



WHOLESALE ANNOUNCEMENT 2023-75

December 14, 2023

Fannie Mae Updates



Effective Date

Effective for new loan applications on or after January 1, 2024

Guideline Updates:

Rental Income

- Fannie Mae has aligned the use of rental income that can be considered for qualifying purposes for non-subject rental properties that have become rental properties within the last 12 months (investment properties or two- to four-unit primary residences), with that of rental income earned from the subject property. This update will require the borrower to have a primary housing expense and at least a one-year history of property management experience to use the full amount of rental income towards qualifying, otherwise the amount may be limited.
- When rental income is considered from multiple rental properties, the income or loss is calculated on a per property basis but then aggregated for non-subject properties so the total amount of either income or loss across all rental properties is considered in the calculation of the borrower's total debt-to income ratio.
- Documentation requirements for lease agreements have been amended. Form 1007 or Form 1025 must support the income reflected on the lease agreement or the lease agreement must provide evidence that the terms of the lease have gone into effect with proof of receipt for at least two-month's rental payments.

Self-Employed Borrowers

- For borrowers using self-employment income to qualify, Fannie Mae requires a two-year history of the borrower's prior earnings as a means of demonstrating the likelihood that the income will continue to be received, but allows a shorter history in certain circumstances. The Selling Guide has been updated to clarify the requirements for use of self-employment income when the borrower has less than a two-year history of self-employment. These clarifications include a requirement for the signed personal and business federal income tax returns to reflect a minimum of 12 months of self-employment income from the current business.
- The Selling Guide currently requires that self-employment income be documented with the most recent two years of personal and business tax returns. When a loan is underwritten through DU, DU may determine that only one year of tax returns is required to document self-employed income. To provide more transparency for this documentation policy, Fannie Mae has updated the policy to allow one year of personal and business tax returns when:
 - All self-employed businesses have been in existence for five years, and
 - The borrower has had a 25% or greater ownership interest for the last five consecutive years

Fannie Mae Product Announcement has been posted on FCM's

Wholesale Knowledge Center

Should you have any questions, please reach out to your Account Executive or Client Manager

