Fannie Mae

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HomeReady Accessory Unit Income and Boarder Income Flexibilities

HomeReady® mortgage's accessory unit income and boarder income flexibilities help to meet the diverse needs of today's home buyers by expanding access to creditworthy low-income borrowers. HomeReady recognizes that income from accessory units and boarders can be a steady source of income for many homeowners, from millennials to seniors. That's why HomeReady includes both types, with proper documentation, as a part of qualifying income.

Accessory Unit Income Requirements

- An ADU is typically an additional living area independent of the primary dwelling that may have been added to, created within, or detached from a primary one-unit dwelling. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be on the same parcel as the primary one-unit dwelling. Additional information related to accessory units is provided in *Selling Guide* section B4-1.3-05, Improvements Section of the Appraisal Report.
- Income generated from an accessory unit can be considered as rental income under HomeReady in accordance with our standard rental income guidelines, and entered into Desktop Underwriter on the 1.e Income from Other Sources screen.
- In addition to a traditional 1004 appraisal, a Single-Family Comparable Rent Schedule (Form 1007) must be included in the appraisal. Although the form applies to a single-family investment property, Fannie Mae will accept the use of this form with an explanation from the appraiser that the estimated market rent is for the rental of an accessory unit on a 1-unit, principal residence property, and that the information reported on the form is specific to the accessory unit. If the appraiser is unable to find ADU rentals to use as comparables, the appraiser may use similar non-ADU rental properties and adjust for factors that affect market rent. See B3-3.1-08, Documenting Rental Income from Subject Property.

Sample Scenario #1: Accessory Unit Income*

A couple is purchasing a 1-unit property that has an accessory unit over the garage. They have a tenant who has already executed a lease agreement to rent the property after purchase. This sample scenario also applies to a Limited Cash-Out Refinance transaction.

The lease agreement, supported by the Single-Family Comparable Rent Schedule (Form 1007), indicates that the monthly rent for the accessory unit is $550. The rental income that can be considered for qualifying purposes is $412.50 ($550 rent listed in the lease agreement multiplied by 0.75 to account for any vacancy or loss =$412.50). The full mortgage payment on the subject property (PITIA) is included in the borrowers' liabilities amount shown below.

	Borrowers' Income **$6,000/month**	Borrowers' Liabilities **$3,100/month**	=	DTI Ratio $3,100/$6,000 = 51.66% **NOT ELIGIBLE**
	Rental Income from the Accessory Unit **$412.50/month**			
Total:	**$6,412.50/month**	**$3,100/month**	=	DTI Ratio $3,100/$6,412.50 = 48.34% **ELIGIBLE**

Sample scenarios are intended for informational purposes only; depending on other risk factors not shown in this example, Desktop Underwriter® (DU®) recommendation may differ.

Boarder Income Requirements

- Up to 30% of qualifying income can come from boarder income.
- Borrower must provide documentation for at least 9 of the most recent 12 months (averaged over 12 months) and documentation of shared residency for the past 12 months.

Sample Scenario #2: Boarder Income*

A single woman plans to purchase a new home. She has had a roommate sharing living quarters with her for the past 12 months, and the roommate plans to live in the newly purchased home.

The roommate pays $375 per month in rent. The borrower has provided documentation to validate the 12 months of prior shared residency. She has canceled checks to document the payment of $375 from the roommate for 10 of the most recent 12 months.

The boarder income that can be considered for qualifying purposes is $375 multiplied by 10 months received = $3,750. Because the borrower is unable to document a full 12-month history, this amount is divided over 12 months ($3,750/12 months). The total monthly boarder income that can be considered is $312.50.

	Borrowers' Income **$6,000/month**	Borrowers' Liabilities **$3,100/month**	=	DTI Ratio $3,100/$6,000 = 51.66% **NOT ELIGIBLE**
	Rental Income from the Boarder **$312.50/month**			
Total:	**$6,312.50/month**	**$3,100/month**	=	DTI Ratio $3,100/$6,312.50 = 49.11% **ELIGIBLE**

NOTE: **Sample scenarios are intended for informational purposes only; depending on other risk factors not shown in this example, the DU recommendation may differ.*

Boarder income may be underwritten in DU or manually. For more information on boarder income, refer to *Selling Guide* section B5-6-02, HomeReady Mortgage Underwriting Methods and Requirements.

Accessory unit rental income may be underwritten in DU or manually. For more information on calculating rental income, refer to *Selling Guide* section B3-3.1-08, Rental Income.

Find more HomeReady resources at https://www.fanniemae.com/singlefamily/homeready.