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

| Documentation Required: | | Address of Principal Residence: | | |
|---|---|---|---|---|
| ▪ Schedule E (IRS Form 1040) OR<br>▪ 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).<br>*May enter rent from individual unit(s) or combine.* *Schedule E, Line 3* | 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*<br>*This expense must be specifically identified on Schedule E in order to add it back.* | 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).  *There must be evidence of the nature of the one-time extraordinary expense.* *Rev Lines 5-19* | 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).  *If Line A9 is zero, "error" will show.* | Divide | | |
|  | **Step 2A.  Result**:  Monthly qualifying rental income: | **Result** | | |

| Step 2 B. Lease Agreement or Fannie Mae Form 1025 | | | | |
|---|---|---|---|---|
| *This method is used when the transaction is a purchase or the property was acquired subsequent to the most recent tax filing.* | | | | |
| 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).   *The remaining 25% accounts for vacancy loss, maintenance, and management expenses.* | 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.<br>*Use proposed PITIA when the subject property; existing PITIA when not the subject property.* |

| 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.*

*Calculator provided courtesy of* **Enact**℠