

Converting Primary Home to Rental Property – GSE Guideline Comparison*



Fannie Mae/Freddie Mac*
Obtain signed lease for current home (or unit) which Borrower plans to convert into investment property.
Obtain 1-year 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 proof of 1-year landlord experience, if available.
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 1-year landlord experience</u>, positive combined net rental income used as income, (negative combined net rental income is a debt).
Rental Income when property is placed in service as a rental property in the current calendar year obtain: <ul style="list-style-type: none"> Lease (For newly executed leases, the first payment due date must be no later than the 1st payment due date of the subject mortgage) AND: <ul style="list-style-type: none"> Form 72/1000 (FHLMC), Form 1007/1025 (FNMA) OR 2 months bank statement or canceled checks to verify receipt rental income or receipt of security deposit plus first months' rental payment. Purchase Date or Conversion Date must be documented.

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

*Referenced from FNMA and FHLMC Guidelines.

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