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**Mortgage Tidbits**

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**Keeping you informed and in the know….**

**Second Homes with Rental Income**

Fannie and Freddie both are in agreement when it comes to rental income on second homes, under no circumstances can it be used for qualifying income. If the rents received from the second home are used for qualifying, then the definition of a second home would not be applicable, and the home would be considered a rental property.

That does not mean that no rental income can be generated at all! Second homes are subject to a few rules when rental income is present on a Schedule E, take a look below!

* **It must be indicated that the borrower(s) will still occupy the property for a portion of the year**
* **The borrower(s) must have complete control over the property**
* **Must be suitable for year-round occupancy**
* **Limited to 1-unit dwellings**
* **Cannot be a rental property or a timeshare agreement**

Be aware of borrowers trying to convert an already existing rental property into a second home with no reasonable documentation to support it.

When it comes to rental income, the best way to determine what can or cannot be used is to let your Loan Officer review the tax returns for income analysis. With this information and a full application for the details, they can help the potential client determine how best to go about purchasing their next home.

**Call us today for the best answers to the mortgage questions!**

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