



Last Reviewed: 07/21/2025

RENTAL INCOME PROPERTY EXPERIENCE JOB AID

Conventional

Overview

If a borrower currently owns a principal residence and has been receiving rental income for at least one year, or they have documented property management experience, there is no restriction on the amount of rental income that can be used.

Documentation required

- Borrower's most recent federal tax return including schedule E
 - Schedule E should reflect rental income for any property and 365 fair rental days
- Mortgage statement to confirm if taxes and insurance are escrowed

Additional documentation requirements

Fannie

- If the property has been owned for at least one year but has less than 365 fair rental days on schedule E, or the property was out of service for any period during the prior year, a current signed lease agreement must be used to supplement the federal income tax return.
 - Form 1007 or Form 1025 must support the income reflected in the lease.

Freddie

- If the property has been owned for at least one year but has less than 365 fair rental days on schedule E, or the property was out of service for any period during the prior year, a current signed lease agreement must be used to supplement the federal income tax return.
 - Form 72 or Form 1000 must support the income reflected on the lease.
 - Documentation verifying two months' receipt of rental payments or security deposit and receipt of first month's rent payment is required.

Calculation Method (Fannie and Freddie)

- When tax returns are used to calculate rental income, the lender can add back any listed depreciation, interest, HOA dues, taxes, or insurance (if escrowed).
 - Non-recurring property expenses can be added back if documented accordingly (e.g., one time repair).
- If the property was rented for the entire prior tax year, rental income is averaged over 12 months.
- When two years' returns are required and the property has been rented for the entire 24 months, rental income is averaged over 24 months.



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Scenario 1

In this scenario, the borrower has 2+ years' property management experience for an investment property confirmed by schedule E. The most recent tax return was provided.

- The Mortgage statement from borrower confirms taxes and insurance are escrowed.
- The total PITIA is **\$1774.00**.
- Total gross rental income is **\$21000.00** (\$1750/mo.)
- Insurance, interest, taxes, and depreciation were added back in for each year.
- Mortgage interest on schedule E showed \$0.00.

the cell with the Description of that Line.		Year	Year
Property:	16427 Glossy Loch, Clermont, FL 34714		2024
1 Total Gross Rental Income			\$21,000.00
2 Total Expenses			\$17,980.00
3 Depreciation			\$7,720.00
4 Taxes (IF included in mortgage payment)			\$3,510.00
5 Mortgage Interest			\$0.00
6 Insurance (IF included in mortgage payment)			\$690.00
7 Amortization/Casualty Loss/One Time Expense			\$0.00
Number of Months			12
Mortgage Payment			\$1,774.00
Average Gross Monthly Rent			\$1,750.00
Average Monthly Expenses			\$505.00
Average Monthly Net Income / Loss			-529

Rental Income Method

- $\$21000 - \$17980 + \$690 + \$3510 + \$7720 = \14940
- $14940/12 = \$1245 - \$1774.00 = -\$529.00$ for total net income used

Encompass Summary

- Gross Rental Income field = **\$1750.00**
- Taxes, Ins, Expenses field = average monthly expense amount from worksheet, **\$505.00**
- Net Rental Income/Loss = **-\$529.00**

Investment Property 16427 Glossy Loch, Clermont, FL 34714

VOM is for Date

☐ Print "See attached borrower's authorization" on signature line.

From

Title ☐ Print user's name ☐ Print user's job title

Phone

Fax

Property Information

Foreign Address ☐ Subject Property ☐

Street Address Property is used as

Unit Type

Unit #

City Property will be used as

State Other Description

Zip ☒ Include in Export (deselect if this is duplicated asset)

Country Number of Units

Attach/Show Liens ☐ Does Not Apply Mortgage Balance

Present Market Value Mortgage Payment

Property Status Gross Rental Income

Type of Property Taxes, Ins, Expenses

Purchase Price Percentage of Rental

Date Acquired Participation %

Pending Sale Date Net Income / Loss

Year Built

Comments

VOM



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Scenario 2

In this scenario, the property has been owned for at least one year, but has less than 365 fair rental days from schedule E.

- The property was purchased the year prior to tax returns that were provided in the month of March. The property has 150 fair rental days.

A Did you make any payments in 2022 that would require you to file Form(s) 1099? See instructions <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
B If "Yes," did you or will you file required Form(s) 1099? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
1a Physical address of each property (street, city, state, ZIP code)	
A	1643 Bennigan Dr Hilliard OH 43026
B	
C	
1b Type of Property (from list below)	2 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 1	A 150 Personal Use Days 0 QJV <input type="checkbox"/>
B	B Personal Use Days QJV <input type="checkbox"/>
C	C Personal Use Days QJV <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) _____	

- The Mortgage statement confirms taxes and insurance are not escrowed.
- The monthly mortgage payment is \$449.77.
- Taxes and insurance are documented for monthly amounts.
- The Property also has documented monthly HOA dues.
- The total PITIA is \$931.82.

Additional Documentation

- Because there is a rental history of less than 12 months, supporting documentation will be needed (e.g., CD from purchase, extensive repairs, etc.).
 - When documented can divide by 5 (Fair market days/30)

Schedule E

- Rent received is \$8050.00.
- Total expenses are \$8033.00.
- Taxes/insurance cannot be added back in since they are not escrowed.
- Mortgage interest can be added back in at \$994.00.
- No depreciation reported

the cell with the Description of that Line.		Year	Year
Property: 1643 Bennigan Dr Hillard OH 43026			2024
1 Total Gross Rental Income			\$8,050.00
2 Total Expenses	(\$8,033.00)
3 Depreciation			\$0.00
4 Taxes (IF included in mortgage payment)			\$0.00
5 Mortgage Interest			\$994.00
6 Insurance (IF included in mortgage payment)			\$0.00
7 Amortization/Casualty Loss/One Time Expense			\$0.00
Number of Months			12
Mortgage Payment		\$449.77	
Average Gross Monthly Rent		\$670.83	
Average Monthly Expenses		\$586.58	
Average Monthly Net Income / Loss		-366	



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Rental Income Method

- $\$8050.00 - \$8033 + 994 / 12 = \$84.25$
- $\$84.25 - \$449.77 = -\$365.52$ for total net income used

Encompass Summary

- **Gross Rental Income** field= **\$670.83** (\$8050.00/12)
- *Total rent received is divided by 12 even though the property has partially been active at 150 days of the year.*
- **Taxes, Ins, Expenses** field = average monthly expense amount from worksheet, **\$586.58**.
- Net rental Income amount is added for a total of **-\$365.52**

Investment Property		1643 Bennigan Dr, Hilliard, OH 43026	
VOM is for Borrower		Date //	
<input checked="" type="checkbox"/> Print "See attached borrower's authorization" on signature line.			
From			
Title	Loan Officer	<input type="checkbox"/> Print user's name	<input type="checkbox"/> Print user's job title
Phone	614-467-4400		
Fax	614-467-4400		
Property Information			
Foreign Address	<input type="checkbox"/>	Subject Property	<input type="checkbox"/>
Street Address	1643 Bennigan Dr	Property is used as	Investment Property
Unit Type		Property will be used as	Investment
Unit #		Other Description	
City	Hilliard	<input checked="" type="checkbox"/> Include in Export (deselect if this is duplicated asset)	
State	OH	Number of Units	1
Zip	43026		
Country	US		
<input type="button" value="Attach/Show Liens"/>		<input type="checkbox"/> Does Not Apply	
Present Market Value	150,000.00	Mortgage Balance	33,151.00
		Mortgage Payment	449.77
Property Status	R	Gross Rental Income	670.83
Type of Property	Condominium	Taxes, Ins, Expenses	586.58
Purchase Price	0.00	Percentage of Rental	
Date Acquired	03/08/2021	Participation %	
Pending Sale Date	//	Net Income / Loss	-365.52
Year Built			
Comments Taxes \$2962.56/12 = \$246.88 Ins \$302/12 = \$25.17 HOA Dues \$210			

Important Notes

Exception of adding back in repairs

- Need copies of all invoices and paid receipts that detail what each repair item was.
- Documentation must be reviewed by a credit underwriter to determine what can be added back in.
- Typical wear and tear of a property (cosmetic) is not considered an extraordinary, one-time expense/repair.

Taxes, Ins, Expenses field in Encompass

- This field is used for tax, insurance, and HOA dues, but for rental income scenarios, it is also used as total expenses after addbacks from schedule E.