



FNMA (DU) Underwriting Changes eff. For new casefiles submitted to DU on or after 4-1-20- Adding Refinance transaction to requirement.

Rental Income Policy: We are implementing new requirements for determining when rental income can be used for qualifying purposes. These changes are intended to support sustainable homeownership for borrowers purchasing **or refinancing** an investment property without a prior history of managing rental properties. This new policy may also help to address certain risks, such as reverse occupancy fraud.

If the borrower...	Then for qualifying purposes...
<ul style="list-style-type: none"> • currently owns a principal residence (or has a current housing expense), and • has at least a one-year history of receiving rental income or documented property management experience 	<p>there is no restriction on the amount of rental income that can be used.</p>
<ul style="list-style-type: none"> • currently owns a principal residence (or has a current housing expense), and • has less than one-year history of receiving rental income or documented property management experience 	<ul style="list-style-type: none"> • for a principal residence, rental income in an amount not exceeding the PITIA of the subject property can be added to the borrower's gross income, or • for an investment property, rental income can only be used to offset the PITIA of the subject property.
<ul style="list-style-type: none"> • does not own a principal residence, and • does not have a current housing expense 	<p>rental income from the subject property cannot be used.</p>

NOTE: *The DU message reminding lenders that rental income may not be used in qualifying if the borrower does not own a principal residence or have a primary housing expense is currently issued on purchase and refinance transactions. Lenders may disregard this requirement on refinance loan casefiles created prior to Apr. 1, 2020.*