

VA REO Net Rental Income/Loss Calculation Worksheet Job Aid

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To use this job aid, click on the number in the box to view that section in the guide on the following page(s).

Notes for VA REO Net Rental Income Calculation Worksheet usage:

- Enable Macros before using the worksheet (if required).
- Do not include one-unit Primary Residence on this worksheet.
- Always refer to Citizens/Agency guidelines for correct Net Rental calculation.
- Use additional worksheet for more properties than this worksheet allows.
- Enter all negative amounts into the fields using a minus sign (-). Only the *Net Income/Loss* field should need to be entered as a negative amount.

Sheet 1 - Non-Subject Property

The first worksheet is specific to rental income calculated from property which is not the subject property. This includes REO owned and reported on tax returns, recently converted primary to investment property, or recently acquired investment property. Subject property rental income will be calculated on a separate sheet.

VA REO Net Rental Income/Loss Calculation Worksheet

Disclaimer: This income calculator is being made available solely for the convenience of customers approved by Citizens. This calculator provides feedback based on the information you provide; therefore, it is important that you enter accurate information, validate the source of the data, and adhere to Citizens and all other industry standards of underwriting and documentation. Use of this calculator does not in any way relieve the Broker/lender of the obligations prescribed in the Wholesale Lending Guide. Final income calculations used for loan qualifying purposes are to be completed and determined by the Citizens underwriter.

Borrower **1** Loan Number **2**
 Address **3**

History of Rental Income

Annual - from tax returns, Schedule E

NON-SUBJECT PROPERTY

Property	Net Income/Loss	Depreciation	SUM	# Mos	SUM Monthly	Net Rental
address 4	5 0.00	6 0.00	7 0.00	8	9 0.00	10 0
address	0.00	0.00	0.00	24	0.00	0
address	0.00	0.00	0.00	24	0.00	0

Comments:

11

Limited/No Rental History

Monthly
 Rent from
 Lease

Payment
 Less
 Vacancy

Monthly
 from credit report or other verification
 PI(TI) Taxes Ins HOA

20

Property	Monthly Rent from Lease	Payment Less Vacancy	Monthly from credit report or other verification PI(TI) Taxes Ins HOA	Net Rental
address 12 Departing Residence? 13	14 0	15 0.00	16 0 17 0 18 0 19 0	20 0

Comments:

21

22

23

Reset

Net Rental Income/Loss **0**

Loan Information		
1.	Borrower	Enter the last name of the primary borrower.
2.	Loan Number	Enter the Citizens loan number.
3.	Address	Enter the subject property address, not the address of another REO being assessed.
History of Rental Income		Use this section to calculate the net rental income for any property which was reported on the previous year's tax returns <u>and</u> does not qualify for an exemption to use a current lease. "Tax Return" is being used as a generic term to refer to either the Schedule E from the borrowers 1040 personal returns, or the Form 8825 from the borrower's business tax returns (1065 or 1120s).
4.	Property Address	Enter the REO property address in order to match the calculation to the 1003, LOS, and AUS.
For each of these fields (5-6), if any property is being evaluated for more than 12 months, be sure to add the amounts for each field using both year's tax returns. Enter the amount in the appropriate field; then enter the appropriate number of months in the # Mos field (8).		
For calculations to be correct, do not enter any amount in these fields as "monthly."		
5.	Net Income (Loss)	Enter the <i>Net Income or Loss</i> from the tax return for filing year. Do not enter any amount that was calculated using prior year carryover or pass through income/loss. If the amount is a loss, enter as a negative number using the dash (-) before the number. <i>Schedule E Line 21; Form 8825 Line 17.</i>
6.	Depreciation	Enter the <i>Depreciation</i> as an expense which can be added back to the net rental income calculation. Always enter as a positive number. <i>Schedule E Line 18; Form 8825 Line 14.</i>
7.	SUM	Automatically calculates the total of all amounts entered in 5 and 6. This field is not editable by the user.
8.	# Mos	Enter the number of months for which the data provided covers as determined by the tax returns - refer to <i>Fair Rental Days</i> . Examples: <ul style="list-style-type: none"> Year 1 tax return shows 365 days, enter 12 mo. Year 1 tax return shows 365 days, Year 2 shows 180 days, enter 18 mo. <i>Schedule E Line 2; Form 8825 Line 1.</i>
9.	SUM Monthly	Automatically calculates the <i>SUM</i> divided by the <i># Mos</i> to provide a monthly amount. This field is not editable by the user.
10.	Net Rental	Copies amount from the <i>SUM Monthly</i> field. This field is not editable. This amount should be entered as the <i>Net Rental</i> amount for the corresponding REO property; or enter as <i>Subject Net Cash</i> when calculated for the subject property.

11.	Comments	Use this space to add comments regarding the properties analyzed using tax returns.
<p>*Tax Return References: All line numbers were provided according to 2018 versions of IRS forms and are subject to change as the IRS updates and revised the forms accordingly.</p>		
Limited/No Rental History		Use this section to calculate the net rental income for a property which is being converted from a primary to investment property.
12.	Property Address	Enter the REO property address in order to match the calculation to the 1003, LOS, and AUS.
13.	Departing Residence?	This is a dropdown from which the answer selected is <i>Yes</i> or <i>No</i> . If the property is the borrower's current primary residence being converted to an investment upon the closing of the subject transaction, answer <i>Yes</i> . If not, answer <i>No</i> .
14.	Monthly Rent from Lease	Enter the monthly rent as reported on the current lease agreement.
15.	Payment less Vacancy	Calculates the <i>Monthly Rent from Lease</i> minus 25% for the vacancy factor.
16.	PI(TI)	<p>Enter the payment for the REO as verified by documentation provided, not the tax return. If the documentation provided verifies the regular monthly payment includes escrow for taxes and/or insurance, the full amount can be entered here; the taxes and/or insurance do not need to be broken out (proceed to #19). If the documentation provided verifies the regular monthly payment does not include escrows for taxes and insurance, those amounts will be entered separately (#17 & #18).</p> <p>If the REO being assessed is a Primary Residence 2-4 Unit Property, do not enter the PITIA since it will be included already. The calculation being performed will only be for income from the non-primary units.</p>
17.	Taxes	Enter the <i>Property Tax</i> amount for the REO as verified by documentation provided, not the tax return. If the documentation provided verifies the regular monthly payment includes escrow for taxes, this field can be left blank since the amount will have been included in the <i>PI(TI)</i> field. This amount should be the full tax obligation for the property, regardless of the borrower having joint ownership in the property with a non-borrower.
18.	Ins	Enter the <i>Homeowners Insurance (HOI)</i> amount for the REO as verified by documentation provided, not the tax return. If the documentation provided verifies the regular monthly payment includes escrow for taxes, this field can be left blank since the amount will have been included in the <i>PI(TI)</i> field. This amount should be the full tax obligation for the property, regardless of the borrower having joint ownership in the property with a non-borrower.
19.	HOA	Enter the <i>Homeowners Association (HOA)</i> amount as verified by documentation provided, not the tax return.
20.	Net Rental	<p>If the property is a departing residence and there is no lease, no income can be used and therefore the <i>Net Rental</i> is the negative equivalent of the PITIA. Otherwise this calculates as the <i>Payment Less Vacancy</i> minus the monthly PITIA.</p> <p>This amount should be entered as the <i>Net Rental</i> amount for the corresponding REO property; or enter as <i>Subject Net Cash</i> when calculated for the subject property.</p>
21.	Comments	Use this space to add comments for any reason about the properties analyzed using a lease or the appraisal.
22.	Net Rental Income/Loss	This field calculates the total of all REO properties listed on the worksheet. This field is not editable by the user.
23.	Reset Worksheet	This button will clear all data from all fields in the worksheet allowing the user to start a new worksheet from scratch.

Sheet 2 - Subject Property

The second worksheet is specific to rental income calculated from the subject property. This is limited to 2-4 unit property and can be either a Purchase or Refinance of the subject. Non-subject property rental income will be calculated on a separate sheet.

VA REO Net Rental Income/Loss Calculation Worksheet

Disclaimer: This income calculator is being made available solely for the convenience of customers approved by Citizens. This calculator provides feedback based on the information you provide; therefore, it is important that you enter accurate information, validate the source of the data, and adhere to Citizens and all other industry standards of underwriting and documentation. Use of this calculator does not in any way relieve the Broker/lender of the obligations prescribed in the Wholesale Lending Guide. Final income calculations used for loan qualifying purposes are to be completed and determined by the Citizens underwriter.

Borrower Loan Number

Address

SUBJECT PROPERTY
2-4 Unit Only

Refinance	Annual - from tax returns, Schedule E										SUM Monthly	14
	Net Income/Loss	Depreciation	Taxes	Mortgage Interest	Ins	HOA	SUM	# Mos				
<small>(Net Income/Loss + Depreciation + Taxes + Mortgage Interest + Insurance + HOA) / # Months = Subject Net Cash</small>												Subject Net Cash
address <input type="text" value="4"/>	<input type="text" value="5"/> 0.00	<input type="text" value="6"/> 0.00	<input type="text" value="7"/> 00	<input type="text" value="8"/> 00	<input type="text" value="9"/> 0	<input type="text" value="10"/> 0	<input type="text" value="11"/>	<input type="text" value="12"/>	<input type="text" value="13"/> 0			<input type="text" value="14"/> 0
Purchase												18
<small>Monthly Rent * 75% = Subject Net Cash</small>												Subject Net Cash
address <input type="text" value="15"/>	Monthly Rent from Lease <input type="text" value="16"/> 0			Payment Less Vacancy <input type="text" value="17"/> 0								<input type="text" value="18"/> 0
Comments: <input type="text" value="19"/>												
Net Rental Income/Loss												<input type="text" value="20"/> 0

Loan Information		
1.	Borrower	Enter the last name of the primary borrower.
2.	Loan Number	Enter the Citizens loan number.
3.	Address	Enter the subject property address, not the address of another REO being assessed.
Refinance		
4.	Property Address	Enter the REO property address to match the calculation to the 1003, LOS, and AUS.
<p>For each of these fields (5-10), if any property is being evaluated for more than 12 months, be sure to add the amounts for each field using both year's tax returns. Enter the amount in the appropriate field; then enter the appropriate number of months in the # Mos field (12).</p> <p>For calculations to be correct, do not enter any amount in these fields as "monthly."</p>		
5.	Net Income (Loss)	Enter the <i>Net Income or Loss</i> from the tax return for filing year. Do not enter any amount that was calculated using prior year carryover or pass through income/loss. If the amount is a loss, enter as a negative number using the dash (-) before the number. <i>Schedule E Line 21; Form 8825 Line 17</i>
6.	Depreciation	Enter the <i>Depreciation</i> as an expense which can be added back to the net rental income calculation. Always enter as a positive number. <i>Schedule E Line 18; Form 8825 Line 14</i>
7.	Taxes	Enter the <i>Property Tax</i> amount which was listed as an expense on the tax return. <u>Do not</u> enter any amount that was verified outside of the tax return as an actual amount paid if different from the tax return. Always enter as a positive number. <i>Schedule E Line 16; Form 8825 Line 11</i>
8.	Mortgage Interest	Enter the <i>Mortgage Interest</i> amount which is listed as an expense on the tax return. <u>Do not</u> enter any amount that was verified outside of the tax return as an actual amount paid if different from the tax return. Always enter as a positive number. <i>Schedule E Line 12; Form 8825 Line 9</i>
9.	Ins. (Insurance)	Enter the <i>Homeowners Insurance</i> amount which is listed as an expense on the tax return. <u>Do not</u> enter any amount that was verified outside of the tax return as an actual amount paid if different from the tax return. Always enter as a positive number. <i>Schedule E Line 9; Form 8825 Line 7</i>
10.	HOA (Homeowners Association)	Enter the <i>Homeowners Association</i> amount which is listed as an expense on the tax return. <u>Do not</u> enter any amount that was verified outside of the tax return as an actual amount paid if different from the tax return. Always enter as a positive number. <i>Schedule E generally found on Line 19; Form 8825 generally found on Line 15 - for each, it must be specified and itemized as an expense paid to a homeowner's association.</i>
11.	SUM	Automatically calculates the total of all amounts entered from fields 5-10. This field is not editable by the user.
12.	# Mos	Enter the number of months for which the data provided covers as determined by the tax returns - refer to Fair Rental Days. Examples: <ul style="list-style-type: none"> Year 1 tax return shows 365 days, enter 12 mo. Year 1 tax return shows 365 days, Year 2 shows 180 days, enter 18 mo.

		<i>Schedule E Line 2; Form 8825 Line 1</i>
13.	SUM Monthly	Automatically calculates the <i>SUM</i> divided by the # <i>Mos</i> to provide a monthly amount. This field is not editable by the user.
14.	Subject Net Cash	Copies amount from the <i>SUM Monthly</i> field. This field is not editable. This amount should be entered as the Subject Net Cash amount for the subject property
* <i>Tax Return References: All line numbers were provided according to 2017 versions of the IRS forms and are subject to change as the IRS updates and revises the forms accordingly.</i>		
Purchase		
15.	Property Address	Enter the REO property address to match the calculation to the 1003, LOS, and AUS.
16.	Monthly Rent from Lease	Enter the monthly rent from the lease.
17.	Payment Less Vacancy	Calculates the <i>Monthly Rent</i> from Lease minus 25% for the vacancy factor.
18.	Subject Net Cash	Populates with the value from the <i>Subject Net Cash</i> field.
19.	Comments	Use this space to add comments for any reason about the subject property being evaluated.
20.	Reset Worksheet	This button will clear all data from all fields in the worksheet allowing the user to start a new worksheet from scratch.

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