



FHA INFO 2024-79

November 20, 2024

FHA Proposes Greater Flexibilities for Borrowers Using Rental Income from Individuals Renting Space Inside the Borrower's Home

Today, the Federal Housing Administration (FHA) posted draft Mortgagee Letter (ML), *Revisions to Policies for Rental Income from Boarders of the Subject Property*, on [FHA's Office of Single Family Housing Drafting Table](#) (Drafting Table) for industry feedback.

This draft ML proposes greater flexibilities for borrowers using income received from individuals who rent space in borrowers' homes, referred to as boarders in [Single Family Housing Policy Handbook 4000.1](#), to qualify for an FHA-insured mortgage. These proposed flexibilities include revisions to the required underwriting standards for documenting and calculating this type of income.

FHA remains committed to extending affordable housing opportunities to its core constituency of first-time and low- to moderate-income homebuyers, including those in underserved communities. In doing so, it recognizes that rental income received from individuals renting space in borrowers' homes is a stable and viable source of income that increases housing affordability and allows borrowers to better manage housing costs.

FHA's proposed underwriting guidance would:

- Reduce the acceptable rental income history from two years to 12 months from individuals renting space inside the borrower's home;
- Allow borrowers with a 12-month rental history to qualify for an FHA-insured mortgage using income from renters living in the home, provided the income has been received for at least nine of the most recent 12 months, is currently being received, and is averaged over a 12-month period;
- Establish that rental income from individuals renting space inside the home that is used to qualify borrowers for an FHA-insured mortgage cannot exceed 30 percent of their total monthly effective income; and
- Expand the types of acceptable income verification documentation for individuals renting space inside the home to include bank statements, canceled checks, and/or deposit slips showing rental payments received.

Interested stakeholders are encouraged to thoroughly review the draft ML and provide feedback by December 10, 2024. Instructions for providing feedback are posted on the [Drafting Table](#). FHA will carefully consider all feedback received before publishing a final ML.

As a reminder, this draft is not official departmental policy and cannot be used in connection with any FHA-insured mortgage until finalized. FHA's existing policies remain in effect until amended.

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