

Effective Date

Effective for all applications dated on or after February 1, 2026

Update:

Rental Income Updates - Uniform documentation requirements and additional updates

Fannie Mae has updated the Selling Guide to align documentation requirements for loans with rental income reported on partnership or S corporation federal business tax returns using Form 8825 with those applicable to rental income reported on Schedule E of federal personal tax returns.

- When the borrower receives only rental income reported on the Schedule K-1, lenders must obtain the most recent one-year federal business income tax return for rental income reported on Form 8825. This aligns with documentation requirements for rental income reported on Schedule E for individual borrowers.
- Additionally, all rental income reported on partnership or S corporation returns using Form 8825 will now be classified as self-employment income, regardless of the borrower's personal obligation on the associated mortgage.

These changes and other minor clarifications throughout the topic will promote consistency in income analysis and ensure alignment with existing self-employment income documentation standards.

Lenders may immediately disregard DU messages requiring two year's federal business returns and K-1s when only rental income is reported for self-employment or for Schedule K-1 income with less than 25% ownership. DU version 12.1 messaging will be updated in Q1 2026.

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