

NOTICE TO ALL CUSTOMERS

Freddie Mac Rental Income Updates

FLC Bank updated its Freddie Mac guidelines with the Rental Income updates announced via #2024-AC-020 on August 20, 2024.

Rental income requirements now provide additional flexibility for the use of rental income as follows

Source of Rental Income	Requirement (Update)
Subject Investment Property (Purchase Transaction)	<ul style="list-style-type: none">Allow the use of rental income to qualify when the Borrower rents their Primary Residence. Previously, rental income could be used to qualify only when the Borrower owned their Primary Residence.Allowing an exception to the requirement that the Borrower must rent or own their Primary Residence (i.e., be on the Mortgage or the lease) to apply to at least one Borrower when multiple Borrowers share their Primary Residence. Previously, all Borrowers on the subject transaction were required to own their Primary Residence, regardless of whether they resided together.
Subject Investment Property (Purchase Transaction) and Primary Residence being Converted to an Investment Property	Allowing the full amount of net rental income to be used to qualify as long as at least one Borrower has a minimum of one year of investment property management experience. Previously, all Borrowers were required to have the one-year investment property management experience.
Property owned as a Rental Property during the entire prior Calendar Year	Allowing the following exception to the requirement to annualize (i.e., divide by 12) the net income or loss reported on Schedule E; the qualifying income may be established based on the number of days in service on Schedule E, provided that: <ul style="list-style-type: none">The property was out of service for any time period during the prior year, andThe Mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E
Property Purchased or Converted to a Rental Property later in the prior Calendar Year	Allowing for the income used for qualifying to be based on the number of months after the purchase or conversion date . Previously, the net income or loss reported on Schedule E was required to be annualized. Allowing the following exception to the above requirement: the qualifying income may be established based on the number of days in service on Schedule E, provided that: <ul style="list-style-type: none">The property was out of service for a period of time after the purchase or conversion, andThe Mortgage file contains a documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E

Please refer to the updated Freddie Mac Guidelines posted for complete requirements.

If you have any questions, please contact your [Account Executive or Client Relations Representative](#).

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