

# Calculating Rental Income: Fannie Mae and Freddie Mac Guidelines

February 2020



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# Objectives

## What we will cover:

- General guidelines for calculation of rental income for Fannie Mae and Freddie Mac
- Recent changes relating to rental properties from Fannie Mae Announcements and Freddie Mac Bulletins
- Overview of Freddie Mac Rental Form 92
- Overview of Fannie Mae Rental Forms 1037, 1038, 1039
- Calculation of rental income from the Schedule E
- Questions

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Genworth offers a comprehensive suite of training opportunities to boost your know-how, benefit your bottom line and ultimately best serve your borrowers. With more than 90 courses in our catalog, our team is here to help you stay up-to-date on the mortgage industry and regulatory environment. Classes are all offered at no cost to you.

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Learn more about self-employed borrowers through our **Self-Employed Borrower** courses.

Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.

<p><b>Fannie Mae Form 1084 Calculator (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>	<p><b>Fannie Mae Form 91 Calculator (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>	<p><b>Fannie Mae Form 92 Calculator (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>
<p><b>Schedule Analyst Method (SAM) Calculator (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>	<p><b>Rental Income Calculator (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>	<p><b>Current Ratio - Liquidity Calculator (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>
<p><b>Quick Ratio - Liquidity Calculator (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>	<p><b>Fannie Mae Rental Guide (Calculator 1037)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>	<p><b>Fannie Mae Rental Guide (Calculator 1038)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>
<p><b>Fannie Mae Rental Guide (Calculator 1039)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>	<p><b>Fannie Mae Form 1088 Cheat Sheet (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>	<p><b>Fannie Mae Comparative Analysis Form 1088 (2017-2018)</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>
<p><b>Income Calculation Worksheet</b> Use this calculator to determine the maximum amount of cash that can be used for a borrower's down payment.</p> <p>PDF</p>		

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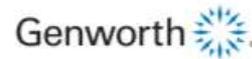
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Calculation Tools Reference Guides

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



Borrower(s) Name(s)  
  
 Loan Number

## Calculator and Quick Reference Guide: Rental Income

Please use the following calculator and quick reference guide to assist in calculating rental income from IRS Form 1040 Schedule E. It provides suggested guidance only and does not replace Fannie Mae or Freddie Mac instructions or applicable guidelines. This method should not be used when calculating rental income on a borrower's primary residence. Check applicable guidelines when rental income is declining year to year. Please check with your own legal advisors for interpretations of legal and compliance principles applicable to your business.

**Property 1**

Calculator Usage Note: Click Grey Buttons to Divide for Monthly Totals

Rental Income Calculation		2018	2017	NOTES
1	Gross Rents (Line 3)			*Only include if using the full PITI payment on Line 12 of this calculator or qualifying ratios.  **Net rental losses are typically included with liabilities when calculating the debt ratio.  ***Check applicable guidelines if not using 12 months.
2	Expenses (Line 20)	-		
3	Depreciation (Line 18)	+		
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		
5	Insurance (Line 9)*	+		
6	Mortgage Interest (Line 12)*	+		
7	Taxes (Line 16)*	+		
8	Other:	+		
9	<b>Annual Rental Income/Loss</b>	= \$ 0.00	\$ 0.00	
10	Number of Months Considered (Line 2)***	/		
11	Monthly Income/Loss	= <input type="text"/>	<input type="text"/>	
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**	= \$ 0.00	\$ 0.00	

**Property 2**

Rental Income Calculation		2018	2017	NOTES
1	Gross Rents (Line 3)			*Only include if using the full PITI payment on Line 12 of this calculator or qualifying ratios.  **Net rental losses are typically included with liabilities when calculating the debt ratio.  ***Check applicable guidelines if not using 12 months.
2	Expenses (Line 20)	-		
3	Depreciation (Line 18)	+		
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		
5	Insurance (Line 9)*	+		
6	Mortgage Interest (Line 12)*	+		
7	Taxes (Line 16)*	+		
8	Other:	+		
9	<b>Annual Rental Income/Loss</b>	= \$ 0.00	\$ 0.00	
10	Number of Months Considered (Line 2)***	/		
11	Monthly Income/Loss	= <input type="text"/>	<input type="text"/>	
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**	= \$ 0.00	\$ 0.00	

This calculator can be found at <https://new.mi.genworth.com/self-employed-borrower-calculator>

# Rental Income

## Basics about rental income requirements:

- Rental income must be supported by the borrower’s most recent personal tax returns if used for qualification purposes\*
  - Follow the underwrite you are utilizing
    - Desktop Underwriter® follow the DU findings report
    - Loan Product Advisor® follow the Feedback certificate
    - Manual underwrite, follow the appropriate seller guide for your investor as the documentation rules vary
- Use of rental income (boarder income) from a single family property is typically not allowed except for certain Affordable Lending Products or a disabled borrower receiving boarder income from a live-in personal assistant
- Rental income from a second home is not allowed for qualifying purposes
- A Primary residence that applicant’s intend to “convert”, make sure occupancy makes sense. Check specific investor guidelines for policies on rental income use.
- Gift funds are not allowed for investment property transactions

\*Documentation will vary, See [www.freddiemac.com](http://www.freddiemac.com) or <https://www.fanniemae.com/singlefamily/index>

# Freddie Mac Rental Income Guidelines

# Freddie Mac Rental Income



## Form 92

### Net Rental Income Calculations – Schedule E

Form 92 is to be used to document the Seller's calculation of net rental income from Schedule E. This form is a tool to help the Seller calculate the net rental income from Schedule E; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Guide Chapter 5306. This form does not replace the requirements and guidance for the analysis and treatment of rental income as described in Chapter 5306.

#### I. Net Rental Income from Schedule E (Subject 2- to 4-unit Primary Residence)

SUBJECT 2- TO 4-UNIT PRIMARY RESIDENCE NET RENTAL INCOME CALCULATION – SCHEDULE E <sup>1</sup> Refinance Transaction owned in the prior year(s)		
IRS 1040 Schedule E – Supplemental Income and Loss	Subject Property Address:	
	Year:	Year:
Rents received	(+)	(+)
Less total expenses	(-)	(-)
Insurance <sup>2</sup>	(+)	(+)
Mortgage interest paid to banks, etc. <sup>2</sup>	(+)	(+)
Taxes (real estate only) <sup>2,3</sup>	(+)	(+)
Depreciation and/or depletion	(+)	(+)
Homeowners association (HOA) dues (if specifically reported as an expense) <sup>2</sup>	(+)	(+)
One-time losses (e.g., casualty loss) if documented	(+)	(+)
Subtotal(s)	\$	\$
<b>Result: Net Rental Income</b> (calculated to a monthly amount) <sup>4</sup> <small>(Sum of subtotal(s)) ÷ (number of applicable months) = Net Rental Income</small>	\$ _____ / _____ = \$ _____	

<sup>1</sup> Refer to Section 5306.1(c)(iii) for net rental income calculation requirements

<sup>2</sup> This expense, if added back, must be included in the monthly housing expense being used to establish the DTI ratio

<sup>3</sup> The taxes added back must represent only real estate taxes included in the monthly housing expense

<sup>4</sup> Establishing DTI ratio (Section 5306.1(d)): The monthly housing expense must be added as a liability; the net rental income may be added to the stable monthly income



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. Effective for mortgages with Freddie Mac settlement dates on and after December 4, 2019.

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	<p>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.</p> <p>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:</p>		
Streamlined and Standard Documentation levels	<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 Conventional 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)(iii).</li> </ul> </li> </ul> </li> </ul> <p>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.</p>		

December 2019

Freddie Mac Learning

## Let's Review The New Rental Income Matrix And Form 92

# Freddie Mac Rental Income

## Use Rental Income Matrix Updated December 2019

- Documentation and History
- Lease requirements
- Properties placed into service in current calendar year
- Maximum eligible amount rent
- Rental Income calculations
- Establishing the DTI
- Appraisal Forms
- Investment Property Management Experience
- Form 8825
- Max number of financed properties

Rental Income Matrix

Freddie Mac  
Single-Family

Rental income may be used in qualifying the borrower(s) provided the requirements of Guide Section 3306.1 and the documentation requirements contained in Guide Sections 3102.3 and 3102.4 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. Effective for mortgages with Freddie Mac settlement dates on and after December 4, 2019.

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 3306.1(c)(iii).</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.		

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# Freddie Mac Rental Income

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. Effective for mortgages with Freddie Mac settlement dates on and after December 4, 2019.

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  Streamlined and Standard Documentation levels	<p>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.</p> <p>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:</p> <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> <p>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.</p>		

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# Freddie Mac Rental Income page 2

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
<p>Documentation, history and analysis – purchased or placed in service for use as a rental in the current calendar year</p> <p>Streamlined and Standard Documentation levels</p>	<p>Subject property purchase transaction:</p> <ul style="list-style-type: none"> <li>Lease, if available, must be used to determine the net rental income <b>or</b></li> <li>Forms 72 or 1000, as applicable, may be used to determine net rental income when a lease is not available</li> </ul>	<p>Subject property refinance transaction or non-subject investment property:</p> <ul style="list-style-type: none"> <li>Lease must be used to determine the net rental income <b>and</b>:                             <ul style="list-style-type: none"> <li>Forms 72 or 1000 supporting the income reflected on the lease <b>or</b></li> <li>Documentation (e.g., bank statements evidencing deposit or electronic transfer of rental payments, canceled rent checks) supporting two months of receipt of rental income. Note: Form 72 or 1000 is always required for the subject property as described in Guide Section 5306.1(c)(ii).</li> </ul> </li> <li>Purchase date or conversion date, as applicable, must be documented</li> </ul>	
Lease Requirements	<p>Leases must be current and fully executed, with a minimum original term of one year. If the lease is documented as assigned from the property seller to the borrower and is in the automatically renewable month-to-month phase of an original one-year (or longer) term lease, then a month-to-month term is acceptable.</p>		

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. Use the following chart as a tool to help summarize these rental income requirements.

# Freddie Mac Rental Income page 2 & 3

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
Maximum eligible amount of net rental income	<ul style="list-style-type: none"> <li>The borrower must currently own a primary residence to use rental income to qualify when purchasing a new rental property in the current calendar year. In such instances, 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.</li> <li>If the borrower's current primary residence is being converted to a rental property, net rental income can only offset the full monthly payment of that primary residence.</li> <li>If the net rental income exceeds the full monthly payment of the new rental property or the converted primary residence, as applicable, the excess rental income cannot be added to the borrower's gross monthly income to qualify unless the file documentation demonstrates the borrower has a minimum of one-year investment property management experience.</li> </ul>		
Net Rental Income Calculation Requirements	<ul style="list-style-type: none"> <li>Lease: 75% of the gross monthly rent or gross monthly market rent.</li> <li>Form 72 or Form 1000: 75% of the gross monthly rent or gross monthly market rent</li> <li>Schedule E: Calculate the net rental income from Schedule E using <a href="#">Form 92, Net Rental Income Calculations – Schedule E</a>, or a similar alternative form, as follows: Rents received (-) less total expenses (+) plus insurance, mortgage interest paid to banks, real estate taxes, depreciation and/or depletion, homeowners association dues (if specifically reported as an expense), one-time losses (e.g., casualty loss due to documented catastrophic event), and non-cash deductions (e.g. amortization). When calculating the net rental income for each individual property, the following expenses reported on Schedule E (and noted above) can only be added back if they are included in the payment amount being used to establish the debt payment-to-income ratio for that property: insurance, mortgage interest paid to banks, real estate taxes, homeowners association dues.</li> </ul>		

# Freddie Mac Rental Income page 3

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
Establishing the debt payment-to- income (DTI) ratio	<ul style="list-style-type: none"> <li>The monthly housing expense (as described in <a href="#">Section 5401.1</a>) must be added as a liability</li> <li>The net rental income may be added to the stable monthly income</li> </ul>	<p>Subtract the monthly payment amount (as described in <a href="#">Section 5401.2(a)(7)</a>) from the net rental income:</p> <ul style="list-style-type: none"> <li>If the result is positive, add it to the stable monthly income</li> <li>If the result is negative, add it to the monthly liabilities</li> </ul>	<p>Subtract the monthly payment amount (as described in Section 5401.2(a)(7)) from the net rental income:</p> <ul style="list-style-type: none"> <li>If the result is positive, add it to the stable monthly income</li> <li>If the result is negative, add it to the monthly liabilities</li> </ul> <p>For multiple non-subject investment properties, apply the calculation above to each property, and:</p> <ul style="list-style-type: none"> <li>If the combined result is positive, add it to the stable monthly income</li> <li>If the combined result is negative, add it to the monthly liabilities</li> </ul>

# Freddie Mac Rental Income page 4

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
Appraisal forms – Comparable rent data  Documentation Form 72 or 1000	Form 72	Form 1000 or Form 72, as applicable	Appraisal form requirements as described in Guide Section 5306.1(c)(iii) may also apply.
Appraisal forms – Comparable rent data  Analysis	<ul style="list-style-type: none"> <li>Analyze the rental market viability and income producing potential for the subject property</li> <li>Determine whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable</li> <li>If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, you must determine if additional documentation is necessary to support income stability, and provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the borrower is stable and reasonably expected to continue</li> </ul>		
Investment Property Management Experience	Not required. However, see requirement for counting net rental income in excess of PITI referenced above in “maximum eligible amount of net rental income” when a minimum of one-year investment-property-management experience is required.		
IRS Form 8825, Rental Real Estate Income and Expenses from a Partnership or an S Corporation	<p>Refer to Chapter 5304 for treatment of all rental real estate income or loss reported on the IRS Form 8825, which reflects all income and expenses for the rental property and the IRS Schedule K-1, which reflects the borrower’s proportionate share of the net rental income or loss.</p> <p>The requirements of Chapter 5304 are applicable regardless of the borrower’s percentage of ownership interest in the partnership or S corporation and regardless of whether the borrower is personally obligated on the Note.</p>		

# Freddie Mac Rental Income page 5

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
<b>Reserves – Guide Section 5501.2</b>	<p>Loan Product Advisor® Mortgages: Verify all reserves required by Loan Product Advisor as stated on the Feedback Certificate.</p> <p>Manually underwritten mortgages: Verified reserves must equal or exceed six months reserves*, regardless of whether rental income is used in qualifying the borrower.            * Reserves are measured by the number of months of the monthly payment amount.</p> <p>Investment property mortgages where the borrower** is obligated on:</p> <ul style="list-style-type: none"> <li>• 1-6 financed properties including the subject property and the borrower’s primary residence: Two months of reserves (as described in Section 5501.2(a)) for each additional second home and/or 1- to 4-unit investment property that is financed and on which the borrower is obligated, regardless of whether rental income is used in qualifying the borrower for both Loan Product Advisor mortgages and manually underwritten mortgages.</li> <li>• 7-10 financed properties including the subject property and the borrower’s primary residence: Eight months reserves for each additional second home and/or 1- to 4-unit investment property that is financed and on which the borrower is obligated, regardless of whether rental income is used in qualifying the borrower for Loan Product Advisor mortgages only. Manually underwritten mortgages not permitted.            ** Each borrower individually and all borrowers collectively.</li> </ul>		

### Additional Notes:

1. Rental income generated from the borrower’s second home may not be used as stable monthly income.
2. Rental income from the borrower’s 1-unit primary residence may not be used to qualify the borrower unless it meets the requirements in Guide Section 5306.1 (b) or Guide Section 4501.9 for Home Possible Mortgages.
3. Rental Income from an accessory unit may be considered for a subject 1-unit investment property and non-subject investment property. Refer to sections 5306.1(b) and 4501.9(a) for information on a 1-unit primary residence with an accessory unit. Refer to Chapter 5601 for property eligibility and appraisal requirements.
4. When rental income from other investment properties owned by the borrower in the previous tax year is reported on the borrower’s individual federal tax returns, the Seller must use Schedule E of the borrower’s tax returns to determine the net rental income. Signed leases may be used to determine the net rental income for an investment property not owned during the previous tax year.

# Freddie Mac Form 92



## Form 92

### Net Rental Income Calculations – Schedule E

Form 92 is to be used to document the Seller's calculation of net rental income from Schedule E. This form is a tool to help the Seller calculate the net rental income from Schedule E; the Seller's calculations must be based on the requirements and guidance for the determination of stable monthly income in Guide Chapter 5306. This form does not replace the requirements and guidance for the analysis and treatment of rental income as described in Chapter 5306.

#### I. Net Rental Income from Schedule E (Subject 2- to 4-unit Primary Residence)

SUBJECT 2- TO 4-UNIT PRIMARY RESIDENCE NET RENTAL INCOME CALCULATION – SCHEDULE E <sup>1</sup> Refinance Transaction owned in the prior year(s)		
IRS 1040 Schedule E – Supplemental Income and Loss	Subject Property Address: _____	
	Year:	Year:
Rents received	(+)	(+)
Less total expenses	(-)	(-)
Insurance <sup>2</sup>	(+)	(+)
Mortgage interest paid to banks, etc. <sup>2</sup>	(+)	(+)
Taxes (real estate only) <sup>2,3</sup>	(+)	(+)
Depreciation and/or depletion	(+)	(+)
Homeowners association (HOA) dues (if specifically reported as an expense) <sup>2</sup>	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)
Subtotal(s)	\$	\$
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>4</sup></b> <i>(Sum of subtotal(s) divided by number of applicable months = Net Rental Income)</i>	\$ _____ / _____ = \$ _____	

<sup>1</sup> Refer to Section 5306.1(c)(1)(i) for net rental income calculation requirements

<sup>2</sup> This expense, if added back, must be included in the monthly housing expense being used to establish the DTI ratio

<sup>3</sup> The taxes added back must represent only real estate taxes included in the monthly housing expense

#### II. Net Rental Income from Schedule E (Subject Investment Property)

SUBJECT INVESTMENT PROPERTY NET RENTAL INCOME CALCULATION – SCHEDULE E <sup>1</sup> Refinance Transaction owned in the prior year(s)		
IRS 1040 Schedule E – Supplemental Income and Loss	Subject Property Address: _____	
	Year:	Year:
Rents received	(+)	(+)
Less total expenses	(-)	(-)
Insurance <sup>2</sup>	(+)	(+)
Mortgage interest paid to banks, etc. <sup>2</sup>	(+)	(+)
Taxes (real estate only) <sup>2,3</sup>	(+)	(+)
Depreciation and/or depletion	(+)	(+)
HOA dues (if specifically reported as an expense) <sup>2</sup>	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)
Subtotal(s)	\$	\$
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>4</sup></b> <i>(Sum of subtotal(s) divided by number of applicable months = Net Rental Income)</i>	\$ _____ / _____ = \$ _____	

<sup>1</sup> Refer to Section 5306.1(c)(1)(i) for net rental income calculation requirements

<sup>2</sup> This expense, if added back, must be included in the monthly payment amount being used to establish the DTI ratio

<sup>3</sup> The taxes added back must represent only real estate taxes included in the monthly payment amount

<sup>4</sup> **Establishing DTI ratio (Section 5306.1(d)):** Subtract the monthly payment amount from the net rental income. If the result is positive, it may be added to income; if the result is negative, add it to the monthly liabilities

Check Out Genworth Website for Calculator

# Freddie Mac Form 92

## III. Net Rental Income from Schedule E (Non-subject investment property(s))

NON-SUBJECT INVESTMENT PROPERTY(S) NET RENTAL INCOME CALCULATION – SCHEDULE E <sup>1,2</sup> Refinance Transactions owned in the prior year(s)						
Property Address <sup>3</sup>	Property Address #1:		Property Address #2:		Property Address #3:	
	Year:	Year:	Year:	Year:	Year:	Year:
IRS 1040 Schedule E – Supplemental Income and Loss	(+)	(+)	(+)	(+)	(+)	(+)
Rents received	(-)	(-)	(-)	(-)	(-)	(-)
Less total expenses:	(+)	(+)	(+)	(+)	(+)	(+)
Insurance <sup>4</sup>	(+)	(+)	(+)	(+)	(+)	(+)
Mortgage interest paid to banks, etc. <sup>5</sup>	(+)	(+)	(+)	(+)	(+)	(+)
Taxes (real estate only) <sup>6,7</sup>	(+)	(+)	(+)	(+)	(+)	(+)
Depreciation and/or depletion	(+)	(+)	(+)	(+)	(+)	(+)
HOA dues (if specifically reported as an expense) <sup>8</sup>	(+)	(+)	(+)	(+)	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)	(+)	(+)	(+)	(+)
Subtotals	\$	\$	\$	\$	\$	\$
Result: Net Rental Income (calculated to a monthly amount) <sup>9</sup>	\$ _____ / _____ = \$ _____		\$ _____ / _____ = \$ _____		\$ _____ / _____ = \$ _____	

<sup>1</sup> Refer to Section 5306.1(c)(8) for net rental income calculation requirements.

<sup>2</sup> Refer to Chapter 5304 and Form 91 for the treatment of all rental real estate income or loss reported on IRS Form 992, regardless of Borrower's percentage of ownership interest in the business or whether the Borrower is personally obligated on the note.

<sup>3</sup> Review rental properties on Schedule E against Uniform Residential Loan Application ("URLA"). If properties are on the tax return(s) but not on the URLA, provide evidence the Borrower no longer owns the property.

<sup>4</sup> This expense, if added back, must be included in the monthly payment amount used to establish the DTI ratio.

<sup>5</sup> The taxes added back must represent only real estate taxes that are included in the monthly payment amount used to establish the DTI ratio.

<sup>6</sup> Establishing DTI ratio (Section 5306.1(d)): Subtract the monthly payment amount from the net rental income. For one property, if the result is positive, add it to the income; if the result is negative, add it to the monthly liabilities. For multiple properties, subtract the monthly payment amount from the net rental income for each property. Combine the results and if the combined result is positive, add it to the income; if the combined result is negative, add it to the monthly liabilities.

NON-SUBJECT INVESTMENT PROPERTY(S) NET RENTAL INCOME CALCULATION – SCHEDULE E <sup>1,2</sup> Refinance Transactions owned in the prior year(s)						
Property Address <sup>3</sup>	Property Address #1:		Property Address #2:		Property Address #3:	
	Year:	Year:	Year:	Year:	Year:	Year:
IRS 1040 Schedule E – Supplemental Income and Loss	(+)	(+)	(+)	(+)	(+)	(+)
Rents received	(-)	(-)	(-)	(-)	(-)	(-)
Less total expenses:	(+)	(+)	(+)	(+)	(+)	(+)
Insurance <sup>4</sup>	(+)	(+)	(+)	(+)	(+)	(+)
Mortgage interest paid to banks, etc. <sup>5</sup>	(+)	(+)	(+)	(+)	(+)	(+)
Taxes (real estate only) <sup>6,7</sup>	(+)	(+)	(+)	(+)	(+)	(+)
Depreciation and/or depletion	(+)	(+)	(+)	(+)	(+)	(+)
HOA dues (if specifically reported as an expense) <sup>8</sup>	(+)	(+)	(+)	(+)	(+)	(+)
One time losses (e.g., casualty loss) if documented	(+)	(+)	(+)	(+)	(+)	(+)
Subtotals	\$	\$	\$	\$	\$	\$
Result: Net Rental Income (calculated to a monthly amount) <sup>9</sup>	\$ _____ / _____ = \$ _____		\$ _____ / _____ = \$ _____		\$ _____ / _____ = \$ _____	

<sup>1</sup> Refer to Section 5306.1(c)(8) for net rental income calculation requirements.

<sup>2</sup> Refer to Chapter 5304 and Form 91 for the treatment of all rental real estate income or loss reported on IRS Form 992, regardless of Borrower's percentage of ownership interest in the business or whether the Borrower is personally obligated on the Note.

<sup>3</sup> Review rental properties on Schedule E against URLA. If properties are on the tax return(s) but not on the URLA, provide evidence the Borrower no longer owns the property.

<sup>4</sup> This expense, if added back, must be included in the monthly payment amount used to establish the DTI ratio.

<sup>5</sup> The taxes added back must represent only real estate taxes that are included in the monthly payment amount used to establish the DTI ratio.

<sup>6</sup> Establishing DTI ratio (Section 5306.1(d)): For multiple properties, subtract the monthly payment amount from the net rental income for each property. Combine the results and if the combined result is positive, add it to the income; if the combined result is negative, add it to the monthly liabilities.

<sup>7</sup> Net Rental Income = the sum of the subtotal(s) divided by the number of applicable months.

DTI Ratio Calculation for Multiple Non-Subject Investment Properties (Section 5306.1(d))			
Property	Monthly Net Rental Income	Less Monthly Payment Amount (Section 5401.2(a)(7))	Result (+) Positive / (-) Negative
Property #1	\$	\$	(+/-) \$
Property #2	\$	\$	(+/-) \$
Property #3	\$	\$	(+/-) \$
Property #4	\$	\$	(+/-) \$
Property #5	\$	\$	(+/-) \$
Property #6	\$	\$	(+/-) \$
Combined Result (positive, add to income; negative, add to liabilities)			(+/-) \$

Check Out Genworth Website for Calculator

# Genworth's Freddie Mac Form 92 Calculator

**Calculator and Quick Reference Guide: Form 92 Net Rental Income Calculations - Schedule E**

Please use the following quick reference guide to assist you in completing Freddie Mac Form 92. This form is for suggested guidance and does not replace Freddie Mac instructions or applicable guidelines.

**I. Net Rental Income from Schedule E<sup>1</sup> (Subject 2- to 4-unit Primary Residence)**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	NOTES
Subject Property Address:			
Rents received (Line 8)	+		
Less total expenses (Line 20)	-		
Insurance (Line 9)	+		
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+		
Taxes (real estate only) <sup>3</sup> (Line 14)	+		
Depreciation and/or depletion (Line 18)	+		
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+		
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+		
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	

**II. Net Rental Income from Schedule E<sup>1</sup> (Subject Investment Property)**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	NOTES
Subject Property Address:			
Rents received (Line 8)	+		
Less total expenses (Line 20)	-		
Insurance (Line 9)	+		
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+		
Taxes (real estate only) <sup>3</sup> (Line 14)	+		
Depreciation and/or depletion (Line 18)	+		
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+		
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+		
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	

**III. Net Rental Income from Schedule E<sup>1</sup> (Non-subject investment property(s))**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	2016	2015	2014	2013	NOTES
Property Address:							
Rents received (Line 8)	+						
Less total expenses (Line 20)	-						
Insurance (Line 9)	+						
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+						
Taxes (real estate only) <sup>3</sup> (Line 14)	+						
Depreciation and/or depletion (Line 18)	+						
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+						
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+						
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	

**(D7) Ratio Calculation for Multiple Non-Subject Investment Properties (Section 1306, 110)**

Property	Monthly Net Rental Income	Less Monthly Payment Amount (Monthly Debt Debt <sup>7</sup> )	Result (Net Rental Income)
Property #1	\$	\$	0.00
Property #2	\$	\$	0.00
Property #3	\$	\$	0.00
Property #4	\$	\$	0.00
Property #5	\$	\$	0.00
Property #6	\$	\$	0.00
<b>Combined Result (positive, add to income; negative, add to subtotal)</b>			0.00

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**Calculator and Quick Reference Guide: Form 92 Net Rental Income Calculations - Schedule E**

Please use the following quick reference guide to assist you in completing Freddie Mac Form 92. This form is for suggested guidance and does not replace Freddie Mac instructions or applicable guidelines.

**I. Net Rental Income from Schedule E<sup>1</sup> (Subject 2- to 4-unit Primary Residence)**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	NOTES
Subject Property Address:			
Rents received (Line 8)	+		
Less total expenses (Line 20)	-		
Insurance (Line 9)	+		
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+		
Taxes (real estate only) <sup>3</sup> (Line 14)	+		
Depreciation and/or depletion (Line 18)	+		
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+		
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+		
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	

**II. Net Rental Income from Schedule E<sup>1</sup> (Subject Investment Property)**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	NOTES
Subject Property Address:			
Rents received (Line 8)	+		
Less total expenses (Line 20)	-		
Insurance (Line 9)	+		
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+		
Taxes (real estate only) <sup>3</sup> (Line 14)	+		
Depreciation and/or depletion (Line 18)	+		
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+		
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+		
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	

**III. Net Rental Income from Schedule E<sup>1</sup> (Non-subject investment property(s))**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	2016	2015	2014	2013	NOTES
Property Address:							
Rents received (Line 8)	+						
Less total expenses (Line 20)	-						
Insurance (Line 9)	+						
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+						
Taxes (real estate only) <sup>3</sup> (Line 14)	+						
Depreciation and/or depletion (Line 18)	+						
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+						
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+						
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	

**(D7) Ratio Calculation for Multiple Non-Subject Investment Properties (Section 1306, 110)**

Property	Monthly Net Rental Income	Less Monthly Payment Amount (Monthly Debt Debt <sup>7</sup> )	Result (Net Rental Income)
Property #1	\$	\$	0.00
Property #2	\$	\$	0.00
Property #3	\$	\$	0.00
Property #4	\$	\$	0.00
Property #5	\$	\$	0.00
Property #6	\$	\$	0.00
<b>Combined Result (positive, add to income; negative, add to subtotal)</b>			0.00

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**Calculator and Quick Reference Guide: Form 92 Net Rental Income Calculations - Schedule E**

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**I. Net Rental Income from Schedule E<sup>1</sup> (Subject 2- to 4-unit Primary Residence)**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	2016	2015	2014	2013	NOTES
Property Address:							
Rents received (Line 8)	+						
Less total expenses (Line 20)	-						
Insurance (Line 9)	+						
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+						
Taxes (real estate only) <sup>3</sup> (Line 14)	+						
Depreciation and/or depletion (Line 18)	+						
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+						
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+						
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	

**II. Net Rental Income from Schedule E<sup>1</sup> (Subject Investment Property)**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	NOTES
Subject Property Address:			
Rents received (Line 8)	+		
Less total expenses (Line 20)	-		
Insurance (Line 9)	+		
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+		
Taxes (real estate only) <sup>3</sup> (Line 14)	+		
Depreciation and/or depletion (Line 18)	+		
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+		
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+		
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	

**III. Net Rental Income from Schedule E<sup>1</sup> (Non-subject investment property(s))**  
Reference Transaction owned in the prior year(s)

IRS 1040 Schedule E - Supplemental Income and Loss	2018	2017	2016	2015	2014	2013	NOTES
Property Address:							
Rents received (Line 8)	+						
Less total expenses (Line 20)	-						
Insurance (Line 9)	+						
Mortgage interest paid to banks, etc. <sup>2</sup> (Line 12)	+						
Taxes (real estate only) <sup>3</sup> (Line 14)	+						
Depreciation and/or depletion (Line 18)	+						
HGA dues (if specifically reported as an expense) <sup>4</sup> (Line 19)	+						
One-time losses (e.g., casualty loss) <sup>5</sup> if documented (Form 4682, Line 5, 10)	+						
<b>Subtotal:</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
<b>Result: Net Rental Income (calculated to a monthly amount)<sup>6</sup></b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	

**(D7) Ratio Calculation for Multiple Non-Subject Investment Properties (Section 1306, 110)**

Property	Monthly Net Rental Income	Less Monthly Payment Amount (Monthly Debt Debt <sup>7</sup> )	Result (Net Rental Income)
Property #1	\$	\$	0.00
Property #2	\$	\$	0.00
Property #3	\$	\$	0.00
Property #4	\$	\$	0.00
Property #5	\$	\$	0.00
Property #6	\$	\$	0.00
<b>Combined Result (positive, add to income; negative, add to subtotal)</b>			0.00

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<https://new-content.mortgageinsurance.genworth.com/documents/calculators/Freddie%20Mac%20Form%2092%202002.19.pdf>

# Freddie Mac Seller/Service Guide

5306.1 < Prev Next >

## Rental income

Effective 12/04/2019

Guide Home > Selling > Series 5000 : Origination and Underwriting > Topic 5300 : Stable Monthly Income and Asset Qualification Sources

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This chapter contains requirements and guidance for the use of rental income:

- General eligibility requirements (Refer to [Section 5306.1\(a\)](#))
- Rental income from the Borrower's 1-unit Primary Residence (Refer to [Section 5306.1\(b\)](#))
- Rental income from the Borrower's 2- to 4-unit Primary Residence, subject 1- to 4-unit Investment Property and non-subject investment property (Refer to [Section 5306.1\(c\)](#))
- Establishing the debt payment-to-income ratio (Refer to [Section 5306.1\(d\)](#))
- IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation (Refer to [Section 5306.1\(e\)](#))
- Data delivery requirements for rental income (Refer to [Section 5306.1\(f\)](#))
- Other Guide provisions related to rental income (Refer to [Section 5306.1\(g\)](#))

### (a) General eligibility requirements

Stable monthly rental income must be generated from acceptable and verifiable sources and must be reasonably expected to continue for at least the next three years. For each income source used to qualify the Borrower, the Seller must determine that both the source and the amount of the income are stable. Refer to [Section 5301.1](#) for additional information about income stability and continuance.

#### (i) Rental income eligibility

Rental income generated from the following property and occupancy types may be considered when determining the stable monthly income:

- 1-unit Primary Residence (rental income is eligible from a live-in aide)
- 2- to 4-unit Primary Residence (rental income is eligible from units that are not occupied by the Borrower)
- Subject 1- to 4-unit Investment Property
- Non-subject investment property owned by the Borrower (not restricted to residential property (e.g., commercial permitted))

**For Complete Rental Income Policy Refer To The Updated Chapter 5306.1 Of The Freddie Mac Seller/Service Guide**

# Freddie Mac Form Updates

## Guide Impacts:

- Guide Form 1000 *Comparable Rent Schedule* reintroduced
  - Used for single family properties and completed by the appraiser
- Form 998, *Operating Income Statement*, retired
- Form 91, *Income Calculations*- Updated to remove the Schedule E rental income calculation section
- Form 92, *Net Rental Income Calculations – Schedule E*-
  - Introducing Form 92 to support calculation of net rental income when Schedule E is being used.
    - Three sections are provided for ease of use when determining the debt payment-to-income ratio
    - Subject 2-4 unit Primary Residence
    - Subject Investment property
    - Non-Subject investment Property

# Reserves

## Guide Impacts:

- Max number of financed properties is 10 when subject is second home or investment property
- 720 Credit score required when 7-10 financed properties and loan must be submitted to Loan Product Advisor with Accept/Eligible Recommendation
- Loan Product Advisor will calculate reserve requirements

## (b) Minimum required reserves

For Loan Product Advisor® Mortgages, the Seller must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate.

For Manually Underwritten Mortgages, the verified reserves must equal or exceed the following reserves requirements:

Subject property	Required reserves
Primary Residence - 1-unit	None
Primary Residence - 2- to 4-unit	Six months for the subject property
Second home	Two months for the subject property
Investment Property	Six months for the subject property

Mortgages secured by second homes and Investment Properties require the following additional reserves:

Number of financed properties	Additional required reserves for second home or Investment Property Mortgages	
	Loan Product Advisor Mortgages	Manually Underwritten Mortgages
When each Borrower individually, and all Borrowers collectively, are obligated on one to six financed properties, including the subject property and the Borrower's Primary Residence	Two months of the monthly payment amount (as described in <a href="#">Section 5501.2(a)</a> ) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated.	
When each Borrower individually, and all Borrowers collectively, are obligated on seven to 10 financed properties, including the subject property and the Borrower's Primary Residence	Eight months of the monthly payment amount (as described in <a href="#">Section 5501.2(a)</a> ) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated	Not permitted

For Loan Product Advisor Mortgages, the additional required reserves stated in the chart above are included in the amount of reserves required to be verified on the Feedback Certificate.

# Fannie Mae Rental Income Guidelines

# Selling Announcement SEL 2019-08

## Selling Updates

- Effective for all new DU casefiles submitted on or after the weekend of December 7, 2019.

To determine the amount of rental income from the subject property that can be used for qualifying purposes when the borrower is purchasing a two- to four-unit principal residence or one- to four-unit investment property, the lender must consider the following:

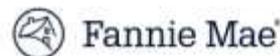
If the borrower...	Then for qualifying purposes...
<ul style="list-style-type: none"> <li>currently owns a principal residence (or has a current housing expense), and</li> <li>has at least a one-year history of receiving rental income or documented property management experience</li> </ul>	there is no restriction on the amount of rental income that can be used.
<ul style="list-style-type: none"> <li>currently owns a principal residence (or has a current housing expense), and</li> <li>has less than one-year history of receiving rental income or documented property management experience</li> </ul>	<ul style="list-style-type: none"> <li>for a principal residence, rental income in an amount not exceeding the PITIA of the subject property can be added to the borrower's gross income, or</li> <li>for an investment property, rental income can only be used to offset the PITIA of the subject property.</li> </ul>
<ul style="list-style-type: none"> <li>does not own a principal residence, and</li> <li>does not have a current housing expense</li> </ul>	rental income from the subject property cannot be used.

**Note:** This policy does not apply to HomeReady loans with rental income from an accessory unit.

### Rental income correction

To align with the policy changes announced in [SEL-2019-08](#) for determining the amount of rental income from the subject property that can be used for qualifying purposes, we have updated the applicable Guide text to apply to refinance transactions in addition to purchases.

**Effective:** This update will be effective with new loan casefiles submitted on or after Apr. 1, 2020, and for manually underwritten loans with application dates on or after Apr. 1, 2020.



### Selling Guide Announcement SEL-2019-08

October 2, 2019

#### Updates

is updated to include changes to the following:

ation Requirements  
d Contracts

Laundrying Activity  
Guide Updates

cribed below. The affected topics for each policy change are listed on the Attachment. The details of the policy changes. The updated topics are dated October 2, 2019.

ed pages 7 and 8 of the [Property Matrix](#) for the following:  
sured housing as an exception for construction-to-permanent transactions to align with a date;  
hed condos are not permitted (detached are permitted); and  
occupant borrower Note and Footnote (1) with respect to allowable LTV and CLTV ratio.

#### Education Requirements

p education helps borrowers gain essential knowledge to prepare for sustainable  
nd, we are updating our homeownership education requirements. Currently, our policy requires  
mplete homebuyer education prior to closing  
the loan are relying solely on nontraditional credit to qualify, or  
purchase transactions.

one borrower must complete homebuyer education for the following transactions:  
the loan are relying solely on nontraditional credit to qualify, regardless of the loan product or  
wers are first-time home buyers (no change to current requirement);  
base transactions when all occupying borrowers are first-time homebuyers, regardless of the  
ons with LTV, CLTV, or HCLTV ratios greater than 95% when all borrowers are first-time

# Selling Guide October

## B3-3.1-08: Rental Income (10/02/2019)

The lender must establish a history of property management experience by obtaining one of the following:

- The borrower's most recent signed federal income tax return, including Schedules 1 and E. Schedule E should reflect rental income received for any property and Fair Rental Days of 365;
- If the property has been owned for at least one year, but there are less than 365 Fair Rental Days on Schedule E, a current signed lease agreement may be used to supplement the federal income tax return; or
- A current signed lease may be used to supplement a federal income tax return if the property was out of service for any time period in the prior year. Schedule E must support this by reflecting a reduced number of days in use and related repair costs. Form 1007 or Form 1025 must support the income reflected on the lease.

The lender must document the borrower has at least a one-year history of receiving rental income in accordance with *Documenting Rental Income From Property Other Than the Subject Property* above.

**Note:** This policy does not apply to HomeReady loans with rental income from an accessory unit.

# Fannie Mae Seller Guide

## General Guidelines and Rental Income Forms

B3-3.1-08: Rental Income (10/02/2019)

- Borrowers that have a history of renting the subject or another property, typically income is reported on IRS Form 1040 Schedule E
- Properties owned by businesses, such as an LLC or S Corp or Partnership, rental income is found on IRS Form 8825 (attached to the business return)
- If borrower's tax returns do not accurately reflect the ongoing income and expenses of the property, lenders may be justified in using fully executed current leases for:
  - Purchases
  - Refinance in which the borrower purchased the rental during or subsequent to the last tax return filing and is properly documented
  - Refinance of a property that experienced significant rental interruptions such as renovation or a casualty loss that is properly documented
- When the subject property will generate rental income and is NOT on the tax returns, one of the following Fannie Mae forms must be used to support the income-earning potential
  - One-unit properties: *Single-Family Comparable Rent Schedule (Form 1007)*
  - For two-to-four unit properties: *Small Residential Income Appraisal Report (Form 1025)*

# Fannie Mae Seller Guide

## Non Subject Rental Properties

B3-3.1-08: Rental Income (10/02/2019)

### Documenting Rental Income From Property Other Than the Subject Property

When the borrower owns property – other than the subject property – that is rented, the lender must document the monthly gross (and net) rental income with the borrower's most recent signed federal income tax return that includes Schedule 1 and Schedule E. Copies of the current lease agreement(s) may be substituted if the borrower can document a qualifying exception. See *Reconciling Partial or No Rental History on Tax Returns* See next slide for exceptions

# Fannie Mae Seller Guide

## Partial or No Rental History Any Property

B3-3.1-08: Rental Income (10/02/2019)

- Annualize Schedule E or
- Fully executed leases

### Reconciling Partial or No Rental History on Tax Returns

In order for the lender to determine qualifying rental income, the lender must determine whether or not the rental property was in service for the entire tax year or only a portion of the year. In some situations, the lender's analysis may determine that using alternative rental income calculations or using lease agreements to calculate income are more appropriate methods for calculating the qualifying income from rental properties. This policy may be applied to refinances of a subject rental property or to other rental properties owned by the borrower.

If the borrower is able to document (per the table below) that the rental property was not in service the previous tax year, or was in service for only a portion of the previous tax year, the lender may determine qualifying rental income by using

- Schedule E income and expenses, and annualizing the income (or loss) calculation; or
- fully executed lease agreement(s) to determine the gross rental income to be used in the net rental income (or loss) calculation.

If ...	Then ...
the property was acquired during or subsequent to the most recent tax filing year,	<p>the lender must confirm the purchase date using the settlement statement or other documentation.</p> <ul style="list-style-type: none"> <li>• If acquired during the year, Schedule E (Fair Rental Days) must confirm a partial year rental income and expenses (depending on when the unit was in service as a rental).</li> <li>• If acquired after the last tax filing year, Schedule E will not reflect rental income or expenses for this property.</li> </ul>
the rental property was out of service for an extended period,	<ul style="list-style-type: none"> <li>• Schedule E will reflect the costs for renovation or rehabilitation as repair expenses. Additional documentation may be required to ensure that the expenses support a significant renovation that supports the amount of time that the rental property was out of service.</li> <li>• Schedule E (Fair Rental Days) will confirm the number of days that the rental unit was in service, which must support the unit being out of service for all or a portion of the year.</li> </ul>
the lender determines that some other situation warrants an exception to use a lease agreement,	the lender must provide an explanation and justification in the loan file.

# Fannie Mae Seller Guide Updates

## 2017-02 Updates Market Rent

- Use 75% of the market rents (from form 1007 or form 1025) or leases.



Fannie Mae

### *Selling Guide Announcement SEL-2017-02*

February 28, 2017

#### *Selling Guide Updates*

The *Selling Guide* has been updated to include changes to the following:

- IRS Form 4506-T for Loans with Validated Income
- Homebuyer Education and Counseling
- Calculation of Rental Income When Using Market Rent

The updates described below simplify and clarify several policies. The affected topics for each policy change are listed on the Attachment. Lenders should review each topic to gain a full understanding of the policy changes. The updated topics are dated February 28, 2017.

## Calculation of Rental Income When Using Market Rent

We have clarified how to calculate monthly qualifying rental income (or loss) when using market rents reported on Form 1007 or Form 1025. There is now consistency in the calculation, whether using lease agreements or market rents, by using 75% of the monthly lease or market rent amount.

This clarification is effective immediately.

### **Homebuyer Education and Counseling**

In response to lender feedback, we have updated the *Selling Guide* to clarify our requirements pertaining to homeownership education and housing counseling. Clarifications include updated definitions that more clearly distinguish homeownership education from housing counseling, and more specific information about when education or counseling must be completed. We have also updated and renamed the *Certificate of Completion of Housing Counseling (Form 1017)* to align with the changes in the Guide.

#### **Effective Date**

This clarification is effective immediately.

### **Calculation of Rental Income When Using Market Rent**

We have clarified how to calculate monthly qualifying rental income (or loss) when using market rents reported on Form 1007 or Form 1025. There is now consistency in the calculation, whether using lease agreements or market rents, by using 75% of the monthly lease or market rent amount.

# Fannie Mae Rental Calculators

**FannieMae**

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.**

Address of Property: \_\_\_\_\_

Documentation Required:  
 • Schedule E (IRS Form 1040) OR  
 • Lease Agreement or Fannie Mae Form 1023

Enter Rental Unit: \_\_\_\_\_ Result: \_\_\_\_\_

Step 1. When using Schedule E, determine the number of months the property was in service by dividing the Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter period.  
**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 Fannie Mae Form 1023.

Step 2 A. Schedule E - Part I			
A1	Enter total rents received (from the non-owner-occupied units). May enter rent from individual units or combine. <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 15</i>	Add	
A6	Add back homeowners' association dues. <i>Check Schedule E, Line 19. This expense must be specifically identified on Schedule E in order to add it back.</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). There must be evidence of the nature of the one-time extraordinary expense. <i>Rev. Lines 5-19. Equals adjusted rental income. Click gray button to calculate adjusted monthly rent.</i>	Add	
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	0.00
<b>Step 2A. Result: Monthly qualifying rental income: Result</b> _____			

Step 2 B. Lease Agreement or Fannie Mae Form 1023			
<i>This method is used when the transaction is a purchase or the property was acquired subsequent to the most recent tax filing or the lender has justification for using a lease agreement.</i>			
B1	Enter gross monthly rent (from the lease agreement) or market rent (from Form 1023) 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
Equals monthly rental income per unit. Total \$ 0.00			
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	
<b>Step 2B. Result: Monthly qualifying rental income: Result</b> _____			

**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. *Use proposed PITIA when the subject property, existing PITIA when not the subject property.*

DU Data Entry	Monthly Income and Combined Housing Expenses	Mortgage
Subject Property	Enter the amount of the monthly qualifying income in "Subject Net Cash."	Include as the borrower expense. For refinanced mortgage as a subject property.
Non-Subject Property	Enter the amount of the monthly qualifying income in "Net Rental."	Include as the borrower expense.

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

Calculator provided courtesy of Genworth. For more information, visit <http://MortgageInsurance.Genworth.com/Training>

Fannie Mae Form 1037

**FannieMae**

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.**

Address of Property: \_\_\_\_\_

Documentation Required:  
 • Schedule E (IRS Form 1040) OR  
 • Lease Agreement or Fannie Mae Form 1007 or Form 1023

Enter Rental Unit: \_\_\_\_\_ Result: \_\_\_\_\_

Step 1. When using Schedule E, determine the number of months the property was in service by dividing the Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter period.  
**Step 1. Result:** The number of months the property was in service: **Result** \_\_\_\_\_

Step 2. Calculate the monthly qualifying rental income (loss) using Step 2A: Schedule E OR Step 2B: Lease Agreement or Fannie Mae Form 1007 or Form 1023.

Step 2 A. Schedule E - Part I			
A1	Enter total rents received. <i>Schedule E, Line 1</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 15</i>	Add	
A6	Add back homeowners' association dues. <i>Check Schedule E, Line 19. This expense must be specifically identified on Schedule E in order to add it back.</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). There must be evidence of the nature of the one-time extraordinary expense.	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 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, state taxes, insurance and HOA dues are included.</i>	Subtract	
<b>Step 2A. Result: Monthly qualifying rental income (or loss): Result</b> _____			

Step 2 B. Lease Agreement OR Fannie Mae Form 1007 or 1023			
<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 1023). For multi-unit properties, combine gross rent from 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	
Equals adjusted monthly rental income. Total _____			
B3	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property). <i>Verified, state taxes, insurance and HOA.</i>	Subtract	
<b>Step 2B. Result: Monthly qualifying rental income (or loss): 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 positive, add the positive amount to the borrower's monthly qualifying income. Because the PITIA expense was included in the calculations above, do not add it to the debt-to-income (DTI) ratio.

If the combined result of Step 2A or 2B is negative, include the amount of the loss in the borrower's monthly expenses when calculating the DTI ratio.

DU Data Entry	Monthly Income and Combined Housing Expenses
Subject Property	Enter the amount of the monthly qualifying income (positive result) or monthly qualifying loss (negative result) in "Subject Net Cash."
Non-Subject Property	Enter the amount of the monthly qualifying income (positive result) or monthly qualifying loss (negative result) in "Net Rental."

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

Calculator provided courtesy of Genworth. For more information, visit <http://MortgageInsurance.Genworth.com/Training>

Fannie Mae Form 1038

**FannieMae**

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

### Rental Income Worksheet

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

Property Address: \_\_\_\_\_

Documentation Required:  
 • IRS Form 8825 (filed with either IRS Form 1065 or 1120S) OR  
 • Lease Agreement

Enter the mortgage and the mortgage loan account number. Enter Mortgage # \_\_\_\_\_ Mortgage # \_\_\_\_\_

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: **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. <i>Form 8825, Line 2</i>	Enter	
A2	Subtract total expenses. <i>Form 8825, Line 16</i>	Subtract	
A3	Add back insurance expense. <i>Form 8825, Line 7</i>	Add	
A4	Add back mortgage interest paid. <i>Form 8825, Line 9</i>	Add	
A5	Add back tax expense. <i>Form 8825, Line 11</i>	Add	
A6	Add back homeowners' association dues. <i>Review Form 8825, Line 15. This expense must be specifically identified on Form 8825 in order to add it back.</i>	Add	
A7	Add back depreciation expense or depletion. <i>Form 8825, Line 14</i>	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. <i>Review Form 8825, Lines 3-5.</i>	Add	
Equals adjusted rental income. Total \$ 0.00 \$ 0.00			
A9	Divide by the number of months the property was in service (Step 1 Result). <i>Click gray button to calculate adjusted monthly rental income. If A9 is zero, "error" will show.</i>	Divide	0.00 0.00
Equals adjusted monthly rental income. Total _____			
A10	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property). <i>Verified, state taxes, insurance and HOA dues are included.</i>	Subtract	
<b>Step 2A. Result: Monthly property cash flow: Result</b> \$ 0.00 \$ 0.00			

Step 2 B. Lease Agreement			
<i>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).</i>			
B1	Enter the gross monthly rent (from the lease agreement).	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
Equals adjusted monthly rents. Total \$ 0.00 \$ 0.00			
B3	Subtract proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract	
<b>Step 2B. Result: Monthly property cash flow: Result</b> \$ 0.00 \$ 0.00			

**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 (i.e., 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 refinanced transactions, identify the mortgage as a subject property lien.	If IRO 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 Genworth. For more information, visit <http://MortgageInsurance.Genworth.com/Training>

Fannie Mae Form 1039

09.30.2014

<https://new.mi.genworth.com/self-employed-borrower-calculators>

# Borrowers with Multiple Financed Properties

**DU uses the number of financed properties to apply the following eligibility guidelines:**

- A minimum credit score of 720 is required for borrowers with 7-10 financed properties
- Borrowers are limited to a maximum of 10 financed properties

**Applies When The Subject Transaction Is A Second Home Or Investment Property AND The Borrower is Personal Obligated On The Financing**

# Multiple Financed Properties Fannie Mae

## B2-2-03: Multiple Financed Properties for the Same Borrower (10/31/2017)

### Limits on the Number of Financed Properties

If the mortgage loan being delivered to Fannie Mae is secured by the borrower's principal residence, there are no limitations on the number of other properties that the borrower will have financed. If the mortgage is secured by a second home or an investment property, the multiple financed properties policy applies. The maximum number of financed properties that are permitted is based on the underwriting method, as described later in this topic.

#### The financed property limit

- applies to the number of one- to four-unit residential properties where the borrower is personally obligated on the mortgage(s), even if the monthly housing expense is excluded from the borrower's DTI in accordance with [B3-6-05, Monthly Debt Obligations](#);
- applies to the total number of properties financed, not to the number of mortgages on the property or the number of mortgages sold to Fannie Mae;
- includes the borrower's principal residence if it is financed; and
- is cumulative for all borrowers (though jointly financed properties are only counted once).

The following property types are not subject to these limitations, even if the borrower is personally obligated on a mortgage on the property:

- commercial real estate,
- multifamily property consisting of more than four units,
- ownership in a timeshare,
- ownership of a vacant lot (residential or commercial), or
- ownership of a manufactured home on a leasehold estate not titled as real property (chattel lien on the home).

**Applies When The Subject Transaction Is A Second Home Or Investment Property AND The Borrower is Personal Obligated On The Financing**

# Reserves- Fannie Mae Multiple Financed Properties DU Versions 10.0 And Higher

B3-4.1-01: Minimum Reserve Requirements (04/03/2018)

## Calculation of Reserves for Multiple Financed Properties

If the borrower owns other financed properties (determined in accordance with [B2-2-03, Multiple Financed Properties for the Same Borrower](#)), additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:

- 2% of the aggregate UPB if the borrower has one to four financed properties,
- 4% of the aggregate UPB if the borrower has five to six financed properties, or
- 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only).

The aggregate UPB calculation does not include the mortgages and HELOCs that are on

- the subject property,
- the borrower's principal residence,
- properties that are sold or pending sale, and
- accounts that will be paid by closing (or omitted in DU on the online loan application).

**Applies When The Subject Transaction Is A Second Home Or Investment Property AND The Borrower is Personally Obligated On The Financing**

# Reserves- Fannie Mae Multiple Financed Property Examples

## Examples of Reserves Calculations

The following tables contain examples of reserves calculations for borrowers with multiple financed properties.

### Example 1: Three Financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Second Home	\$78,750	\$776	2 Months PITIA =	\$1,552
Principal	\$0	\$179	N/A	\$0
Investor	\$87,550	\$787	\$230,050 x 2% =	\$4,601
Investor	\$142,500	\$905		
	\$230,050		Total =	\$6,153

**Applies When The Subject Transaction Is A Second Home Or Investment Property AND The Borrower is Personally Obligated On The Financing**

# Rental Income-Fannie Mae Amounts\*

## Fannie Mae Requirements 2-4 Unit Primary Residence

- Purchase: Gross income is calculated from Form 1025 (small residential properties).
- Net rental income is determined by taking the lesser of 75% of the gross rent from form 1025 or 75% of the existing leases. Note: Do NOT subtract to mortgage payment as this is the primary housing payment.
- Refinance: Document the rental cash flow by obtaining copies of the borrower's most recent one years signed federal tax returns.

## Fannie Mae Requirements 1-4 Unit Investment

- Purchase: Gross income is calculated from Form 1025 (2-4 unit properties) or *Single Family Rent Schedule* Form 1007 for a single family property.
- Net rental income is determined by taking the lesser of 75% of the gross rent (from Form 1025 or Form 1007) minus the full mortgage payment for the property or 75% of the existing leases.
- Refinance: Document the rental cash flow by obtaining copies of the borrower's most recent one years signed federal tax returns.

\*Lenders must meet the existence of a housing payment and one year history of owning and managing a rental property when required

# You Need....

- 2018 Schedule “E” handout
- Rental Income Calculation Form
  - Impounded/non-impounded are calculated the same
  - Training today assume a escrowed or impounded loan

**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 (98) **2018** Attachments Sequence No. 13

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

Name(s) shown on return: **John & Mary Homeowner** Your social security - XXXX-XX-XXXX

**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 or C-EZ (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 2018 that would require you to file Form(s) 1099? (see instructions)  Yes  No

B If "Yes," did you or will you file required Forms 1099?  Yes  No

1a Physical address of each property (street, city, state, ZIP code)

A 234C Condo Court Dallas TX 75432

B

C

1b	Type of Property (from list below)	2	Fair Rental Days	Personal Use Days	QJV
A	1	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.	A 365	0	<input type="checkbox"/>
B			B		<input type="checkbox"/>
C			C		<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
3 Rents received	3	32,600.		
4 Royalties received	4			
<b>Expenses:</b>				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	2,500.		
8 Commissions	8			
9 Insurance	9	1,933.		
10 Legal and other professional fees	10			
11 Management fees	11	850.		
12 Mortgage interest paid to banks, etc. (see instructions)	12	8,001.		
13 Other interest	13			
14 Repairs	14	4,322.		
15 Supplies	15	1,002.		
16 Taxes	16	9,211.		
17 Utilities	17	1,866.		
18 Depreciation expense or depletion	18	7,127.		
19 Other (list) ▶ Association Dues	19	3,170.		
20 Total expenses. Add lines 5 through 19	20	39,982.		
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	21	-7,382.		
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	0.		
23a Total of all amounts reported on line 3 for all rental properties	23a	32,600.		
b Total of all amounts reported on line 4 for all royalty properties	23b			
c Total of all amounts reported on line 12 for all properties	23c	8,001.		
d Total of all amounts reported on line 18 for all properties	23d	7,127.		
e Total of all amounts reported on line 20 for all properties	23e	39,982.		
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	0.		
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26	0.		

For Paperwork Reduction Act Notice, see the separate instructions. BAA REV 1/22/18 TTW Schedule E (Form 1040) 2018

# Schedule E Handout

<b>SCHEDULE E (Form 1040)</b>  Department of the Treasury Internal Revenue Service (99)	<b>Supplemental Income and Loss</b> (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)  ▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ Go to <a href="http://www.irs.gov/ScheduleE">www.irs.gov/ScheduleE</a> for instructions and the latest information.	OMB No. 1545-0074  <b>2018</b> Attachment Sequence No. <b>13</b>																
Name(s) shown on return John & Mary Homeowner		Your social security - XXX-XX-XXXX																
<b>Part I</b> <b>Income or Loss From Rental Real Estate and Royalties</b> Note: If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.																		
<b>A</b> Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) . . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No																		
<b>B</b> If "Yes," did you or will you file required Forms 1099? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No																		
<b>1a</b>	Physical address of each property (street, city, state, ZIP code)																	
<b>A</b>	234C Condo Court Dallas TX 75432																	
<b>B</b>																		
<b>C</b>																		
<b>1b</b>	Type of Property (from list below)	<b>2</b> For each rental real estate property listed above, report the number of fair rental and personal use days. Check the <b>QJV</b> box only if you meet the requirements to file as a qualified joint venture. See instructions.																
<b>A</b>	1	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 20%;">Fair Rental Days</th> <th style="width: 20%;">Personal Use Days</th> <th style="width: 15%;">QJV</th> </tr> </thead> <tbody> <tr> <td><b>A</b></td> <td style="text-align: center;">365</td> <td style="text-align: center;">0</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td><b>B</b></td> <td></td> <td></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td><b>C</b></td> <td></td> <td></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </tbody> </table>		Fair Rental Days	Personal Use Days	QJV	<b>A</b>	365	0	<input type="checkbox"/>	<b>B</b>			<input type="checkbox"/>	<b>C</b>			<input type="checkbox"/>
	Fair Rental Days	Personal Use Days	QJV															
<b>A</b>	365	0	<input type="checkbox"/>															
<b>B</b>			<input type="checkbox"/>															
<b>C</b>			<input type="checkbox"/>															
<b>B</b>			<input type="checkbox"/>															
<b>C</b>			<input type="checkbox"/>															

# Mortgage Statement/Payment Coupon

## Always ask for one

- If loan is impounded or escrowed
- What property the mortgage payment is associated with
- If non impounded, obtain current tax and insurance information
- If condo, PUD or Coop, most investors want verification of current HOA dues

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*Return Mail Operations  
PO Box 12345  
Any Town, USA 12345-0000*

01234567 1 AT 1.123 012345678901234 012 01 ABCDEF012

JOE HOMEOWNER  
1234 MAIN STREET  
SMALLTOWN USA 00000-1234

**Summary**

Payment (Principal and/or Interest, Escrow)	\$1,033.50
Optional Product(s)	\$0.00
<b>Current Monthly Payment</b>	<b>\$1,033.50</b>
Overdue Payments	\$0.00
Unpaid Late Charge(s)	\$0.00

**Quarterly Mortgage Statement**

Statement Date 03/16/09  
Payment Due Date 04/01/09  
Loan Number 01234567890

**Customer Service**

Online  
yourmortgagecompany.com

Telephone  
(866) 012-3456

Fax  
(866) 012-0123

Payments  
PO Box 01234  
Big City, USA 01234

Correspondence  
PO Box 56789  
Any Town, USA 56789

**Property Address**  
1234 MAIN STREET  
SMALLTOWN USA 00000-1234

**Unpaid Principal Balance** \$128,022.58  
*(Contact Customer Service for your payoff address)*

**Interest Rate** 5.875%

**Interest Paid Year-to-Date** \$1,801.90

**Monthly Mortgage Payment (Verified)** -

Date	Description	Total	Principal	Interest	Escrow	Late Charge	Other
03/01	PAYMENT	\$1,033.50	\$293.15	\$629.03	\$111.29		
02/01	PAYMENT	\$1,033.50	\$290.84	\$631.27	\$111.29		
01/01	PAYMENT	\$1,033.50	\$288.70	\$633.50	\$111.29		

# Mortgage Statement/Payment Coupon

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

**Address**  
 Street 234 Condo Court Unit # C City Dallas State T ZIP

Property Value	Status: Sold, Pending Sale, or Retained	Monthly Insurance, Taxes, Association Dues, etc. <i>if not included in Monthly Mortgage Payment</i>	For Investment Property Only		
			Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income	
\$ <u>300,000</u>	<u>Retained</u> <input type="button" value="v"/>	\$ <u>300</u>	\$ <u>0</u>	\$ <u></u>	

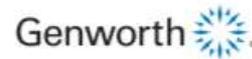
**Mortgage Loans on this Property**  Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	<i>To be paid off at or before closing</i>	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
<u>Mortgage on Rental</u>	<u>123456</u>	\$ <u>1,850</u>	\$ <u>100,000</u>	<input type="checkbox"/>	<u>Conventional</u> <input type="button" value="v"/>	\$ <u></u>
		\$ <u></u>	\$ <u></u>	<input type="checkbox"/>	<input type="button" value="v"/>	\$ <u></u>

**Total monthly payment is \$2150 PITIA**

**Payment Above Came From Mortgage Statement And HOA Coupon/Statement From Borrower And Is Impounded; For Non-impounded Loans Obtain Tax And Insurance Information**

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



Borrower(s) Name(s)

Loan Number

## Calculator and Quick Reference Guide: Rental Income

Please use the following calculator and quick reference guide to assist in calculating rental income from IRS Form 1040 Schedule E. It provides suggested guidance only and does not replace Fannie Mae or Freddie Mac instructions or applicable guidelines. This method should not be used when calculating rental income on a borrower's primary residence. Check applicable guidelines when rental income is declining year to year. Please check with your own legal advisors for interpretations of legal and compliance principles applicable to your business.

**Property 1**

Calculator Usage Note: Click Grey Buttons to Divide for Monthly Totals

Rental Income Calculation		2018	2017	NOTES
1	Gross Rents (Line 3)			*Only include if using the full PITI payment on Line 12 of this calculator or qualifying ratios.
2	Expenses (Line 20)	-		
3	Depreciation (Line 18)	+		**Net rental losses are typically included with liabilities when calculating the debt ratio.
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		
5	Insurance (Line 9)*	+		
6	Mortgage Interest (Line 12)*	+		***Check applicable guidelines if not using 12 months.
7	Taxes (Line 16)*	+		
8	Other:	+		
9	<b>Annual Rental Income/Loss</b>	= \$ 0.00	\$ 0.00	
10	Number of Months Considered (Line 2)***	/		
11	Monthly Income/Loss	= <input type="text"/>	<input type="text"/>	
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**	= \$ 0.00	\$ 0.00	

**Property 2**

Rental Income Calculation		2018	2017	NOTES
1	Gross Rents (Line 3)			*Only include if using the full PITI payment on Line 12 of this calculator or qualifying ratios.
2	Expenses (Line 20)	-		
3	Depreciation (Line 18)	+		**Net rental losses are typically included with liabilities when calculating the debt ratio.
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+		
5	Insurance (Line 9)*	+		
6	Mortgage Interest (Line 12)*	+		***Check applicable guidelines if not using 12 months.
7	Taxes (Line 16)*	+		
8	Other:	+		
9	<b>Annual Rental Income/Loss</b>	= \$ 0.00	\$ 0.00	
10	Number of Months Considered (Line 2)***	/		
11	Monthly Income/Loss	= <input type="text"/>	<input type="text"/>	
12	Monthly Mortgage Payment (Verified)	-		
13	Monthly Net Rental Income/Loss**	= \$ 0.00	\$ 0.00	

This calculator can be found at <https://new.mi.genworth.com/self-employed-borrower-calculator>

# 2018 Schedule E Rental Income

Property 1

Calculator Usage Note: Click Grey Buttons to Divide for Monthly Totals

Rental Income Calculation			2018	2017	NOTES
1	Gross Rents (Line 3)				*Only include if using the full PITI payment on Line 12 of this calculator or qualifying ratios.
2	Expenses (Line 20)	-			
3	Depreciation (Line 18)	+			**Net rental losses are typically included with liabilities when calculating the debt ratio.
4	Amortization/Casualty Loss/Nonrecurring Expenses (Line 19)	+			
5	Insurance (Line 9)*	+			
6	Mortgage Interest (Line 12)*	+			***Check applicable guidelines if not using 12 months.
7	Taxes (Line 16)*	+			
8	Other: <input type="text"/>	+			
9	<b>Annual Rental Income/Loss</b>	=	\$ 0.00	\$ 0.00	
10	Number of Months Considered (Line 2)***	/			
11	Monthly Income/Loss	=	<input type="text"/>	<input type="text"/>	
12	Monthly Mortgage Payment (Verified)	-			
13	Monthly Net Rental Income/Loss**	=	\$ 0.00	\$ 0.00	

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YOU-CENTRIC

Let's be you-centric.  
Let's quote quick.  
Let's wow now.



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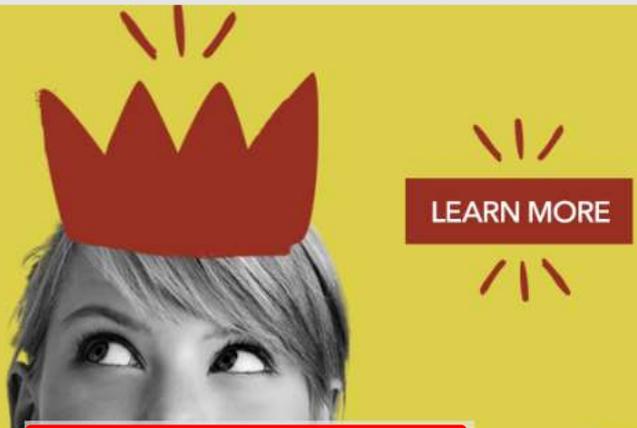
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- LOS Connections**
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- Application Forms

Genworth Mortgage Insurance

Let's do it fast.  
Let's quote quick.  
Let's wow now.

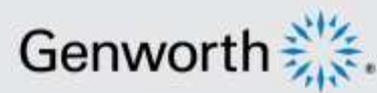


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*Due to various internet browser versions, please download and save PDF before entering data. Please note, calculators are updated periodically.*

 <b>Fannie Mae Form 1084 Calculator (2017-2018)</b> Calculate and analyze each flow to help you complete Fannie Mae Form 1084. <b>UPDATED</b>	 <b>Freddie Mac Form 91 Calculator (2017-2018)</b> Quick reference guide and income analysis for Freddie Mac Form 91. <b>UPDATED</b>	 <b>Freddie Mac Form 92 Calculator (2017-2018)</b> Form 92 Net Rental Income Calculators. <b>UPDATED</b>
 <b>Schedule Analysis Method (SAM) Calculator (2017-2018)</b> Calculate qualifying income from tax returns. <b>UPDATED</b>	 <b>Rental Income Calculator (2017-2018)</b> Helps in calculating rental income from IRS Form 1040 Schedule E. <b>UPDATED</b>	 <b>Current Ratio - Liquidity Calculator (2018)</b> Calculate working capital liquidity against... <b>UPDATED</b>
 <b>Quick Ratio - Liquidity Calculator (2017-2018)</b> Calculate an originator's liquidity against current... <b>UPDATED</b>	 <b>Fannie Mae Rental Guide (Calculator 1037)</b> Use this calculator to calculate qualifying rental income for Fannie Mae Form 1037 (Principal Residence 2-40 Units Properties). <b>UPDATED</b>	 <b>Fannie Mae Rental Guide (Calculator 1039)</b> Worksheet for calculating qualifying rental income for Fannie Mae Form 1039 (Investment Properties). <b>UPDATED</b>
 <b>Fannie Mae Rental Guide (Calculator 1039)</b> Calculate qualifying rental income for Fannie Mae Form 1039 (Qualified Rental Income from Investment Properties). <b>UPDATED</b>	 <b>Fannie Mae Form 1088 Cheat Sheet (2017-2018)</b> Use this quick reference guide for Fannie Mae's Consolidating Analysis Form (Form 1088). <b>UPDATED</b>	 <b>Fannie Mae Comparative Analysis Form (Form 1088)</b> Calculate investment deduction or gross rental income... <b>UPDATED</b>
 <b>Income Calculation Worksheet</b> Use this form to calculate income. <b>UPDATED</b>		

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Income Calculation Tools and Reference Guides

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- Schedule Analyst Method (SAM) Calculator (2017-2018)
- Fannie Mae Form 1084 Calculator (2017-2018)
- Freddie Mac Form 91 Calculator (2017-2018)
- Freddie Mac Form 92 Calculator (2017-2018)
- Rental Income Calculator (2017-2018)

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- William Jackson**  
Account Manager  
P: 336.646.4268 | F: 336.646.4268  
E: [william.jackson@genworth.com](mailto:william.jackson@genworth.com)
- Vann Holland**  
Health Sales Representative  
P: 336.646.4268  
E: [vann.holland@genworth.com](mailto:vann.holland@genworth.com)

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