

# Rental Property/Rental Income Matrix

	FANNIE MAE			FREDDIE MAC		
<b>Multiple Financed Properties &amp; Property Eligibility</b>						
<b>Maximum Number of Financed Properties</b>	If subject property is: <ul style="list-style-type: none"> <li>• Primary Residence: No Limit<sup>1</sup></li> <li>• Second Home or Investment Property: Maximum 10 financed properties<sup>2</sup></li> </ul> <b>Maximum Financed Properties Calculation</b> <ul style="list-style-type: none"> <li>• Subject property (2nd Home or Investment property) +</li> <li>• Primary Residence (if financed) +</li> <li>• Other financed residential investment properties</li> </ul> Maximum calculation is aggregate of all borrowers, and jointly financed properties are counted once					
<b>Eligible Property Types (For Rental Income Purposes)</b>	<ul style="list-style-type: none"> <li>• 2-4 unit Primary Residence<sup>3</sup></li> <li>• 1-4 Investment Property<sup>4</sup></li> <li>• Non-subject Investment Properties<sup>4</sup></li> </ul>					
<b>Ineligible Property Types (For Rental Income Purposes)</b>	<ul style="list-style-type: none"> <li>• 1 unit Primary Residence<sup>5</sup></li> <li>• Second Home<sup>6</sup></li> </ul>					
<b>Short Term Rental Income</b>	Eligible (annualized income reported on Schedule E required for qualification purposes)					
<b>Reserve Requirements</b>						
	<b>Subject Primary Residence</b>	<b>Subject Second Home</b>	<b>Subject Investment Property</b>	<b>Subject Primary Residence</b>	<b>Subject Second Home</b>	<b>Subject Investment Property</b>
<b>Reserve Requirements Subject Property</b>	<ul style="list-style-type: none"> <li>• 1-unit: 0 or per AUS</li> <li>• 2-4 unit: 6 months or per AUS</li> </ul>	• 2 months or per AUS	• 6 months or per AUS	<ul style="list-style-type: none"> <li>• 1-unit: 0 or per AUS</li> <li>• 2-4 unit: 6 months or per AUS</li> </ul>	• 2 months or per AUS	• 6 months or per AUS
<b>Reserve Requirements Other Financed Properties</b>	No reserve requirements for "other" financed residential properties The following reserve requirements apply for all "other" financed residential properties (exclusions apply, see below): <ul style="list-style-type: none"> <li>• 1-4 financed properties: 2% of the aggregate UPB*</li> <li>• 5-6 financed properties: 4% of the aggregate UPB*</li> <li>• 7-10 financed properties: 6% of the aggregate UPB*</li> </ul> The aggregate UPB (*unpaid principal balance) calculation includes all mortgages and HELOCs (drawn line amount only) except for those on: <ul style="list-style-type: none"> <li>• The subject property</li> <li>• The borrower's primary residence</li> <li>• Properties that are sold or are pending sale</li> <li>• Accounts that will be paid off at closing</li> </ul>			No reserve requirements for "other" financed residential properties The following reserve requirements apply for all "other" financed residential properties (exclusions apply, see below): <ul style="list-style-type: none"> <li>• 1-6 financed properties: 2 months PITIA for each property</li> <li>• 7-10 financed properties: 8 months PITIA for each property</li> </ul> The PITIA calculation for each property includes all mortgages, HELOCs, property taxes & special assessments, insurance, and HOA except for those on: <ul style="list-style-type: none"> <li>• The subject property</li> <li>• The borrower's primary residence</li> <li>• Properties that are sold or are pending sale</li> <li>• Accounts that will be paid off at closing</li> </ul>		
	<b>Reserve Calculation Example:</b> Subject Property: 2nd Home (PITIA \$1,500) Other Financed Properties: - Primary Residence; - 3 Investment Properties with an aggregate UPB of \$350,000  <b>Reserve Requirement:</b> - Subject 2nd Home: 2 months PITIA (\$1,500 x 2 = <b>\$3,000</b> ) - Primary Residence: <b>0</b> reserves required - 3 Investment Properties: 2% of aggregate UPB (\$350,000 x 2% = <b>\$7,000</b> )  <b>\$3,000 + 0 + \$7,000 = \$10,000 Total Reserves Required</b>			<b>Reserve Calculation Example:</b> Subject Property: 2nd Home (PITIA \$1,500) Other Financed Properties: - Primary Residence; - 3 Investment Properties (Prop 1 PITIA \$1,110, Prop 2 PITIA \$1,250, Prop 3 PITIA \$975)  <b>Reserve Requirement:</b> - Subject 2nd Home: 2 months PITIA (\$1,500 x 2 = <b>\$3,000</b> ) - Primary Residence: <b>0</b> reserves required - 3 Investment Properties: 2 months PITIA (Prop 1: \$1,110 x 2 = \$2,220 + Prop 2: \$1,250 x 2 = \$2,500 + Prop 3: \$975 x 2 = \$1,950. Total: \$2,220 + \$2,500 + \$1,950 = <b>\$6,670</b> )  <b>\$3,000 + 0 + \$6,670 = \$9,670 Total Reserves Required</b>		
<b>Simultaneous Transactions</b>	Reserve requirements are not cumulative for multiple applications (same assets may be used to satisfy the reserve requirements for multiple mortgage applications)					

**Income Documentation Requirements**

**Rental Income From Property Purchased or Placed in Service in Current Calendar Year**

	Subject Property 2-4 Unit Primary Residence	Subject Property 1-4 Unit Investment	Non-subject Investment Property	Subject Property 2-4 Unit Primary Residence	Subject Property 1-4 Unit Investment	Non-subject Investment Property
<b>Borrower Eligibility</b>	N/A	• Borrower must currently own a primary residence or have a current primary housing expense to use rental income from subject property to qualify	• No primary residence / primary housing expense requirements to use rental income for non-subject properties	N/A	• For a subject investment property <b>purchase</b> , the borrower must currently own a primary residence to use rental income from subject property to qualify	• No primary residence / primary housing expense requirements to use rental income for non-subject properties
<b>Maximum Rental Income</b>	<b>Rental Income / Property Management experience ≥ 1 Year</b> • No restriction on the amount of rental income that can be used  <b>Rental Income / Property Management experience &lt; 1 Year</b> • 2-4 Primary Residence: Rental income in an amount not exceeding PITIA of the subject property can be added to the borrower's gross income • Investment Property: Rental income can only be used to offset PITIA (excess income cannot be applied to the borrower's gross income)  <b>If current primary residence is being converted to a rental property:</b> • There are no property management experience restrictions (excess rental income, if applicable, can be applied to the borrower's gross monthly income)		• No restriction on the amount of rental income that can be used	<b>Rental Income / Property Management experience ≥ 1 Year</b> • No restriction on the amount of rental income that can be used  <b>Rental Income / Property Management experience &lt; 1 Year</b> • 2-4 Primary Residence: Rental income in an amount not exceeding PITIA of the subject property can be added to the borrower's gross income • Investment Property: Rental income can only be used to offset PITIA (excess income cannot be applied to the borrower's gross income)  <b>If current primary residence is being converted to a rental property:</b> • Property Management experience ≥ 1 Year no restriction on the amount of rental income that can be used • Property Management experience < 1 Year rental income can only be used to offset the PITIA		
<b>Rental Income Documentation Requirements</b>	<b>Purchase</b> • Lease agreement(s); and • Form 1007 or 1025 (if lease agreement is not available, it will not be required) <sup>7</sup>  <b>Refinance</b> • Lease agreement(s); and • Form 1007 or 1025 <sup>7</sup>  <i>Note: Form 1007 or 1025 is always required for the subject property</i>		• Lease agreement	<b>Purchase</b> • Lease agreement(s); and • Form 72 or 1000 (if lease agreement is not available, it will not be required) <sup>7</sup>  <b>Refinance</b> • Lease agreement(s); and • Form 72 or 1000 <sup>7</sup>  <i>Note: Form 72 or 1000 is always required for the subject property</i>		• Lease agreement(s); and • Form 72 or 1000 as applicable; or • Documentation supporting two months receipt of rental income
<b>Lease Requirements</b>	• Leases must be current, signed, and fully executed • No minimum lease term requirement			• Leases must be current, signed, and fully executed • Minimum original term of one year		

**Rental Income from Property Owned in Prior Calendar Year**

	Subject Property 2-4 Unit Primary Residence	Subject Property 1-4 Unit Investment	Non-subject Investment Property	Subject Property 2-4 Unit Primary Residence	Subject Property 1-4 Unit Investment	Non-subject Investment Property
<b>Borrower Eligibility</b>	N/A	• Borrower must currently own a primary residence or have a current primary housing expense to use rental income from subject property to qualify	• No primary residence / primary housing expense requirements to use rental income for non-subject properties	• No primary residence requirements for properties owned in previous calendar year (subject and non-subject)		
<b>Maximum Rental Income</b>	<b>Rental Income / Property Management experience ≥ 1 Year</b> • No restriction on the amount of rental income that can be used  <b>Rental Income / Property Management experience &lt; 1 Year</b> • 2-4 Primary Residence: Rental income in an amount not exceeding PITIA of the subject property can be added to the borrower's gross income • Investment Property: Rental income can only be used to offset PITIA (excess income cannot be applied to the borrower's gross income)  <b>If current primary residence is being converted to a rental property:</b> • There are no property management experience restrictions (excess rental income, if applicable, can be applied to the borrower's gross monthly income)		• No restriction on the amount of rental income that can be used	<b>Rental Income / Property Management experience ≥ 1 Year</b> • No restriction on the amount of rental income that can be used  <b>Rental Income / Property Management experience &lt; 1 Year</b> • 2-4 Primary Residence: Rental income in an amount not exceeding PITIA of the subject property can be added to the borrower's gross income • Investment Property: Rental income can only be used to offset PITIA (excess income cannot be applied to the borrower's gross income)  <b>If current primary residence is being converted to a rental property:</b> • Property Management experience ≥ 1 Year no restriction on the amount of rental income that can be used • Property Management experience < 1 Year rental income can only be used to offset the PITIA		
<b>Rental Income Documentation Requirements</b>	• Most recent 1 year's signed federal tax returns (including Schedules 1 and E); or • Lease agreement if property was acquired during the previous calendar year or out of service due to renovations; and • Form 1007 or 1025 <sup>7</sup>  <i>Note: Form 1007 or 1025 is always required for the subject property</i>		• Most recent signed federal tax returns (including Schedules 1 and E); or • Lease agreement(s) if the property was acquired during the previous calendar year or out of service due to renovations (federal tax returns & Schedule E still required to support reduced # of days in use)	• Most recent 1 year's signed federal tax return (including Schedule E); or • Lease agreement if the property was acquired later during the previous calendar year or out of service due to renovations (federal tax returns & Schedule E still required to support reduced # of days in use); and • Form 72 or 1000 <sup>7</sup> ; or • Documentation supporting two months receipt of rental income  <i>Note: Form 72 or 1000 is always required for the subject property</i>		
<b>Lease Requirements</b>	• Leases must be current, signed, and fully executed • No minimum lease term requirement			• Leases must be current, signed, and fully executed • Minimum original term of one year		

Appraisal Requirements						
	Subject Property 2-4 Unit Primary Residence	Subject Property 1-4 Unit Investment	Non-subject Investment Property	Subject Property 2-4 Unit Primary Residence	Subject Property 1-4 Unit Investment	Non-subject Investment Property
<b>Appraisal Waiver</b>	DU allows for Appraisal Waivers on subject investment properties, only when rental income is not used for qualification purposes <sup>7</sup>		N/A	LPA does not allow ACE waivers for subject investment properties		N/A
<b>Appraisal Forms</b>	<b>Subject 1-unit Investment Properties</b> • Standard appraisal report + Single-Family Comparable Rent Schedule (Form 1007 or 1000)  <b>Subject 2-4 unit Properties</b> • Small Residential Income Property Appraisal Report (Form 1025 or 72)					
<b>Note:</b> The guidance provided in this matrix applies to standard AUS approved loan programs only. It does not address manually underwritten or High LTV Refinance/Enhanced Relief Refinance programs.						
<b>Footnotes</b>						
<sup>1</sup> Primary Residence HomeReady / Home Possible transactions: Maximum 2 financed properties						
<sup>2</sup> 7-10 Financed Properties: Minimum 720 FICO and AUS approval required						
<sup>3</sup> 2-4 unit Primary Residence: Rental income from the owner-occupied unit eligible from live-in aide only ( <b>Fannie Mae eligible only</b> )						
<sup>4</sup> Subject 1-unit Investment Property and non-subject Investment Property: Rental income eligible from ADU ( <b>Freddie Mac eligible only</b> )						
<sup>5</sup> 1-unit Primary Residence: Rental income eligible from live-in aide or from ADU under HomeReady / Home Possible transactions only						
<sup>6</sup> Second Home: Rental income eligible from live-in aide only ( <b>Fannie Mae eligible only</b> )						
<sup>7</sup> If the borrower is not using rental income from the subject property to qualify, the gross monthly rent must still be documented for lender reporting purposes (Fannie Mae & Freddie Mac requirement)						
<b>Important Links</b>						
<a href="#">Fannie Mae Selling Guide Section B3-3.1-08, Rental Income</a>						
<a href="#">Fannie Mae Top Trending Selling FAQs</a>						
<a href="#">Freddie Mac Selling Guide Section 5306.1 Rental Income</a>						
<a href="#">Freddie Mac Rental Income Matrix</a>						

**Supplemental Matrix A:** Additional matrix to help determine the maximum amount of rental income that a borrower can use to qualify

Maximum Rental Income		Borrower owns their primary residence	Borrower has 1 year history of investment property management	Rental Income MAY be used to qualify?	
				Fannie Mae	Freddie Mac
Subject Property NOO	Purchase	Yes	Yes	Yes	Yes
			No	Offset PITIA only	Offset PITIA only
	No	Yes	Yes	No	No
			No	No	No
	Refinance New rental (converted in past year)	Yes	Yes	Yes	Yes
			No	Offset PITIA only	Offset PITIA only
Refinance Seasoned rental (aka on Schedule E)	No	Yes	No	Offset PITIA only	
		No	No	Offset PITIA only	
Non Subject Property	New/converted rental anytime in past year	Yes	Yes	Yes	Yes
			No	Yes	Offset PITIA only
			Yes	Yes	Offset PITIA only
	Seasoned rental	No	Yes	Yes	Offset PITIA only
			No	Yes	Offset PITIA only
			Yes	Yes	Yes

