

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

Rental Income Worksheet				
Individual Rental Income from Investment Property(s): Monthly Qualifying Rental Income (or Loss)				
<b>Documentation Required:</b>		Enter	Investment Property Address	Investment Property Address
<ul style="list-style-type: none"> <li>Schedule E (IRS Form 1040) OR</li> <li>Lease Agreement or Fannie Mae Form 1007 or Form 1025</li> </ul>				
<b>Step 1.</b> 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>				
<b>Step 1. Result:</b> The number of months the property was in service:		<b>Result</b>		
<b>Step 2.</b> Calculate monthly qualifying rental income (loss) using Step 2A: Schedule E <b>OR</b> Step 2B: Lease Agreement or Fannie Mae Form 1007 or Form 1025.				
Step 2 A. Schedule E - Part I				
A1	Enter total rents received. <i>Schedule E, Line 3</i>	Enter		
A2	Subtract total expenses. <i>Schedule E, Line 20</i>	Subtract	-	-
A3	Add back insurance expense. <i>Schedule E, Line 9</i>	Add	+	+
A4	Add back mortgage interest paid. <i>Schedule E, Line 12</i>	Add	+	+
A5	Add back tax expense. <i>Schedule E, Line 16</i>	Add	+	+
A6	Add back homeowners' association dues. <i>Schedule E, Line 19</i> <i>This expense must be specifically identified on Schedule E in order to add it</i>	Add	+	+
A7	Add back depreciation expense or depletion. <i>Schedule E, Line 18</i>	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.</i>	Add	+	+
	Equals adjusted rental income.	Total	=	=
A9	Divide by the number of months the property was in service (Step 1 Result). <i>Click the gray button to calculate the adjusted monthly rental income.</i>	Divide	/	/
	Equals adjusted monthly rental income <i>If Line A9 is zero, "error" will show.</i>	Total	=	=
A10	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property). <i>Verified, inc. taxes, ins. and HOA.</i>	Subtract	-	-
<b>Step 2A. Result:</b> Monthly qualifying rental income (or loss):		<b>Result</b>	=	=
Step 2 B. Lease Agreement OR Fannie Mae Form 1007 or Form 1025				
<i>This method is used when the transaction is a purchase, the property was acquired subsequent to the most recent 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	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
	Equals adjusted monthly rental income.	Total	=	=
B3	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property). <i>Verified, inc. taxes, ins. and HOA.</i>	Subtract	-	-
<b>Step 2B. Result:</b> Monthly qualifying rental income (loss):		<b>Result</b>	=	=
Step 3. Determine the qualifying impact using the result of Step 2A or Step 2B.				
If the combined result of Step 2A or 2B is <b>positive</b> , add the positive amount to the borrower's monthly qualifying income. <i>Because the PITIA expense was included in the calculations above, do not add it to the debt-to-income (DTI) ratio.</i> If the combined result of Step 2A or 2B is <b>negative</b> , include the amount of the loss in the borrower's monthly expenses when calculating the DTI ratio.			<i>Click the gray button to calculate the combined result.</i>	
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.