



Last Reviewed: 07/21/2025

## CALCULATING RENTAL INCOME FOR INVESTMENT PROPERTY PURCHASE

Conventional

### Overview

The example in this job aid provides guidance on how to calculate rental income for a new investment purchase.

### Documentation required

- Form 1007/1000 for single family residence property
- Form 1025/72 for 2–4-unit property
- Lease agreement if property is transferred to the borrower

### Reminders

- Gifts are not permitted on investment property.
- Maximum seller assist is 2% of the purchase price for an investment property purchase.
- 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 and Freddie Mac requirement).

### Calculation Method

The lesser of 75% of the lease agreement amount, 1007, or 1025.

### Scenario

In this scenario, the borrower is purchasing a new, **1-unit** investment property.

### Property Units

Verify the number of units on the property and ensure this is accurately reflected in Encompass.

UW Summary Property Type	T/Fannie Mae Review
ULDD Property Type	Condominium
Construction Method Type	1. Site-built
Construction Method Type	Site Built
Estimated Value	191,000
Appraised Value	224,000
Number of Units	1 Year Built 1986



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## Appraisal

The appraisal must be ordered and include either:

- 1007/1000 for a single-family purchase, or
- 1025/72 for a 2–4-unit property.

SINGLE FAMILY COMPARABLE RENT SCHEDULE							
Access Appraisal, LLC				240327d1 Re # 1006257			
This form is intended to provide the appraiser with a familiar format to estimate the market rent of the subject property. Adjustments should be made only for items of significant difference between the comparables and the subject property.							
ITEM	SUBJECT	COMPARABLE NO. 1		COMPARABLE NO. 2		COMPARABLE NO. 3	
Address	6111 Sunpointe Dr 103, Raleigh, NC 27606	6121 Sunpointe Dr Apt 301 Raleigh, NC 27606		6120 Sunpointe Dr Apt 105 Raleigh, NC 27606		6120 Sunpointe Dr Apt 201 Raleigh, NC 27606	
Proximity to Subject		0.03 miles NE		0.05 miles E		0.05 miles E	
Date Lease Begins	unk	06/2023		07/2022		02/2023	
Date Lease Expires	unk	annual; ongoing		annual; ongoing		annual; ongoing	
Monthly Rental							
If Currently Rented \$		\$ 1,400		\$ 1,375		\$ 1,375	
Less: Utilities		\$		\$		\$	
Furniture							
Adjusted Monthly Rent		\$ 1,400		\$ 1,375		\$ 1,375	
Data Source	borrower	TMLS#2514712:LADOM(16)		TMLS#2458824:LADOM(8)		TMLS#2489479:LADOM(12)	
tax records		tax records/CRS		tax records/CRS		tax records/CRS	
RENT ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(–)\$ Adjust.	DESCRIPTION	+(–)\$ Adjust.	DESCRIPTION	+(–)\$ Adjust.
Rent Concessions		none known		none known		none known	
Location/View	N/Res; N/Res;	N/Res; N/Res;		N/Res; N/Res;		N/Res; N/Res;	
Design and Appeal	GR3L;condo average	GR3L;condo average		GR3L;condo average		GR3L;condo average	
Age/Condition	36 C4	39 C3	-15	39 C3	-15	39 C3	-15
Above Grade Room Count	Total : Bdrms : Baths 5 : 2 : 2.1	Total : Bdrms : Baths 5 : 2 : 2.0	+15	Total : Bdrms : Baths 5 : 2 : 2.0	+15	Total : Bdrms : Baths 5 : 2 : 2.0	+15
Gross Living Area	1,196 Sq. Ft.	1,235 Sq. Ft.	0	1,175 Sq. Ft.	0	1,254 Sq. Ft.	0
Other (e.g., basement, etc.)	Onf						
Other:	avg amenities osp	avg amenities osp		avg amenities osp		avg amenities osp	
Net Adj. (total)			0		0		0
Indicated Monthly Market Rent			\$ 1,400		\$ 1,375		\$ 1,375
Comments on market data, including the range of rents for single family properties, an estimate of vacancy for single family rental properties, the general trend of rents and vacancy, and support for the above adjustments. (Rent concessions should be adjusted to the market, not to the subject property.) Rental properties are in demand within the marketing area due to the close proximity of employment centers and several area colleges. The subject is located in an area that is typically rented in 1 year increments and rental concessions are rare. The comparables used are considered to be reliable indicators of market rent for similar properties. *While the subjects appears to be tenant occupied, the subject is a FSO and I was unable to obtain a confirmed source of the current rental data; current rental leases are subject to review by the closing attorney.							
Comps 1-3 were given consideration while developing the market rent.							
Final Reconciliation of Market Rent: All of the rental comps are located within the subjects marketing area and, with adjustments, are considered to be reliable indicators of market rent for similar properties.							
I (WE) ESTIMATE THE MONTHLY MARKET RENT OF THE SUBJECT AS OF 03/27/2024 TO BE \$ 1,390							

## Rental Income Method

- 75% of gross monthly rent from appraisal is used.

## Encompass Summary

URLA-Lender Screen

- Gross Rental Income field = enter in \$1390.00
- Occupancy Rate field = enter in 75%

<b>Community Property State</b> <input type="checkbox"/> At least one borrower lives in a community property state. <input type="checkbox"/> The property is in a community property state.		<b>Project Type</b> Please select at least one. <input checked="" type="checkbox"/> Condominium <input type="checkbox"/> Planned Unit Development (PUD) <input type="checkbox"/> Cooperative <input type="checkbox"/> Property is not located in a project	
<b>Purpose of Loan</b> <input checked="" type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Cash-Out Refi <input type="checkbox"/> Construction - Perm <input type="checkbox"/> No Cash-Out Refi <input type="checkbox"/> Other -		<b>Attachment Type</b> Attached <b>Property Type</b> Condominium <b>Project Design Type</b> GardenProject - 1 to 3 stories	
<b>Property Will Be</b> <input type="checkbox"/> Primary <input type="checkbox"/> Secondary <input checked="" type="checkbox"/> Investment <input type="checkbox"/> FHA Secondary Residence		<b>Gross Rent</b> 1,390.00 <b>Occup. Rate</b> 75.00 %	