

**Announcement #25-23****Date:** March 07, 2025

## Updated FHA Guidelines for Rental Income from Boarders

In conjunction with FHA ML 2025-04, Pennymac will allow rental income from boarders to qualify for an FHA-insured mortgage, subject to the requirements outlined below. This update is effective for FHA case numbers assigned on or after 3/14/2025.

### Eligibility:

- Rental income from boarders can be considered effective income, subject to the following:
  - The occupying borrower has a 12-month history of receiving such income and is currently receiving it.
  - The boarder income does not exceed 15% of total monthly effective income
  - Minimum 680 FICO score for occupying borrowers
- Ineligible for manually underwritten loans.

### Documentation Requirements:

Evidence of rental history over the previous 12 months, validated as follows:

- A copy of the executed written agreement documenting the boarding terms and the boarder's intent to continue boarding with the borrower; and
  - Bank statements; or
  - Canceled checks
  - Note: Tax returns and deposit slips are not eligible for validation purposes.
- Evidence that the boarder's address is the same as the borrower's address.

### Calculation of Effective Income:

- Use the lesser of the 12-month average or the current rent documented in the written lease agreement.
  - Where rental income from Boarders has been documented for at least 9 of the last 12 months, the rental income must be averaged over a 12-month period.

Please contact your Sales Representative with any questions.