

Guideline Comparison

Summary of Agency Guidelines for Converting Primary Home to Rental Property

Fannie Mae*	Freddie Mac*
Obtain signed lease for current home (or unit) which Borrower plans to convert into investment property.	Obtain signed lease for current home (or unit) which Borrower plans to convert into investment property.
Obtain 1 yr. Sch. E ¹ (tax returns), if applicable . <ul style="list-style-type: none"> • Applicable when: 2-, 3- or 4-Unit Primary is being vacated and occupied rental units' report existing income on Sch. E. 	Obtain 1 yr. Sch. E ¹ (tax returns), if applicable . <ul style="list-style-type: none"> • Applicable when: 2-, 3- or 4-Unit Primary is being vacated and occupied rental units' report existing income on Sch. E.
Calculate 75% of signed lease amount (for vacated unit). <ul style="list-style-type: none"> - Subtract monthly mortgage payment for converted property. = Use resulting amount as monthly qualifying income. <p style="text-align: center;"><i>(No landlord experience required.)</i></p>	<p>Obtain proof of 1 yr. landlord experience, if available.</p> Calculate 75% of signed lease amount (for vacated unit). <ul style="list-style-type: none"> - Subtract monthly mortgage payment for converted property. = <u>If no landlord experience</u>, offset actual PITIA only (any shortfall or negative amount is a debt.) = <u>With 1yr landlord experience</u>, positive net rental income used as income, (negative net rental income is a debt.)

*FNMA B3-6-06 Qualifying Impact and
 *FNMA B3-3.1-08 Documenting Rental Income from Property Other than the Subject Property

*FHLMC 5306.1c(iii) – Rental Income
 *FHLMC 5306.4(a)iii – Rental Income when property is placed in service as a rental property in the current calendar year obtain:
 • Lease AND:
 • Form 72 or 1000 **OR**
 • 2 mos. bank statement or canceled checks to verify receipt rental income
 • Purchase Date or Conversion Date must be documented

¹Add income from Sch. E analysis of other units to lease calculation of vacating unit being careful to subtract monthly PITIA only once.

