management experience	Subject property	<b>Principal residence</b> , income not exceeding PITIA of the subject can be added to the gross income <b>Investment property</b> , income can only be used to offset the PITIA of the subject
	Non-subject property (new or newly in service)	<b>Principal residence</b> , income not exceeding PITIA of the property can be added to the gross income <b>Investment property</b> , income can only be used to offset the PITIA of the related property
Does not own primary residence <b>AND</b> does not have current housing expense	Subject property <b>OR</b> Non-subject property	Rental income cannot be used

## Freddie Mac – Use of rental income



Subject property purchase and refinance transactions and non-subject properties acquired or placed in service in the current calendar year

2- to 4-unit primary residence, subject 1- to 4-unit investment property and non-subject investment property

### Maximum Eligible Amount of Net Rental Income

<p><b>If,</b> The borrower is purchasing a <b>new</b> rental property in the <b>current</b> calendar year</p>	<p><b>Then,</b> The borrower <b>must currently own a primary residence</b> to use rental income to qualify</p>	<p><b>In such instances,</b> 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.</p>
<p><b>If,</b> The borrower's current primary residence is being <b>converted</b> to a rental property</p>	<p><b>Then,</b> Net rental income can <b>only offset</b> the full monthly payment of that primary residence</p>	
<p><b>If,</b> Net rental income <b>exceeds</b> the full monthly <b>payment</b> of the <b>new</b> rental property <b>or</b> the <b>converted</b> primary residence, as applicable</p>	<p><b>Then,</b> The <b>excess</b> rental income <b>cannot be added</b> to the borrower's gross monthly income to qualify <b>unless</b> the file documentation demonstrates the borrower has a minimum of one-year investment property management experience.</p>	

Source: Freddie Mac Rental Income Matrix





## Rental income needed

Theo currently lives with his parents rent-free. He does have a 24-month history of paying the monthly utilities. He is purchasing a 2-unit primary residence and will occupy one of the units.

Rental income is needed to qualify from the other unit of the subject property, which has a market rent of \$1,200.00.

For Fannie Mae – If the borrower . . . (Selling Guide B3-3.1-08)	Rental income from . . .	Then, for qualifying purposes . . .
Currently owns a principal residence (or has a current housing expense), <b>AND</b> at least a 1-year history of receiving rental income <b>OR</b> at least 1-year of documented property management experience	Subject property <b>OR</b> Non-subject property	No restrictions on the amount of rental income that can be used
No current housing expense, <b>AND</b> Has at least 1-year history of receiving rental income from subject property	Non-subject property in service for at least 1=year	No restrictions on the amount of rental income that can be used
Currently owns primary residence (or has current housing expense), <b>AND</b> has < 1-year history of Receiving rental income <b>OR</b> documented property management experience	Subject property	<b>Principal residence</b> , income not exceeding PITIA of the subject can be added to the gross income <b>Investment property</b> , income can only be used to offset the PITIA of the subject
	Non-subject property (new or newly in service)	<b>Principal residence</b> , income not exceeding PITIA of the property can be added to the gross income <b>Investment property</b> , income can only be used to offset the PITIA of the related property
Does not own primary residence <b>AND</b> does not have current housing expense	Subject property <b>OR</b> Non-subject property	Rental income cannot be used

## Freddie Mac - Use of rental income

# MGIC

Subject property purchase and refinance transactions and non-subject properties acquired or placed in service in the <u>current</u> calendar year		
2- to 4-unit primary residence, subject 1- to 4-unit investment property and non-subject investment property		
Maximum Eligible Amount of Net Rental Income		
<p><b>If,</b></p> <p>The borrower is purchasing a <b>new</b> rental property in the <b>current</b> calendar year</p>	<p><b>Then,</b></p> <p>The borrower <b>must currently own a primary residence</b> to use rental income to qualify</p>	<p><b>In such instances,</b> 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.</p>
<p><b>If,</b></p> <p>The borrower's current primary residence is being <b>converted</b> to a rental property</p>	<p><b>Then,</b></p> <p>Net rental income can <b>only offset</b> the full monthly payment of that primary residence</p>	
<p><b>If,</b></p> <p>Net rental income <b>exceeds</b> the full monthly <b>payment</b> of the <b>new</b> rental property <b>or</b> the <b>converted</b> primary residence, as applicable</p>	<p><b>Then,</b></p> <p>The <b>excess</b> rental income <b>cannot be added</b> to the borrower's gross monthly income to qualify <b>unless</b> the file documentation demonstrates the borrower has a minimum of one-year investment property management experience.</p>	

Source: Freddie Mac Rental Income Matrix

## Subject 2- to 4-unit Primary purchase

# MGIC

- Using the lower of the **lease(s)** or **market rent(s)** from Form 1025:
  - Enter Gross Monthly Rental amount
  - 25% Vacancy Factor automatically deducted
  - Adjusted Monthly Rent auto calculated

Primary Residence (2 - 4 unit)

Schedule E

Lease Agreement (or alternate)

Property: 1224 Duplex Drive Upper#2 + -

Rental Income (Loss) Calculation		Adjusted Monthly Rent	
12	Gross Monthly Rent	Add to qualifying income; include PITIA in DTI	\$ 1,200.00
13	Vacancy Factor (25%) <span style="color: green;">i</span>		\$ (300.00)
14	Adjusted Monthly Rent <span style="color: blue; border: 1px solid blue; border-radius: 50%; padding: 2px;">i</span>	OK	\$ 900.00

# Subject 2- to 4-unit Primary residence - DTI calculation



Stable Monthly Income		Loan-to-Value Ratios		Proposed Monthly Payment for the Property	
Borrower 1	\$ _____	LTV	_____ %	First Mortgage P&I	\$ _____
Borrower 2	\$ _____	CLTV/TLTV	_____ %	Subordinate Lien (s) P&I	\$ _____
Borrower 3	\$ _____	HCLTV/HTLTV	_____ %	Homeowner's Insurance	\$ _____
Borrower 4	\$ _____			Supplemental Property Insurance	\$ _____
Other Borrowers (5+)	\$ _____			Property Taxes	\$ _____
Rental Income - subject property	\$ <b>900.00</b>			Mortgage Insurance	\$ _____
Net Rental Income - other properties	\$ _____			Association/Project Dues (Condo, Co-Op, PUD)	\$ _____
Total Borrower Income	\$ _____			Other	\$ _____
<input type="checkbox"/> At least one borrower is self-employed				Total	\$ <b>1,525.00</b>

Qualifying Ratios		Level of Property	
Primary Housing Expense/Income	_____ %	<input type="checkbox"/> Exterior Only	
Total Obligations/Income(DTI)	_____ %	<input type="checkbox"/> No App	

Form Num \_\_\_\_\_



Primary Residence (2 - 4 unit)

Schedule E

Lease Agreement (or alternate)

Property: 1224 Duplex Drive Upper#2

Rental Income (Loss) Calculation	
12	Gross Monthly Rent \$ 1,200.00
13	Vacancy Factor (25%) \$ (300.00)
14	Adjusted Monthly Rent \$ 900.00

SSO

# James & Jessica Johnson

Own 3 rental properties  
(Schedule E, page 1)

mortgage guaranty  
insurance corporation



**Slide 30**

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**SSO** Please replace pics of borrowers - suggested photo on slide  
Sandra Sweeney, 2024-01-29T17:32:43.420

# Schedule E Page 1

Compare to REO section of URLA



**SCHEDULE E (Form 1040) Supplemental Income and Loss**  
 OMB No. 1545-0074  
 2023  
 Attachment Sequence No. 13

Department of the Treasury Internal Revenue Service  
 Attach to Form 1040, 1040-SR, 1040-NR, or 1041.  
 Go to [www.irs.gov/ScheduleE](http://www.irs.gov/ScheduleE) for instructions and the latest information.

Name(s) shown on return: James & Jessica Johnson  
 Your social security number: 000-00-0000

**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 2023 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** 123 Clover Street Jackson TN 38301  
**B** 225 S Main Street Jackson TN 38301  
**C** 326 Goodview Lane Memphis TN 38111

**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.

	Type of Property	Fair Rental Days	Personal Use Days	QJV
<b>A</b>	1	365	0	<input type="checkbox"/>
<b>B</b>	4	365	0	<input type="checkbox"/>
<b>C</b>	1	90	0	<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
<b>3</b>	Rents received	6,200.	17,500.	4,000.
<b>4</b>	Royalties received			
<b>Expenses:</b>				
<b>5</b>	Advertising			100.
<b>6</b>	Auto and travel (see instructions)			
<b>7</b>	Cleaning and maintenance	150.	750.	400.
<b>8</b>	Commissions			
<b>9</b>	Insurance	300.	2,300.	50.
<b>10</b>	Legal and other professional fees			
<b>11</b>	Management fees			
<b>12</b>	Mortgage interest paid to banks, etc. (see instructions)	4,400.	5,300.	
<b>13</b>	Other interest			
<b>14</b>	Repairs			
<b>15</b>	Supplies			
<b>16</b>	Taxes	1,200.	1,200.	350.
<b>17</b>	Utilities		2,500.	
<b>18</b>	Depreciation expense or depletion	2,500.	2,000.	
<b>19</b>	Other (list Home Owners' Assoc. Fees)			600.
<b>20</b>	Total expenses. Add lines 5 through 19	8,550.	14,050.	1,500.
<b>21</b>	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	-2,350.	3,450.	2,500.
<b>22</b>	Deductible rental real estate loss after limitation, if any, on Form 6582 (see instructions)	2,350.		
<b>23a</b>	Total of all amounts reported on line 3 for all rental properties		27,700.	
<b>b</b>	Total of all amounts reported on line 4 for all royalty properties			
<b>c</b>	Total of all amounts reported on line 12 for all properties		9,700.	
<b>d</b>	Total of all amounts reported on line 18 for all properties		4,500.	
<b>e</b>	Total of all amounts reported on line 20 for all properties		24,100.	
<b>24</b>	Income. Add positive amounts shown on line 21. Do not include any losses			5,950.
<b>25</b>	Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here			(2,350.)
<b>26</b>	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, and 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			3,600.

### Section 3: Financial Information — Real Estate. This section asks you to list all properties you currently own and what you owe on them. I do not own any real estate

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

Address: Street 1750 PROSPERITY DRIVE City JACKSON State TN ZIP 38305 Unit # Country USA

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

Property Value: \$ 975,000 Retained  Investment  Monthly Mortgage Payment: \$ Unpaid Balance: \$ 300,000 To be paid off at or before closing  Type: FHA, VA, Conventional, USDA-RD, Other  Credit Limit (if applicable): \$

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)
XYZ MORTGAGE	8212342	\$ 2,700	\$ 300,000	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

**3b. IF APPLICABLE, Complete Information for Additional Property**  Does not apply

Address: Street 123 CLOVER STREET City JACKSON State TN ZIP 38301 Unit # Country USA

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

Property Value: \$ 500,000 Retained  Investment  Monthly Mortgage Payment: \$ Unpaid Balance: \$ 1,200 To be paid off at or before closing  Type: FHA, VA, Conventional, USDA-RD, Other  Credit Limit (if applicable): \$-495

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)
BYZ MORTGAGE	83155315	\$ 1,000	\$ 250,000	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

**3c. IF APPLICABLE, Complete Information for Additional Property**  Does not apply

Address: Street 225 S. MAIN STREET City JACKSON State TN ZIP 38301 Unit # Country USA

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

Property Value: \$ 1,000,000 Retained  Investment  Monthly Mortgage Payment: \$ 2,000 Unpaid Balance: \$ 2,000 To be paid off at or before closing  Type: FHA, VA, Conventional, USDA-RD, Other  Credit Limit (if applicable): \$

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 COMMERCIAL BK	15616546512	\$ 600	\$ 6,000	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

**3c. IF APPLICABLE, Complete Information for Additional Property**  Does not apply

Address: Street 326 GOODVIEW LANE City MEMPHIS State TN ZIP 38111 Unit # Country USA

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

Property Value: \$ 470,000 Retained  Investment  Monthly Mortgage Payment: \$ 2,000 Unpaid Balance: \$ 4,000 To be paid off at or before closing  Type: FHA, VA, Conventional, USDA-RD, Other  Credit Limit (if applicable): \$

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)
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$



# Subject 1- to 4-unit Investment refinance



Investment Property

X
+ -

Property: + -

Rental Income (Loss) Calculation

15	<b>Number of Months:</b> Maximum 12		
16	<b>Rents Received:</b> <a href="#">Schedule E Line 3</a>		
17	<b>Total Expenses:</b> <a href="#">Schedule E Line 20</a>	(	)
18	<b>Depreciation:</b> <a href="#">Schedule E Line 18</a>		
19	<b>Taxes:</b> <a href="#">Schedule E Line 16</a>		
20	<b>Mortgage Interest:</b> <a href="#">Schedule E Lines 12 &amp; 13</a>		
21	<b>Insurance:</b> <a href="#">Schedule E Line 9</a>		
22	<b>Other:</b> <a href="#">Amortization/Casualty Loss/HOA Dues, if applicable: Schedule E Line 19</a>		
23	<b>Annual Gross Rental Income (Loss)</b>		
24	<b>Monthly Gross Rental Income (Loss)</b>		
25	<b>Monthly PITIA</b>		
26	<b>NET Monthly Rental Income (Loss)</b>		X
27	<i>Average NET Monthly Rental Income (Loss), ___ months</i>		<i>N/A</i>

NET Monthly Rental Income (Loss) X

- When positive, add to qualifying income. (Do not include PITIA in DTI; it's been subtracted from the property's gross rental income.)
- When negative, include loss in DTI. (Do not also include PITIA in DTI; it's been subtracted from the property's gross rental income.)

0 Lease Agreement (or alternate)

For Fannie Mae – If the borrower . . . (Selling Guide B3-3.1-08)	Rental income from . . .	Then, for qualifying purposes . . .
Currently owns a principal residence (or has a current housing expense), <b>AND</b> at least a 1-year history of receiving rental income <b>OR</b> at least 1-year of documented property management experience	Subject property <b>OR</b> Non-subject property	No restrictions on the amount of rental income that can be used
No current housing expense, <b>AND</b> Has at least 1-year history of receiving rental income from subject property	Non-subject property in service for at least 1=year	No restrictions on the amount of rental income that can be used
Currently owns primary residence (or has current housing expense), <b>AND</b> has < 1-year history of Receiving rental income <b>OR</b> documented property management experience	Subject property	<b>Principal residence</b> , income not exceeding PITIA of the subject can be added to the gross income <b>Investment property</b> , income can only be used to offset the PITIA of the subject
	Non-subject property (new or newly in service)	<b>Principal residence</b> , income not exceeding PITIA of the property can be added to the gross income <b>Investment property</b> , income can only be used to offset the PITIA of the related property
Does not own primary residence <b>AND</b> does not have current housing expense	Subject property <b>OR</b> Non-subject property	Rental income cannot be used

**Schedule E** **Verify mortgage payment: credit report, monthly or year-end statement. Verify with statements: HOA dues, flood insurance, etc.**

Property:

Income (Loss) calculation

Number of Months: Maximum 12	12
Rents Received: Schedule E Line 3	\$ 6,200.00
Total Expenses: Schedule E Line 20	( \$ 8,550.00 )
Insurance: Schedule E Line 9	\$ 300.00
Mortgage Interest: Schedule E Lines 12 & 13	\$ 4,400.00
Taxes: Schedule E Lines 16	\$ 1,200.00
Depreciation/Depletion: Schedule E Line 18	\$ 2,500.00
Add Back HOA Dues: Must be specifically identified on Schedule E	
One-Time Extraordinary Expenses (Casualty Loss): Provide evidence of the nature of the one-time extraordinary expense	
Annual Gross Rental Income (Loss)	\$ 6,050.00
Monthly Gross Rental Income (Loss) <b>\$6,050/12 months = \$504/month</b>	\$ 504.17
Monthly PITIA	( \$ 1,000.00 )
<b>NET Monthly Rental Income (Loss)</b>	<b>\$ (495.83)</b>

**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

Attach to Form 1040, 1040-SR, 1040-NR, or 1041. Go to [www.irs.gov/ScheduleE](http://www.irs.gov/ScheduleE) for instructions and the latest information.

James & Jessica Johnson

**Part I Income or Loss From Rental Real Estate and Royalties**

Notes: 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 2023 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** 123 Clover Street Jackson TN 38301

**B** 225 S Main Street Jackson TN 38301

**C** 326 Goodview Lane Memphis TN 38111

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		365	0	<input type="checkbox"/>
B 4		365	0	<input type="checkbox"/>
C 1		90	0	<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:	A	B	C
3 Rents received	6,200.	17,500.	4,000.
4 Royalties received			
<b>Expenses:</b>			
5 Advertising			100.
6 Auto and travel (see instructions)			
7 Cleaning and maintenance	150.	750.	400.
8 Commissions			
9 Insurance	300.	2,300.	50.
10 Legal and other professional fees			
11 Management fees			
12 Mortgage interest paid to banks, etc. (see instructions)	4,400.	5,300.	
13 Other interest			
14 Repairs			
15 Supplies			
16 Taxes	1,200.	1,200.	350.
17 Utilities		2,500.	
18 Depreciation expense or depletion		2,000.	
19 Other (list Home Owners' Assoc. Fees)			600.
20 Total expenses. Add lines 5 through 19	8,550.	14,050.	1,500.
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	-2,350.	3,450.	2,500.
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	( 2,350. )		
23a Total of all amounts reported on line 3 for all rental properties		27,700.	
b Total of all amounts reported on line 4 for all royalty properties			
c Total of all amounts reported on line 12 for all properties		9,700.	
d Total of all amounts reported on line 18 for all properties		4,500.	
e Total of all amounts reported on line 20 for all properties		24,100.	
24 Income. Add positive amounts shown on line 21. Do not include any losses		5,950.	
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	( 2,350. )		
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, and 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		3,600.	

For Paperwork Reduction Act Notice, see the separate instructions. Schedule E (Form 1040) 2023

# Subject 1- to 4-unit investment Refinance - DTI calculation



<b>Stable Monthly Income</b>			<b>Proposed Monthly Payment for the Property</b>	
Borrower 1	\$ _____		First Mortgage P&I	\$ _____
Borrower 2	\$ _____		Subordinate Lien (s) P&I	\$ _____
Borrower 3	\$ _____		Homeowner's Insurance	\$ _____
Borrower 4	\$ _____	<b>Loan-to-Value Ratios</b>	Supplemental Property Insurance	\$ _____
Other Borrowers (5+)	\$ _____	LTV _____ %	Property Taxes	\$ _____
Rental Income - subject property	\$ _____	CLTV/TLTV _____ %	Mortgage Insurance	\$ _____
Net Rental Income - other properties	\$ _____	HCLTV/HTLTV _____ %	Association/Project Dues (Condo, Co-Op, PUD)	\$ _____
Total Borrower Income	\$ _____		Other	\$ _____
<input type="checkbox"/> At least one borrower is self-employed			<b>Total</b>	<b>\$ <del>1,000</del></b>
<b>Qualifying Ratios</b>		<b>Level of Property Review</b>		
Primary Housing Expense/Income	_____ %	<input type="checkbox"/> Exterior/Interior	<b>-\$495.83</b>	
Total Obligations/Income(DTI)	_____ %	<input type="checkbox"/> Appraisal	<b>All Other Monthly Payments Used in Qualifying</b>	\$ _____

# Non-subject investment



Investment Property

X
+ -

Property:

Rental Income (Loss) Calculation

15	<b>Number of Months:</b> Maximum 12		
16	<b>Rents Received:</b> Schedule E Line 3		
17	<b>Total Expenses:</b> Schedule E Line 20	(                    )	(                    )
18	<b>Depreciation:</b> Schedule E Line 18		
19	<b>Taxes:</b> Schedule E Line 16		
20	<b>Mortgage Interest:</b> Schedule E Lines 12 & 13		
21	<b>Insurance:</b> Schedule E Line 9		
22	<b>Other:</b> Amortization/Casualty Loss/HOA Dues, if applicable: Schedule E Line 19		
23	<b>Annual Gross Rental Income (Loss)</b>		
24	<b>Monthly Gross Rental Income (Loss)</b>		
25	<b>Monthly PITIA</b>		
26	<b>NET Monthly Rental Income (Loss)</b>		NET Monthly Rental Income (Loss) ×
27	<i>Average NET Monthly Rental Income (Loss), ___ months</i>		<i>N/A</i>

• When positive, add to qualifying income. (Do not include PITIA in DTI; it's been subtracted from the property's gross rental income.)

• When negative, include loss in DTI. (Do not also include PITIA in DTI; it's been subtracted from the property's gross rental income.)

Lease Agreement (or alternate)

# Non-subject investment

Verify mortgage payment: credit report, monthly or year-end statement. Verify with statements: HOA dues, flood insurance, etc....

## Rental Income Worksheet

**SCHEDULE E (Form 1040) Supplemental Income and Loss**  
 (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)  
 Department of the Treasury Internal Revenue Service  
 Attach to Form 1040, 1040-SR, 1040-NR, or 1041.  
 Go to [www.irs.gov/ScheduleE](http://www.irs.gov/ScheduleE) for instructions and the latest information.

OMB No. 1545-0074  
**2023**  
 Attachment Sequence No. **13**

Name(s) shown on return: James & Jessica Johnson  
 Your social security number: 000-00-0000

**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 form rental income or loss from Form 4532 on page 2, line 40.

**A** Did you make any payments in 2023 that would require you to file Form(s) 1099?  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)

<b>A</b>	123 Clover Street	Jackson TN	38301
<b>B</b>	225 S Main Street	Jackson TN	38301
<b>C</b>	326 Goodview Lane	Memphis TN	38111

	Fair Rental Days	Personal Use Days	QJV
	365	0	<input type="checkbox"/>
	365	0	<input type="checkbox"/>
	90	0	<input type="checkbox"/>


Property:	2023	
225 S Main Street, Jackson, TN		
<b>Rental Income (Loss) Calculation</b>		
16 Number of Months: Maximum 12		12
17 Rents Received: Schedule E Line 3	\$	17,500.00
18 Total Expenses: Schedule E Line 20	( \$	14,050.00 )
19 Insurance: Schedule E Line 9	\$	2,300.00
20 Mortgage Interest: Schedule E Lines 12 & 13	\$	5,300.00
21 Taxes: Schedule E Lines 16	\$	1,200.00
22 Depreciation/Depletion: Schedule E Line 18	\$	2,000.00
23 Add Back HOA Dues: Must be specifically identified on Schedule E		
24 One-Time Extraordinary Expenses (Casualty Loss): Provide evidence of the nature of the one-time extraordinary expense		
25 Annual Gross Rental Income (Loss)	\$	14,250.00
26 Monthly Gross Rental Income (Loss)	\$	1,187.50
27 Monthly PITIA	( \$	875.00 )
28 NET Monthly Rental Income (Loss)	\$	312.50

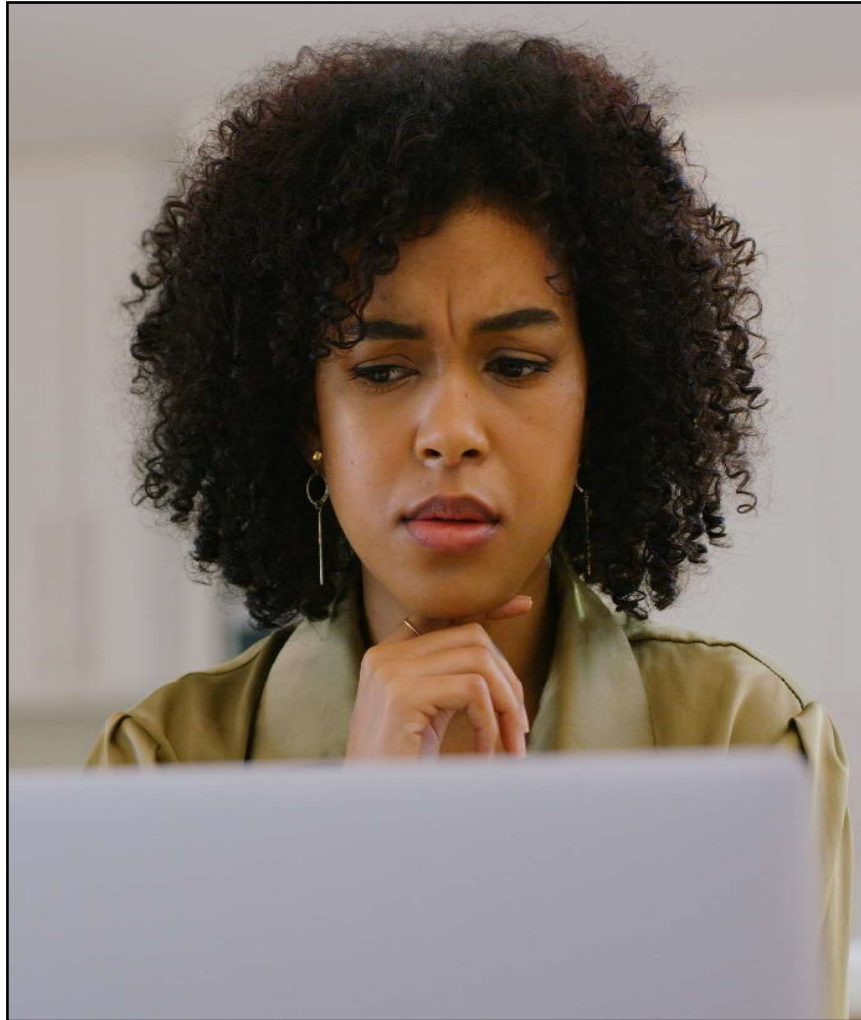
  

Properties:	
B	C
17,500.	4,000.
	100.
750.	400.
2,300.	50.
5,300.	
1,200.	350.
2,500.	
2,000.	600.
14,050.	1,500.
3,450.	2,500.
27,700.	
9,700.	
4,500.	
24,100.	
	24 5,950.
Total losses here	25 ( 2,350. )
Enter the result	
of this amount on	
line 26	26 3,600.

# Non-subject investment – DTI calculation



<b>Stable Monthly Income</b>			<b>Proposed Monthly Payment for the Property</b>	
Borrower 1	\$ _____		First Mortgage P&I	\$ _____
Borrower 2	\$ _____		Subordinate Lien (s) P&I	\$ _____
Borrower 3	\$ _____		Homeowner's Insurance	\$ _____
Borrower 4	\$ _____	<b>Loan-to-Value Ratios</b>	Supplemental Property Insurance	\$ _____
Other Borrowers (5+)	\$ _____	LTV _____ %	Property Taxes	\$ _____
Rental Income - subject property	\$ _____	CLTV/TLTV _____ %	Mortgage Insurance	\$ _____
Net Rental Income - other properties	\$ <b>312.50</b>	HCLTV/HTLTV _____ %	Association/Project Dues (Condo, Co-Op, PUD)	\$ _____
Total Borrower Income	\$ _____		Other	\$ _____
<input type="checkbox"/> At least one borrower is self-employed			Total	\$ _____
<b>Qualifying Ratios</b>		<b>Level of Property Review</b>		
Primary Housing Expense/Income	_____ %	<input type="checkbox"/> Exterior/Interior	<b>All Other Monthly Payments Used in Qualifying</b>	\$  _____
Total Obligations/Income(DTI)	_____ %	<input type="checkbox"/> Exterior Only		
		<input type="checkbox"/> No Appraisal		



What if rental property was acquired during tax filing year?

Our borrowers just purchased an investment property late last year. The tax returns only show 3 months of rental income or 90 Fair Rental Days.

How should qualifying rental income be calculated?



# Non-subject investment

# MGIC

**SCHEDULE E (Form 1040) Supplemental Income and Loss**  
 (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)  
 Department of the Treasury Internal Revenue Service  
 Attach to Form 1040, 1040-SR, 1040-NR, or 1041.  
 Go to [www.irs.gov/ScheduleE](http://www.irs.gov/ScheduleE) for instructions and the latest information.

OMB No. 1545-0074  
**2023**  
 Attachment Sequence No. 13

Name(s) shown on return: **James & Jessica Johnson**  
 Your social security number: **000-00-0000**

**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 2023 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)

<b>A</b>	123 Clover Street Jackson TN 38301
<b>B</b>	225 S Main Street Jackson TN 38301
<b>C</b>	326 Goodview Lane Memphis TN 38111

**Rental Income Worksheet**

Property: 32 Ridley Blvd.

Rental Income (Loss) Calculation		2023
16	Number of Months: Maximum 12	3
17	Rents Received: Schedule E Line 3	\$ 4,000.00
18	Total Expenses: Schedule E Line 20	( \$ 2,500.00 )
19	Insurance: Schedule E Line 9	\$ 50.00
20	Mortgage Interest: Schedule E Lines 12 & 13	
21	Taxes: Schedule E Lines 16	\$ 350.00
22	Depreciation/Depletion: Schedule E Line 18	
23	Add Back HOA Dues: Must be specifically identified on Schedule E	
24	One-Time Extraordinary Expenses (Casualty Loss): Provide evidence of the nature of the one-time extraordinary expense	
25	Annual Gross Rental Income (Loss)	\$ 1,900.00
26	Monthly Gross Rental Income (Loss)	\$ 633.33
27	Monthly PITIA	( \$ 188.00 )
28	NET Monthly Rental Income (Loss)	\$ 445.33

For Paperwork Reduction Act Notice, see the separate instructions. Schedule E (Form 1040) 2023

**Residential Lease Agreement**

This Residential Lease Agreement is made between the Landlord and the Tenant \_\_\_\_\_ on this date \_\_\_\_\_

The Landlord hereby agrees to rent the Premises to the Tenant Premises from the Landlord. The Premises is described as follows:

Street Address: \_\_\_\_\_

Premises Description: \_\_\_\_\_

**1. TERM:**

The Lease term shall be as follows (choose one):

Fixed term lease beginning on \_\_\_\_\_ and ending of \_\_\_\_\_ months.

Month to month lease beginning on \_\_\_\_\_.

**2. RENT:**

The Tenant agrees to pay the Landlord an amount of \$ \_\_\_\_\_ the \_\_\_\_\_ day of each month.



No mortgage interest noted

## Can rental income be used?

Borrower is purchasing a new primary residence and converting their existing primary residence into a rental property.

Can I use rental income from the converted property for qualifying?

How much rental income can be used?



For Fannie Mae – If the borrower . . . (Selling Guide B3-3.1-08)	Rental income from . . .	Then, for qualifying purposes . . .
<p>Currently owns a principal residence (or has a current housing expense), <b>AND</b>                      at least a 1-year history of receiving rental income <b>OR</b>                      at least 1-year of documented property management experience</p>	<p>Subject property  <b>OR</b> Non-subject property</p>	<p>No restrictions on the amount of rental income that can be used</p>
<p>No current housing expense, <b>AND</b>                      Has at least 1-year history of receiving rental income from subject property</p>	<p>Non-subject property in service for at least 1=year</p>	<p>No restrictions on the amount of rental income that can be used</p>
<p>Currently owns primary residence (or has current housing expense), <b>AND</b>                      has &lt; 1-year history of Receiving rental income <b>OR</b>                      documented property management experience</p>	<p>Subject property</p>	<p><b>Principal residence</b>, income not exceeding PITIA of the subject can be added to the gross income  <b>Investment property</b>, income can only be used to offset the PITIA of the subject</p>
	<p>Non-subject property (new or newly in service)</p>	<p><b>Principal residence</b>, income not exceeding PITIA of the property can be added to the gross income  <b>Investment property</b>, income can only be used to offset the PITIA of the related property</p>
<p>Does not own primary residence <b>AND</b>                      does not have current housing expense</p>	<p>Subject property  <b>OR</b> Non-subject property</p>	<p>Rental income cannot be used</p>

## Freddie Mac - Use of rental income

Subject property purchase and refinance transactions and non-subject properties acquired or placed in service in the <u>current</u> calendar year		
2- to 4-unit primary residence, subject 1- to 4-unit investment property and non-subject investment property		
Maximum Eligible Amount of Net Rental Income		
<p><b>If,</b></p> <p>The borrower is purchasing a <b>new</b> rental property in the <b>current</b> calendar year</p>	<p><b>Then,</b></p> <p>The borrower <b>must currently own a primary residence</b> to use rental income to qualify</p>	<p><b>In such instances,</b> 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.</p>
<p><b>If,</b></p> <p>The borrower's current primary residence is being <b>converted</b> to a rental property</p>	<p><b>Then,</b></p> <p>Net rental income can <b>only offset</b> the full monthly payment of that primary residence</p>	
<p><b>If,</b></p> <p>Net rental income <b>exceeds</b> the full monthly <b>payment</b> of the <b>new</b> rental property <b>or</b> the <b>converted</b> primary residence, as applicable</p>	<p><b>Then,</b></p> <p>The <b>excess</b> rental income <b>cannot be added</b> to the borrower's gross monthly income to qualify <b>unless</b> the file documentation demonstrates the borrower has a minimum of one-year investment property management experience.</p>	

Source: Freddie Mac Rental Income Matrix



# Multiple property ownership



## Multiple property ownership

MGIC

How many FINANCED properties can a borrower own?

- If DU submission
  - Up to 10
- If Loan Product Advisor submission
  - Up to 10

The MGIC logo is displayed in white, bold, sans-serif capital letters in the top right corner of the slide.

Q: What's a "financed" property?

A: Any 1- to 4-unit property, including the subject property, for which the borrower is personally obligated.

## How many financed properties?

Jaden and Aliyah are on a joint loan request for purchase of new beach property in FL, which they will use as investment property.

**Jaden** has a mortgage on a rental home in Salem, WI, and a first lien HELOC on rental condo in Vail, CO.

**Aliyah** has financed a vacant lot in Lake Geneva, WI, as well as a rental townhouse in Dallas, TX, that is owned free and clear.

They **jointly** own a rental condo in Charlotte, NC, that is financed.





# Multiple property reserves

MGIC



## Fannie reserves -- % UPB

# MGIC

# of financed properties	% of aggregate unpaid principal balance (UPB)*
1 to 4	2%
5 to 6	4%
7 to 10 (DU only)	6%
	* UPB for mortgages and HELOCs

Source: Fannie Selling Guide B3-4.1-01

## Freddie reserves -- PITIA

# MGIC

# of financed properties	# of months of PITIA
1 to 6	2 months for each additional property
7 to 10	8 months for each additional property

Source: Freddie Selling Guide 5501.2 eff 5/1/21

**What questions do you  
have for me?**

**MGIC**

SSO

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## Self-employed borrower and income analysis calculators

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Equipped for speed and accuracy, our editable and auto-calculating worksheets are now available in macro-enabled and macro-free versions.

Updated for tax year 2023:

- All-in-one self-employed income calculator
- Rental income calculator

Updated for 2024:

- Employment and other income calculator

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SS0

New slide - Magic Minutes

Sandra Sweeney, 2024-01-29T16:48:44.963

# Resources

## Rental Income Matrix

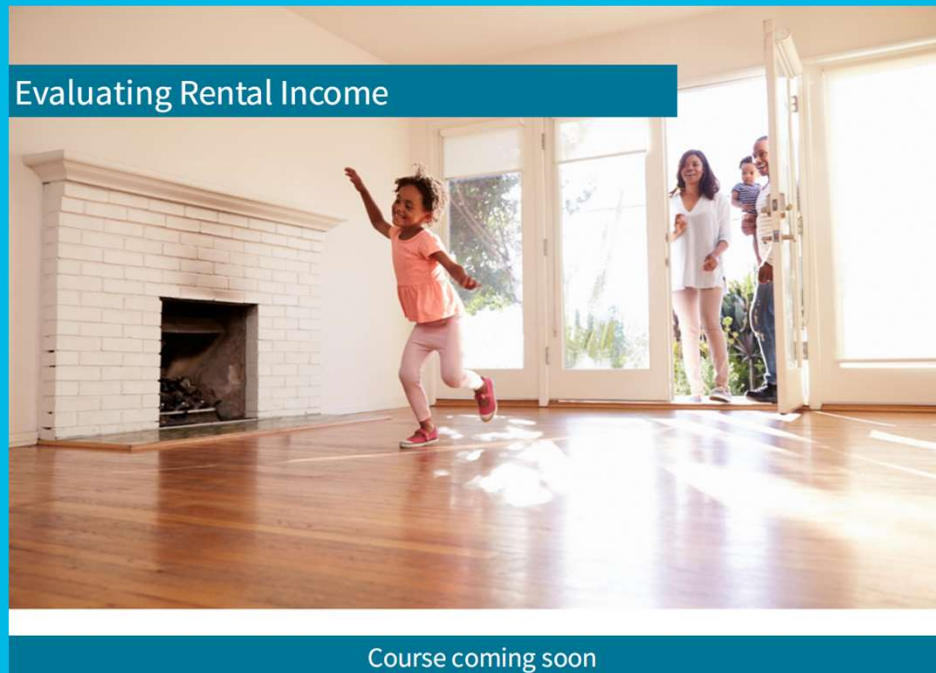


Rental income may be used in qualifying the borrower(s) provided the requirements of Guide Section 5306.1 and the documentation requirements contained in Guide Sections 5102.3 and 5102.4 and Chapter 5302 are met. If rental income is not used to qualify the borrower, the requirements of Chapter 5306.1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

**Notes:** A vertical revision bar "\*" is used in the margin of this quick reference to highlight new requirements and significant changes.

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.		
Streamlined and Standard Documentation levels	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: <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>A signed lease may be used:                             <ul style="list-style-type: none"> <li>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</li> <li>The property was purchased later in the calendar year and Schedule E supports this by a reduced number of days in use; and</li> <li>Additional documentation provided, as follows:                                     <ul style="list-style-type: none"> <li>Forms 72, <a href="#">Small Residential Income Property Appraisal Report</a>, or 1000, <a href="#">Single-Family Comparable Rent Schedule</a>, supporting the income reflected on the lease; or</li> <li>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).</li> </ul> </li> </ul> </li> </ul> 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.		

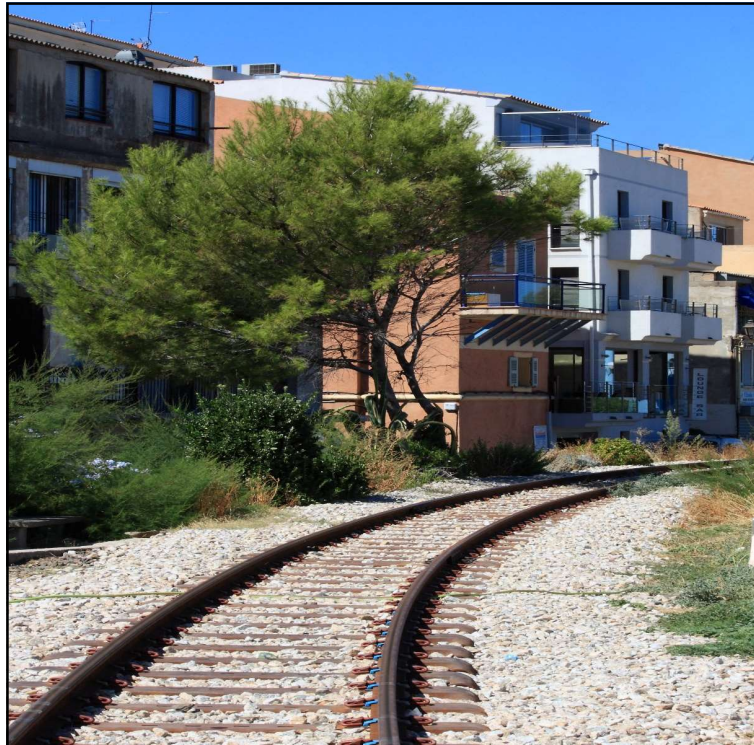
<https://fanniemaeourses.s3.amazonaws.com/Evaluating%20Rental%20Income/story.html>



## Evaluating Rental Income

Course coming soon

[https://sf.freddiemac.com/content/\\_assets/resources/pdf/update/rental.pdf](https://sf.freddiemac.com/content/_assets/resources/pdf/update/rental.pdf)



Special Event

30 minutes

### **\*Can I Use Rental Income From a Business-Owned Property?\***

**Recorded Session**  
Available any time.

Watch now

[View training details ▶](#)

The MGIC logo is displayed in white, bold, sans-serif capital letters on a dark blue background. The background of the entire bottom section of the slide features a pattern of white geometric lines forming various triangles and squares.



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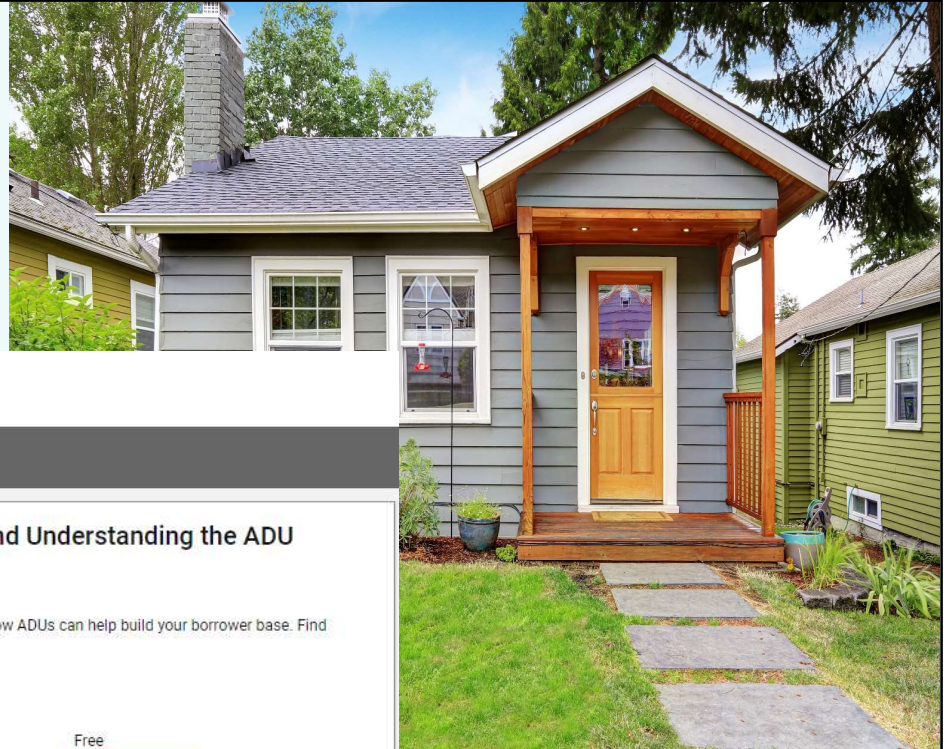
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**Thank you!**

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# Accessory dwelling units (ADUs)



## Accessory Dwelling Units: Avoiding Common Mistakes and Understanding the ADU

(ID: 0000024613)

### Course description :

The prevalence of ADUs is growing dramatically across the US. You won't want to miss out on how ADUs can help build your borrower base. Find out what an ADU is, the benefits of an ADU and our underwriting requirements.

### Suggested classes for you



Class ID : 0000028874

Webinar

27-JUL-2022

Virtual Class Location (Eastern Time)

Free

ENROLL



Instructor:

Carrie Cooper

Language : English

Duration : 01:00

Available seats : 449

[View detail](#) [Attachments](#) [Session Details : 27-JUL-2022 \(2:00 PM - 3:00 PM\)](#)

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