Rental Income Worksheet
Business Rental Income from Investment Property(s):   Qualifying Impact of Mortgaged Investment Property PITIA Expense

Documentation Required:			Property Address	Property Address
▪ IRS Form 8825 (filed with either IRS Form 1065 or 1120S) OR ▪ Lease Agreement		Enter		
Enter the mortgagee and the mortgage loan account number.		Enter	Mortgagee/ #	Mortgagee/ #

Step 1. When using IRS Form 8825, 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: *Form 8825, Line1* **Result**			

Step 2. Calculate monthly property cash flow using Step 2A: IRS Form 8825 **OR Step** 2B: Lease Agreement.

Step 2 A.   IRS Form 8825 (IRS Form 1065 or 1120S)

A1	Enter gross rents received. *Form 8825, Line 2*	Enter		
A2	Subtract total expenses. *Form 8825 Line 16*	Subtract		
A3	Add back insurance expense. *Form 8825, Line 7*	Add		
A4	Add back mortgage interest paid. *Form 8825, Line 9*	Add		
A5	Add back tax expense. *Form 8825, Line 11*	Add		
A6	Add back homeowners' association dues. *Review Form 8825, Line 15* *This expense must be specifically identified on Form 8825 in order to add It back.*	Add		
A7	Add back depreciation expense or depletion. *Form 8825, Line 14*	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. Review Form 8825, Lines 3-15*	Add		
	Equals adjusted rental income.	Total		
A9	Divide by the number of months the property was in service (Step 1 Result).	Divide		
	Equals adjusted monthly rental income. *Click gray button to calculate the adjusted monthly rental income. If A9=0, error shows.*	Total		
A10	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property). *Verified, ensure taxes, insurance and HOA dues are included.*	Subtract		
	Step 2A. Result: Monthly property cash flow:	**Result**		

Step 2 B.   Lease Agreement
This method is used in certain circumstances (e.g., when the property was acquired subsequent to the most recent tax filing or the lender has justification for using a lease agreement).

B1	Enter the gross monthly rent (from the lease agreement). *For multi-unit properties, combine the monthly qualifying income of all rental units.*	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
	Equals adjusted monthly rents.	Total		
B3	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract		
	Step 2B. Result: Monthly property cash flow:	**Result**		

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.	*See Result 2A and/or 2B Above*

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
Subject Property	Enter the amount of the negative monthly property cash flow in "Subject Net Cash." If the monthly property cash flow is positive, enter $0.00.	For refinance transactions, identify the mortgage as a subject property lien.	If REO 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.
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 as a rental property lien.	

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

Calculator provided courtesy of **Enact**℠

For more information, visit new.mi.genworth.com/self-employed-borrower-calculators