



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

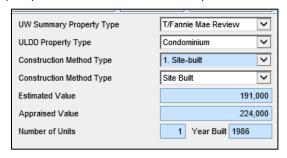
The lesser of 75% of the lease agreement amount, 1007, or 1025.

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.





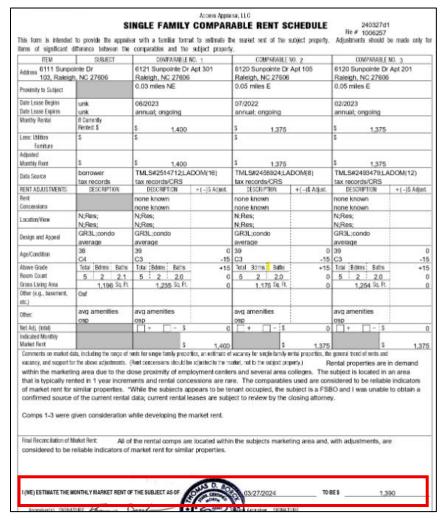
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Appraisal

The appraisal must be ordered and include either:

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



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%

Community Property State	Project Type
At least one borrower lives in a community property state.	Please select at least one.
☐ The property is in a community property state.	✓ Condominium
	Attachment Type Attached
	Property Type Condominium
	Project Design Type GardenProject - 1 to 3 stories
Purpose of Loan	Property Will Be
✓ Purchase ☐ Construction	Primary Gross Rent 1,390.00
Cash-Out Refi Construction - Perm	Secondary Occup. Rate 75.00 %
□ No Cash-Out Refi □ Other -	✓ Investment
	FHA Secondary Residence