

Lender Job Aid

Second Home with Rental Income

April 2015

This lender job aid provides guidance for underwriting a refinance of a second home with reported rental income.

Question

One of the requirements for second homes is that the property may not be a “rental property.” If the borrower is refinancing a second home and reports receiving rental income from the subject property – either on Schedule E of their income tax returns or on some other documentation in the loan file – can the transaction be eligible as a second home?

Answer

Yes, as long as rental income from the property is not used to qualify and the borrower continues to occupy the property as their second home, it is not considered “rental property” and the loan is eligible as a second home, if all of the other Second Home Requirements in the *Selling Guide* ([B2-1-01: Occupancy Types](#)) are met (see below).

✓	Second Home Requirements
	must be occupied by the borrower for some portion of the year
	must be a one-unit dwelling
	must be suitable for year-round occupancy
	the borrower must have exclusive control over the property
	must not be a rental property or a timeshare arrangement
	cannot be subject to any agreements that give a management firm control over the occupancy of the property