Wholesale Announcement

Closed End Second and Fannie Mae Guideline Updates

Closed End Second Update

The following update is effective for loans **registered on or after September 11, 2026**,

Closed End Second Mortgage		
Topic	Previous Guideline	New Guideline
Geographic Restrictions	Closed End Second loans are eligible for Wholesale lending in AK, AL, AR, AZ, CA, CO, CT, GA, FL, ID, IL, IN, KS, KY, LA, MD, MI, MN, MO, MS, MT, NC, ND, NH, NJ, NM, NV, OK, OR, PA, SC, SD, TN, UT, VA, WA, WI, WY	Closed End Second loans are eligible for Wholesa lending in AK, AL, AR, AZ, CA, CO, CT, DE, GA, F IA, ID, IL, IN, KS, KY, LA, MD, MI, MN, MO, MS, M NC, ND, NH, NJ, NM, NV, OK, OR, PA, SC, SD, TI UT, VA, VT, WA, WI, WY

Fannie Mae Rental Income Guideline Update

The following update is effective for loans **registered on or after September 14, 2026**, and **applies to all loan products that follow Fannie Mae guidelines for rental income:**

Fannie Mae

FNMA/FHLMC Primary Cash-Out, Second Home, and Investment

Agency Plus

Clean Slate (Full Doc Only)

Closed End Second

Delegated HELOC

Marquee Jumbo

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Topic	**Previous Guideline**	**New Guideline**
Use of Lease Agreements for Determining Rental Income Fannie Mae Selling Guide SectionB3-3.8.01	If the borrower does not have a history of renting the property or if, in certain cases, the tax returns do not accurately reflect the ongoing income and expenses of the property, the lender may be justified in using a fully executed current lease agreement. Examples of scenarios that justify the use of a lease agreement are: • purchase transactions where there is an existing lease on the property that will transfer to the borrower; • refinance transactions where the borrower purchased the rental property during or subsequent to the last tax return filing; • refinance transactions for a property that experienced significant rental interruptions causing income to not be reported on the most recent tax return (for example, major renovation to a property occurred in the prior year that affected rental income); and • transactions where rental income is being used to qualify for any property placed in service in the current calendar year, for example, when converting a principal residence to an investment property.	The lender may only use a lease agreement to determine qualifying rental income from an investment property when one of the following scenarios applies: • purchase transactions where there is an existing lease agreement(s) on the property that will be transferred to the borrower; • the borrower purchased the rental property during or subsequent to the last tax return filing; • the property experienced significant rental interruptions causing income to not be reported on the most recent tax return (for example, major renovation to a property occurred in the prior year that effected rental income); • rental income is being used to qualify for any property placed in service in the current calendar year; or • the lender determines that some other situation warrants the use of a lease agreement with appropriate explanation and justification in the loan file. The lender is not permitted to use a lease agreement to determine qualifying rental income from an investment property in the following scenarios: • the investment property is a departing residence, or • for investment properties purchased within 45 days of the subject property.

Lease Agreement Requirements
 	
Fannie Mae Selling Guide SectionB3-3.8.01
	When using a lease agreement, the lease agreement amount must be supported by:
	• Form 1007 or Form 1025, as applicable, or
	• evidence the terms of the lease have gone into effect. Evidence must include a minimum of:
	  o two months consecutive bank statements or electronic transfers of rental payments for existing lease agreements, or
	  o copies of the security deposit and first full month's rent check with proof of deposit for newly executed agreements.
		If the lender uses a lease agreement for determining qualifying income, the following requirements must be met:
		• The rental payment on the lease must be reflected in U.S. dollars and cannot be in virtual currency.
		• For newly executed lease agreements (dated within two months of the loan application), properties not reported on the individual federal income tax return (IRS Form 1040) must contain a minimum term of at least six months, with the initial rental payment due on or before the first payment due date of the subject mortgage.
		Note: For properties reported on the individual federal income tax return (IRS Form 1040) have no minimum term requirements.
		The lender must also confirm lease agreements for subject and non-subject properties not reported on the borrower's most recent individual federal income tax return (IRS Form 1040) satisfy the following requirements:
		• The agreement(s) cannot be with an interested party or family member.
		• The lender must obtain evidence that the terms of the lease have gone into effect by obtaining the most recent two consecutive months of bank statements or electronic transfers of rent payments showing an identifiable rental amount for the related property that aligns with the lease agreement; or

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Topic	**Previous Guideline**	**New Guideline**
		◦ **If the lease agreement is newly executed, in lieu of providing the most recent two consecutive months of bank statements or electronic transfer of rent payments, the lender may instead obtain copies of the security deposit and the first full month's rent check/money orders with proof of deposit, or electronic transfers showing identifiable deposit and rental amounts; or** ◦ **Regardless of the age of the lease agreement, in lieu of providing the most recent two consecutive months of bank statements or electronic transfer of rent payments, the lender may instead obtain evidence of a property management agreement, not associated with the borrower or an interested party, along with proof of rents paid for the most recent two consecutive months.** **Note: Any variance between the documented rental income and the rental amount reflected in the lease agreement must be adequately explained by the borrower or property management company. The lender must retain all documentation to evidence the explanation in the loan file.**
Rental Income from the Subject Property	Silent	**If the current market rents do not reasonably support the gross rents reported on the lease agreement, the lender must:** • **determine if additional documentation is necessary to support income stability,** • **provide a written analysis explaining the discrepancy, and to justify their determination that the rental**

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Fannie Mae Selling Guide Section B3-3.8-02		income used in qualifying the borrower is stable and reasonably expected to continue; or • use the lesser amount.
Rental Income from the Subject Property: Short-Term Rental Fannie Mae Selling Guide SectionB3-3.8.03	Silent on specific topic of Short-Term Rentals. Previously, only permitted with history documented on tax returns.	**Eligibility:** The following properties are eligible: • One-unit investment properties only. • The property must be legally permitted to operate as a short-term rental, including compliance with all applicable local registration and licensing requirements. • Short-term rental income cannot be derived from an ADU. **Documentation to Determine Monthly Gross Rental Income:** The lender must document current housing payment to use any rental income from the subject property in qualifying[1] Purchase: • The Single-Family Comparable Rent Schedule (Form 1007) must be completed based on standard long-term rentals, or • The lender must obtain validated rental data for other short-term rentals from ◦ Multiple Listing Service (MLS), or

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		◦ Property management companies. Validated rental data must include: • three comparable short-term rental properties. Comparable rental properties should be from within the same market area (including subdivision or project) as the subject property, when possible; • daily, weekly, and/or monthly rental rates for these comparables; • number of days rented in the last calendar year; and • relevant factors that could impact the property's use as a short-term rental, if applicable. The lender must retain all documentation used to determine monthly market rents in the loan file. Refinance: • The most recent individual federal income tax return (IRS Form 1040), which include Schedules 1 and E, regardless of whether the subject property is listed on the tax return. • If the subject property is not yet reported on the most recent individual federal income tax return (IRS Form 1040), the lender must also obtain the following: ◦ Form 1007 completed based on standard long-term rentals, or ◦ validated rental data for other short-term rentals from ▪ Multiple Listing Service (MLS), or

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		▪ property management companies. Validated rental data must include: • three comparable short-term rental properties. Comparable rental properties should be from within the same market area (including subdivision or project) as the subject property, when possible; • daily, weekly, and/or monthly rental rates for these comparables; • number of days rented in the last calendar year; and • any relevant factors that could impact the property's use as a short-term rental, if applicable. **Determination of Qualifying Rental Income** Purchase: To determine adjusted net rental income (ANRI), the lender must select either • the monthly market rent established by Form 1007, or • the validated market rental rates obtained by third party sources. To complete the calculation, the lender must • multiply the monthly gross rental amount by 50% to determine the net rental income[2], then • subtract the PITIA. • (The remaining 50% accounts for vacancy losses and maintenance expenses.)

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		Note: To determine the monthly market rent for the validated rental data, the lender must
		• average the daily, weekly, or monthly rental rate from the three comparables, and
		• multiply it by the average number of days rented from the same comparables.
		
		Example:
		Form 1007 or third-party validated market rental rate x .50 = Net Rental Income
		Net Rental Income - PITIA = ANRI
		If ANRI is positive, the lender may use the rental income to offset the PITIA only.[3]
		If ANRI is negative, the lender must include the amount in the DTI ratio.[3]
		
		<u>Refinance:</u>
		To determine adjusted net rental income (ANRI)
		• If the subject property is reported on Schedule E of the most recent individual federal income tax return (IRS Form 1040), the lender must
		  ○ calculate net rental income by performing a cash flow analysis[3] using Schedule E,
		  ○ average the results over 12 months, then
		  ○ subtract the PITIA of the subject property.

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		• If the subject property is not reported on Schedule E of the most recent individual federal income tax return (IRS Form 1040), the lender must
		  ○ multiply the monthly gross rental amount by 50%,[2] then
		  ○ subtract the PITIA of the property.
		Note: To determine the monthly market rent for the validated rental data, the lender must
		• average the daily, weekly, or monthly rental rate from the three comparables, and
		• multiply it by the average number of days rented from the same comparables.
		If ANRI is positive, the lender may use the rental income to offset the PITIA only.[3]
		
		If ANRI is negative, the lender must include the amount in the DTI ratio.[3]
		
		Note: Cashflow of the subject property equals the net amount on Schedule E plus any depreciation, interest, homeowners' association dues, taxes, or insurance expenses divided by the number of months as noted above. The lender may add back non-recurring property expenses, if documented accordingly.
		
		[1] See Eligibility Standards for Qualifying Rental Income in B3-3.8-01 – General Rental Income Information

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		[2]See Rental Income Calculation Tools in B3-3.8-01, General Rental Income Information for additional information. [3]See Treatment of Rental Income (or Loss) in B3-3.8-01, General Rental Income Information for additional information.
Rental Income from the Non-Subject Property: Departing Residence Fannie Mae Selling Guide SectionB3-3.8-05	• Copy of lease on the departing residence • Proof of security deposit or first month's rent • 75% of the gross lease amount could be used to offset or add to income • If Borrower lacked 12 months rental management experience, the rental income could only offset the PITIA and not add rental income.	**Eligibility:** A primary residence that will be vacated and converted to an investment property when the borrower purchases a new primary residence **Documentation Required to Determine Monthly Gross Rental Income:** The lender must document a current housing payment to use any rental income from the departing residence in qualifying[1] and must include all documentation used to determine monthly market rents in the loan file. Documentation may include: • a complete appraisal report that includes market rents, or • a Single-Family Comparable Rent Schedule (Form 1007) for the occupied unit, or • market analysis tools to determine the gross rental income amount, such as Zillow, Redfin, MLS, etc. When using these tools, the lender must obtain at least three comparable rental properties. Comparable rental properties should be from within the same market area (including subdivision or project) when possible. When the departing residence is a multi-unit property,

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		the market analysis information should be limited to the borrower-occupied unit. Note: Lease agreements are not permitted for any departing residence. In addition, for a multi-unit property, the lender must obtain the most recent year of individual federal income tax returns (IRS Form 1040) to support rental income received for tenant occupied properties. **Determination of Qualifying Rental Income:** To determine adjusted monthly net rental income (ANRI), the lender must • multiply the monthly gross rent(s) by 75% for the net rental income amount,2 then • subtract the PITIA for the departing residence. If ANRI is positive, the lender may use rental income to offset the departing residence PITIA only.[3] If ANRI is negative, the lender must include the amount in the DTI ratio.[3] Note: For multi-unit departing residences, the lender must calculate the rental income for tenant occupied units in accordance with the rental income for non-subject property guidance and only apply the vacancy factor to the borrower-occupied unit. See B3-3.8-04, Rental Income from Non-Subject Property and Treatment of Rental Income (or Loss) in B3-3.8-01, General Rental Income Information for additional information.

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		Additional Reserves: **The lender must verify the borrower has six months of reserves to cover the PITIA obligation for the vacated property when the borrower has less than 12 months of property management experience.** **Note: The six-month reserve requirement calculated by the lender is in addition to any reserves required for multiple-financed properties. Also, when converting the principal residence to an investment property, see B3-6-06, Qualifying Impact of Other Real Estate Owned, for guidance in using that rental income to qualify the borrower.** **[1] See *Eligibility Standards for Qualifying Rental Income* in B3-3.8-01, General Rental Income Information for current housing payment requirements.** **[2] See *Rental Income Calculation Tools* in B3-3.8-01, General Rental Income Information for additional information.** **[3] See *Treatment of Rental Income (or Loss)* in B3-3.8-01, General Rental Income Information for additional information.**
Rental Income from the Non-Subject Property: Investment	Silent	**Eligibility:** **One- to four-unit investment properties are eligible**

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Properties Purchased within 45 Days of the Subject Property Fannie Mae Selling Guide SectionB3-3.8-06		**Documentation Required to Determine Monthly Gross Rental Income:** The lender must document current housing payment to use any rental income in qualifying 1 and must include all documentation used to determine monthly market rents in the loan file. Documentation may include: • a complete appraisal report (Form 1004 or Form 1025) for the non-subject property that includes the market rents. (Note: The appraisal report for the non-subject property may be from the original loan application date); or if no appraisal is available, then • a Single-Family Comparable Rent Schedule (Form 1007) for a single-unit property, or • market analysis tools may be used on multi-unit properties to determine the gross rental income amount, such as Zillow, Redfin, MLS, etc. When using these tools, the lender must obtain at least three comparable rental properties. Comparable rental properties should be from within the same market area (including subdivision or project) when possible. Note: Lease agreements are not permitted for investment properties purchased within 45 days of the subject property. **Determination of Qualifying Rental Income:** To determine adjusted net rental income (ANRI), the lender must

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		• multiply the monthly gross rent(s) by 75% for net rental income,[2] then • subtract PITIA of the related property. If ANRI is positive, the lender may use rental income to offset the PITIA only.[3] If ANRI is negative, the lender must include the amount in the DTI ratio.[3] [1] See *Eligibility Standards for Qualifying Rental Income* in B3-3.8-01, General Rental Income Information for current housing payment requirements. [2] See *Rental Income Calculation Tools* in B3-3.8-01, General Rental Income Information for additional information. [3] See *Treatment of Rental Income (or Loss)* in B3-3.8-01, General Rental Income Information for additional information.

We appreciate your business!