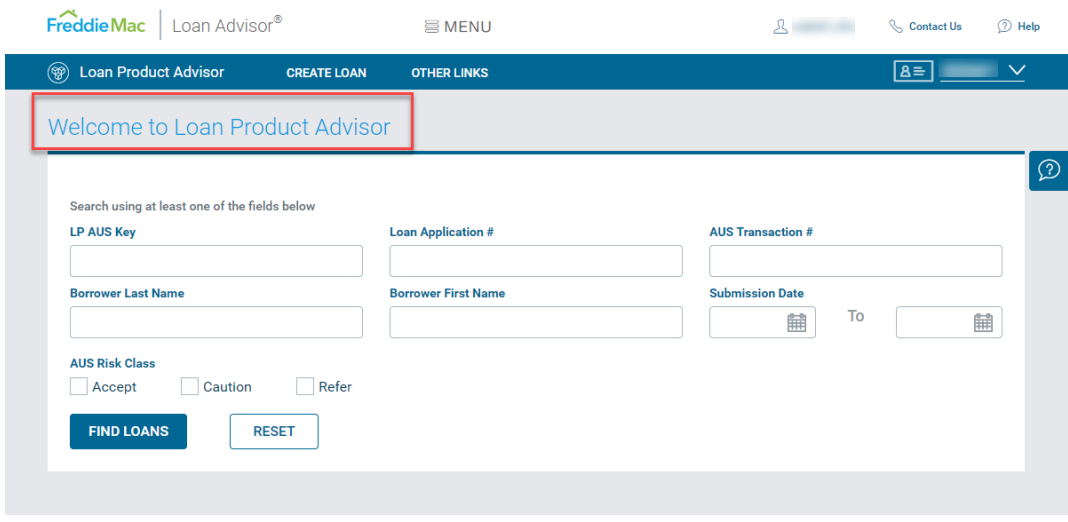
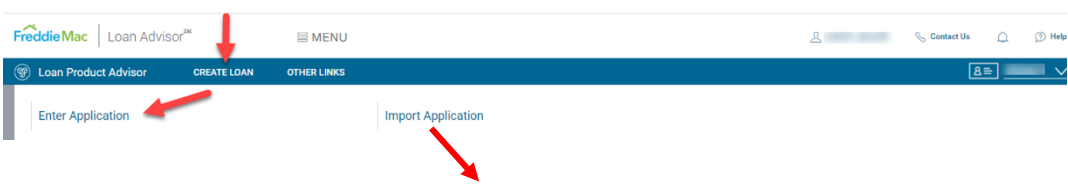


How to Enter Rental Income for a Subject Investment Property

Rental income may be used in qualifying the borrower(s) provided the requirements of Guide Chapter 5306 and the documentation requirements contained in Guide Sections 5102.3 and 5102.4 and Chapter 5302 are met.

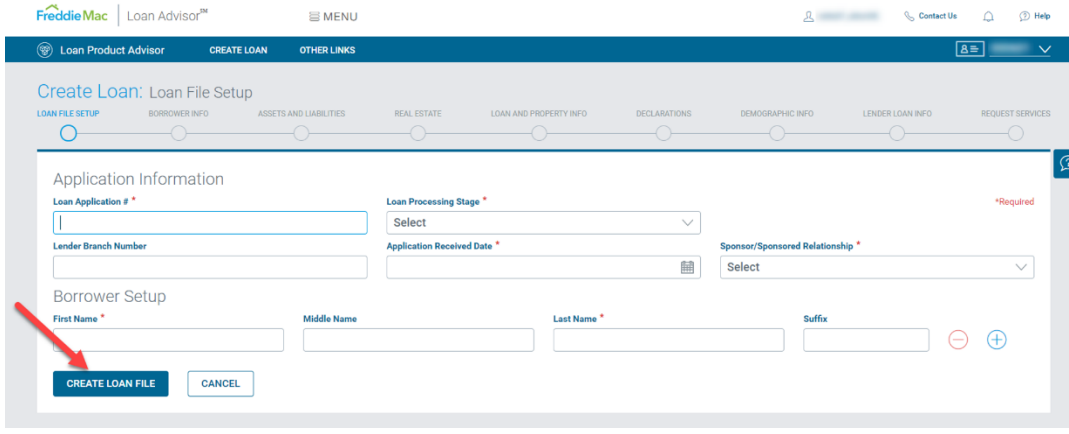
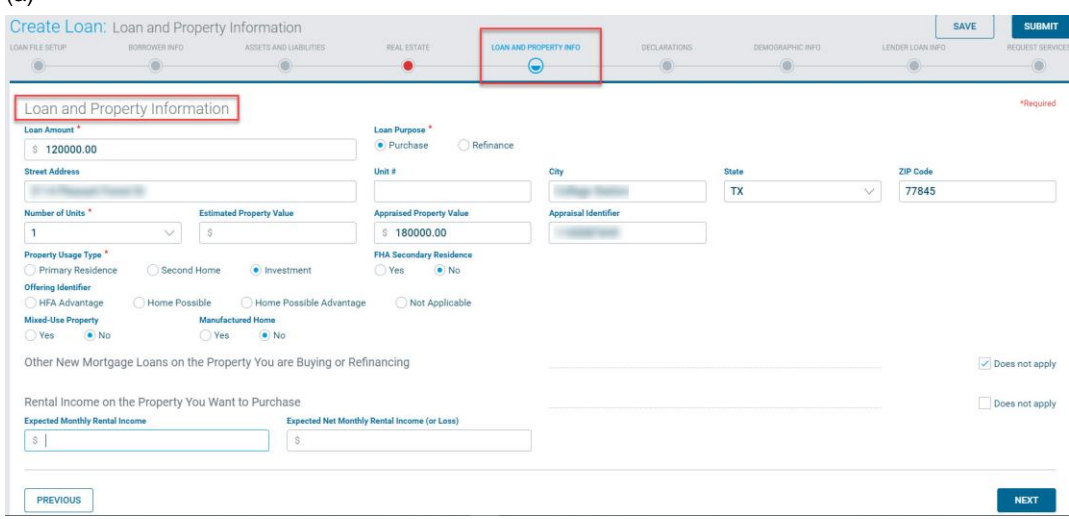
This document is for entering rental income generated from the **subject** investment property owned by the borrower through Loan Product Advisor® (LPASM).

Note: For rental income generated from a **non**-subject investment property (aka: Other Real Estate Owned (REO)) refer to [How to Enter Rental Income for a Non-Subject Investment Property](#) resource.

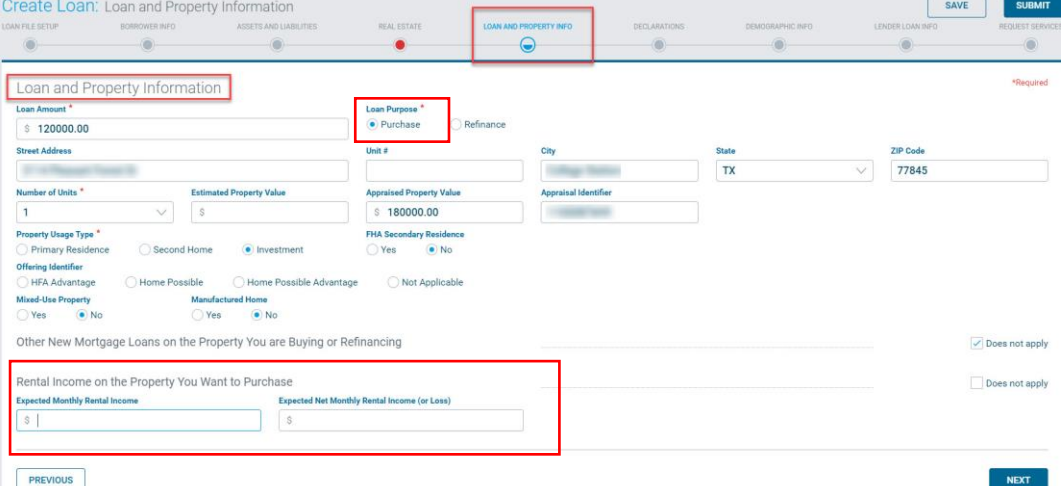
Steps	Results
1. After logging in to Loan Product Advisor, the Loan Product Advisor Welcome Page displays.	
2. Click on Create Loan and select Enter Application.	 <p>Note: You have the option to select “Import Application” to import the loan data into Loan Product Advisor.</p>

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Steps	Results
<p>3. Enter the loan information on the Loan File Setup metro stop and then select Create Loan File.</p>	
<p>4. Complete all the required fields as you navigate through each metro stop.</p>	<p>Tip: If you selected "Import Application" take the opportunity to review each metro stop for data accuracy.</p>
<p>5. (a) Purchase Transaction*: Navigate to the Real Estate metro stop to complete the "Property You Own" fields.</p> <p>*Refinance Transaction refer to Step 6</p>	<p>(a)</p>  <p>(Continued below)</p>

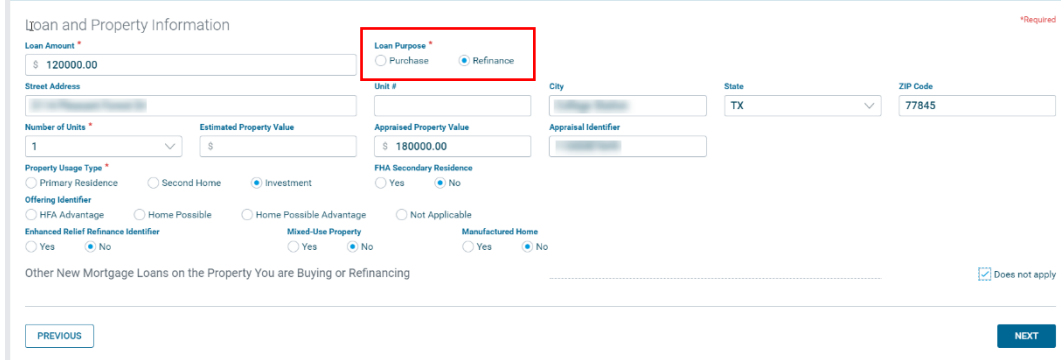
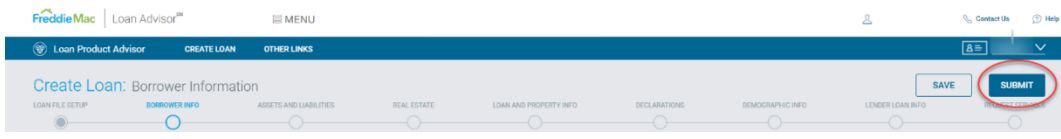


Steps	Results				
<p>(b) Enter rental income generated from a subject investment property in the “Rental Income on the Property You Want to Purchase” Section.</p>	<p>(b)</p>  <p>Determine rental income based on the requirements outlined in Guide Section 5306.1 and 5306.4.</p> <p>Note: Refer to Bulletin 2023-19, which announced updates to requirements for rental income. Sellers may implement the new requirements prior to the mandatory effective April 1, 2024 version of this section.</p> <p>Purchase transaction:</p> <ol style="list-style-type: none"> 1. Enter the gross monthly rent received in the Expected Monthly Rental Income field. 2. Calculate the subject property net cash flow* and enter in the Expected Net Monthly Income (or Loss) field. <p>*The net rental income/loss, as described in Guide Section 5306.4(a)(i)(iii), (e.g., 75% of the gross monthly rent or gross monthly market rent and subtract the proposed subject property monthly payment amount).</p> <p>Notes: LPA does not perform this calculation. When a value is entered in the Expected Net Monthly Income (or Loss) field LPA will not include the proposed subject property monthly payment in the total monthly debt-to-income ratio.</p> <p>Notes: If the property has a negative net monthly rental income value, use a “-” to indicate a negative amount. This negative value will be included in the borrower’s Total Monthly Debt.</p> <p>Rental Income on the Property You Want to Purchase</p> <table border="0"> <tr> <td>Expected Monthly Rental Income</td> <td>Expected Net Monthly Rental Income (or Loss)</td> </tr> <tr> <td>\$ 1600.00</td> <td>\$ -215.00</td> </tr> </table>	Expected Monthly Rental Income	Expected Net Monthly Rental Income (or Loss)	\$ 1600.00	\$ -215.00
Expected Monthly Rental Income	Expected Net Monthly Rental Income (or Loss)				
\$ 1600.00	\$ -215.00				



Steps	Results																																								
<p>6. (a) Refinance Transaction: Navigate to the Real Estate metro stop. Complete rental fields. Click "Add" to the right side.</p> <p>(b) Click, Add mortgage property ("+" icon under actions to the right side), complete fields.</p> <p>Displays rental income information from previous section</p>	<div data-bbox="487 336 1542 703"> <p>(a) Refinance Transaction</p> <p>The total monthly debt must include taxes, insurance, and HOA, Condo or Cooperative Corporation fees, as applicable, refer to Guide Section 5401.1. To avoid double counting a liability amount, include only the amount not entered as part of a mortgage liability.</p> </div> <p>Determine rental income based on the requirements outlined in Guide Section 5306.1 and 5306.4.</p> <p>Note: Refer to Bulletin 2023-19, which announced updates to requirements for rental income. Sellers may implement the new requirements prior to the mandatory effective April 1, 2024 version of this section.</p> <p>Refinance transaction:</p> <ol style="list-style-type: none"> 1. Enter the gross monthly rent received in the Gross Monthly Rental Income field. 2. Calculate the subject property net rental income, as described in Guide Section 5306.4(a)(i)(iii), and enter in the Net Monthly Rental Income field. <div data-bbox="487 1050 1542 1449"> <p>Notes: If the property has a negative net monthly rental income value, use a "-" to indicate a negative amount. This negative value will be included in the borrower's Total Monthly Debt.</p> <p>Notes: LPA does not perform this calculation. When a value is entered in the Net Monthly Income field LPA will not include the proposed subject property monthly payment in the total monthly debt-to-income ratio.</p> </div> <p>(b)</p> <table border="1"> <thead> <tr> <th>PROPERTY DETAILS</th> <th>MONTHLY INSURANCE, TAXES, ASSOC. DUES</th> <th>ESTIMATED PROPERTY VALUE</th> <th>ACTIONS</th> </tr> </thead> <tbody> <tr> <td>1 STATUS Retained</td> <td>--</td> <td>--</td> <td>[+]</td> </tr> <tr> <td>SUBJECT PROPERTY Yes</td> <td>PROPERTY USAGE TYPE (CURRENT) Investment</td> <td>PROPERTY USAGE TYPE (PROPOSED) Investment</td> <td></td> </tr> <tr> <td>JOINT REAL ESTATE WITH --</td> <td></td> <td>PROJECT STRUCTURE TYPE --</td> <td></td> </tr> <tr> <td>GROSS MONTHLY RENTAL INCOME \$800.00</td> <td>NET MONTHLY RENTAL INCOME \$-50.00</td> <td></td> <td></td> </tr> <tr> <td>Mortgages</td> <td>ACCOUNT NUMBER --</td> <td>CREDITOR NAME 123 lend</td> <td>[+]</td> </tr> <tr> <td></td> <td>MONTHLY MORTGAGE PAYMENT \$600.00</td> <td>UNPAID BALANCE \$115000.00</td> <td></td> </tr> <tr> <td></td> <td>PAID OFF AT OR BEFORE CLOSING Yes</td> <td>EXCLUDE FROM CALCULATIONS Yes</td> <td></td> </tr> <tr> <td></td> <td>JOINT MORTGAGE WITH --</td> <td>CREDIT LIMIT --</td> <td></td> </tr> <tr> <td></td> <td></td> <td>RESUBORDINATION INDICATOR No</td> <td></td> </tr> </tbody> </table>	PROPERTY DETAILS	MONTHLY INSURANCE, TAXES, ASSOC. DUES	ESTIMATED PROPERTY VALUE	ACTIONS	1 STATUS Retained	--	--	[+]	SUBJECT PROPERTY Yes	PROPERTY USAGE TYPE (CURRENT) Investment	PROPERTY USAGE TYPE (PROPOSED) Investment		JOINT REAL ESTATE WITH --		PROJECT STRUCTURE TYPE --		GROSS MONTHLY RENTAL INCOME \$800.00	NET MONTHLY RENTAL INCOME \$-50.00			Mortgages	ACCOUNT NUMBER --	CREDITOR NAME 123 lend	[+]		MONTHLY MORTGAGE PAYMENT \$600.00	UNPAID BALANCE \$115000.00			PAID OFF AT OR BEFORE CLOSING Yes	EXCLUDE FROM CALCULATIONS Yes			JOINT MORTGAGE WITH --	CREDIT LIMIT --				RESUBORDINATION INDICATOR No	
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Steps	Results									
<p>(c) Navigate to the Loan and Property Information metro stop. Select Refinance.</p>	<p>(c)</p>  <p>Notes: For a refinance transaction notice that the “Rental Income on the Property You Want to Purchase” section does not display on this page.</p>									
<p>7. Once all the required fields on each of the metro stops are complete, click Submit.</p>										
<p>8. The Loan Product Advisor Feedback Certificate will display.</p>	<p>Qualifying Ratios</p> <table border="1"> <tr> <td>PROPOSED HOUSING (PITI) \$1,415.00</td> <td>PRESENT HOUSING EXPENSE \$1,000.00</td> <td>TOTAL MONTHLY INCOME AMOUNT \$6,550.00</td> <td>TOTAL MONTHLY DEBT \$1,215.00</td> </tr> <tr> <td>HOUSING RATIO 15%</td> <td>DEBT RATIO 19%</td> <td>OCCUPANT HOUSING RATIO 15%</td> <td>OCCUPANT DEBT RATIO 19%</td> </tr> </table> <p>LPA adds the net rental income to the qualifying income if the net rental income is positive. If negative, LPA considers this loss as a liability and includes the amount in the total debt-to-income (DTI) ratio.</p> <p>Example:</p> <ul style="list-style-type: none"> Expected Net Rental Income/Loss: \$-215.00, refer to Step #5(b) Current primary residence housing expense: \$1,000.00 Subject investment property proposed housing (PITI) expense: \$1,415.00 <p>LPA includes the borrower’s current primary residence housing expense in the housing payment-to-income ratio and the net rental loss as a liability and includes in the total DTI ratio.</p>		PROPOSED HOUSING (PITI) \$1,415.00	PRESENT HOUSING EXPENSE \$1,000.00	TOTAL MONTHLY INCOME AMOUNT \$6,550.00	TOTAL MONTHLY DEBT \$1,215.00	HOUSING RATIO 15%	DEBT RATIO 19%	OCCUPANT HOUSING RATIO 15%	OCCUPANT DEBT RATIO 19%
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<p>9. Check out additional Loan Product Advisor resources.</p>	<p>Seller/Service Guide Chapter 5306</p> <p>Freddie Mac Learning: Loan Product Advisor Training website</p>	<p>Form 92</p> <p>Rental Income Matrix</p> <p>Rental Income webinar</p>								

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