Rental Income Worksheet

Business Rental Income from non-subject Investment Property(s): Qualifying Impact of Mortgaged Investment Property PITIA Expense

	Documentation Required: ▪ IRS Form 8825 (filed with either IRS Form 1065 or 1120S) OR ▪ Lease Agreement	Enter	Property Address	Property Address	Property Address	Property Address
	Enter the mortgagee and the mortgage loan account number.	Enter	Mortgagee/#	Mortgagee/#	Mortgagee/#	Mortgagee/#
	Step 1. When using IRS Form 8825, determine the number of months the property was in service by dividing the Fair Rental Days by 30. *If Fair Rental Days are not reported, the property is considered to be in service for 12 months unless there is evidence of a shorter term of service.*					
	Step 1. Result: Enter The number of months the property was in service:	**Result**				
	Step 2. Calculate monthly property cash flow using Step 2A: IRS Form 8825 OR Step 2B: Lease Agreement.					
	Step 2A. IRS Form 8825 (IRS Form 1065 or 1120S) **For each property complete ONLY 2A or 2B**					
A1	Enter gross rents received.	Enter				
A2	Enter total expenses.	Subtract				
A3	Enter insurance expense.	Add				
A4	Enter mortgage interest paid.	Add				
A5	Enter tax expense.	Add				
A6	Enter homeowners' association dues. *This expense must be specifically identified on Form 8825 in order to add It back.*	Add				
A7	Enter depreciation expense or depletion.	Add				
A8	Enter any one-time extraordinary expense (e.g., casualty loss). *There must be evidence of the nature of the one-time extraordinary expense.*	Add				
	Equals adjusted rental income.	Total	0	0	0	0
A9	The number of months the property was in service (Step 1 Result).	Divide	0	0	0	0
	Equals adjusted monthly rental income	Total	0	0	0	0
A10	Enter PITIA (for non-subject property).	Subtract				
	Step 2A. Result: Monthly property cash flow:	**Result**	0	0	0	0
	Step 2B. Lease Agreement **For each property complete ONLY 2A or 2B** *This method is used in certain circumstances (e.g., when the property was acquired subsequent to the most recent tax filing or the lender has justification for using a lease agreement).*					
B1	Enter the gross monthly rent (from the lease agreement) *For multi-unit properties, combine the monthly qualifying income of all rental units.*	Enter				
B2	*The remaining 25% accounts for vacancy loss, maintenance, and management expenses.*	Multiply	x.75	x.75	x.75	x.75
	Equals adjusted monthly rents.	Total	0	0	0	0
B3	Enter proposed PITIA (for subject property) or existing PITIA (for non-subject property).	Subtract				
	Step 2B. Result: Monthly property cash flow:	**Result**	0	0	0	0

Step 3. **Determine qualifying impact of the mortgaged investment property PITIA expense.**

If the result of Step 2A or 2B is **negative,** include this loss, not to exceed the monthly PITIA expense, in the debt-to-income ratio.

If the result of Step 2A or 2B is positive, the full amount of the PITIA expense has been offset. Do not include it in the debt-to-income ratio..

Important: This worksheet provides a means of calculating an offset to the monthly PITIA. To add any net income to the borrower's qualifying income, additional requirements apply (e.g., two-year history vs. one-year history). Refer to the Self-Employment Income topic in the Selling Guide.

DU Data Entry	**Monthly Income and Combined Housing Expenses**	**Mortgage Liabilities**	**Real Estate Owned**
Non-Subject Property	Enter the amount of the negative monthly property cash flow in "Net Rental." If the monthly property cash flow is positive, enter $0.00	Identify the mortgage as a rental property lien.	If REO Schedule is completed, confirm that the "Net Rental Income" field reflects either ▪ the amount of the property cash flow if it is negative, or ▪ $0.00 if the monthly property cash flow is positive.

Refer to the Rental Income topic in the Selling Guide for additional guidance.