

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

Rental Income Worksheet

Principal Residence, 2- to 4-unit Property: Monthly Qualifying Rental Income

Documentation Required:		Address of Principal Residence:			
<ul style="list-style-type: none"> Schedule E (IRS Form 1040) OR Lease Agreement or Fannie Mae Form 1025 		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. 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.					
Step 1. Result: The number of months the property was in service:		Result			
Step 2 Calculate the monthly qualifying rental income using Step 2A: Schedule E OR Step 2B: Lease Agreement or Form 1025.					
Step 2 A. Schedule E - Part I					
A1	Enter total rents received (from the non-owner-occupied units). <i>May enter rent from individual unit(s) or combine. Schedule E, Line 3</i>	Enter			
A2	Subtract total expenses. Schedule E, Line 20	Subtract			
A3	Add back insurance expense. Schedule E, Line 9	Add			
A4	Add back mortgage interest paid. Schedule E, Line 12	Add			
A5	Add back tax expense. Schedule E, Line 16	Add			
A6	Add back homeowners' association dues. Check Schedule E, Line 19 <i>This expense must be specifically identified on Schedule E in order to add it back.</i>	Add			
A7	Add back depreciation expense or depletion. Schedule E, Line 18	Add			
A8	Add back any one-time extraordinary expense (e.g., casualty loss). <i>There must be evidence of the nature of the one-time extraordinary expense. Rev Lines 5-19</i>	Add			
	Equals adjusted rental income. Click gray button to calculate adjusted mo rent inc.	Total			
A9	Divide by the number of months the property was in service (Step 1 Result). <i>If Line A9 is zero, "error" will show.</i>	Divide			
Step 2A. Result: Monthly qualifying rental income:		Result			
Step 2 B. Lease Agreement or Fannie Mae Form 1025					
<i>This method is used when the transaction is a purchase or the property was acquired subsequent to the most recent tax filing.</i>					
B1	Enter 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			
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			
Step 2B. Result: Monthly qualifying rental income:		Result			
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.				
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; existing PITIA when not 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 in "Subject Net Cash."	Include as the borrower's primary housing expense. For refinance transactions, identify the mortgage as a subject property lien.			
Non-Subject Property	Enter the amount of the monthly qualifying income in "Net Rental."	Include as the borrower's primary housing expense.			

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