

Operating Income Statement

One- to Four-Family Investment Property and Two- to Four-Family Owner-Occupied Property

Property Address

Street

City

State

Zip Code

General Instructions: This form is to be prepared jointly by the loan applicant, the appraiser, and the lender's underwriter. The applicant must complete the following schedule indicating each unit's rental status, lease expiration date, current rent, market rent, and the responsibility for utility expenses. Rental figures must be based on the rent for an "unfurnished" unit.

	Currently Rented	Expiration Date	Current Rent Per Month	Market Rent Per Month	Utility Expense	Paid By Owner	Paid By Tenant
Unit No. 1	Yes ___ No ___	_____	\$ _____	\$ _____	Electricity .....	<input type="checkbox"/>	<input type="checkbox"/>
Unit No. 2	Yes ___ No ___	_____	\$ _____	\$ _____	Gas.....	<input type="checkbox"/>	<input type="checkbox"/>
Unit No. 3	Yes ___ No ___	_____	\$ _____	\$ _____	Fuel Oil .....	<input type="checkbox"/>	<input type="checkbox"/>
Unit No. 4	Yes ___ No ___	_____	\$ _____	\$ _____	Fuel (Other) .....	<input type="checkbox"/>	<input type="checkbox"/>
Total			\$ _____	\$ _____	Water/Sewer .....	<input type="checkbox"/>	<input type="checkbox"/>
					Trash Removal .....	<input type="checkbox"/>	<input type="checkbox"/>

The applicant should complete all of the income and expense projections and for existing properties provide actual year-end operating statements for the past two years (for new properties the applicant's projected income and expenses must be provided). This Operating Income Statement and any previous operating statements the applicant provides must then be sent to the appraiser for review, comment, and/or adjustments next to the applicant's figures (e.g., Applicant/Appraiser 288/300). If the appraiser is retained to complete the form instead of the applicant, the lender must provide to the appraiser the aforementioned operating statements, mortgage insurance premium, HOA dues, leasehold payments, subordinate financing, and/or any other relevant information as to the income and expenses of the subject property received from the applicant to substantiate the projections. The underwriter should carefully review the applicant's/appraiser's projections and the appraiser's comments concerning those projections. The underwriter should make any final adjustments that are necessary to more accurately reflect any income or expense items that appear unreasonable for the market. (Real estate taxes and insurance on these types of properties are included in PITI and not calculated as an annual expense item.) Income should be based on current rents, but should not exceed market rents. When there are no current rents because the property is proposed, new, or currently vacant, market rents should be used.

Annual Income and Expense Projection for Next 12 months

	By Applicant/Appraiser	Adjustments by Lender's Underwriter
Income (Do not include income for owner-occupied units)		
Gross Annual Rental (from unit(s) to be rented) .....	\$ _____	\$ _____
Other Income (include sources) .....	+ _____	+ _____
Total .....	\$ _____	\$ _____
Less Vacancy/Rent Loss .....	- _____ ( %)	- _____ ( %)
Effective Gross Income .....	\$ _____	\$ _____
Expenses (Do not include expenses for owner-occupied units)		
Electricity .....	_____	_____
Gas .....	_____	_____
Fuel Oil .....	_____	_____
Fuel .....(Type - _____)	_____	_____
Water/Sewer .....	_____	_____
Trash Removal .....	_____	_____
Pest Control .....	_____	_____
Other Taxes or Licenses .....	_____	_____
Casual Labor .....	_____	_____
This includes the costs for public area cleaning, snow removal, etc., even though the applicant may not elect to contract for such services.		
Interior Paint/Decorating .....	_____	_____
This includes the costs of contract labor and materials that are required to maintain the interiors of the living units.		
General Repairs/Maintenance .....	_____	_____
This includes the costs of contract labor and materials that are required to maintain the public corridors, stairways, roofs, mechanical systems, grounds, etc.		
Management Expenses .....	_____	_____
These are the customary expenses that a professional management company would charge to manage the property.		
Supplies .....	_____	_____
This includes the costs of items like light bulbs, janitorial supplies, etc.		
Total Replacement Reserves - See Schedule on Pg. 2.....	_____	_____
Miscellaneous .....	_____	_____
.....	_____	_____
.....	_____	_____
.....	_____	_____
.....	_____	_____
.....	_____	_____
.....	_____	_____
.....	_____	_____
.....	_____	_____
.....	_____	_____
Total Operating Expenses .....	\$ _____	\$ _____

Replacement Reserve Schedule

Adequate replacement reserves must be calculated regardless of whether actual reserves are provided for on the owner’s operating statements or are customary in the local market. This represents the total average yearly reserves. Generally, all equipment and components that have a remaining life of more than one year—such as refrigerators, stoves, clothes washers/dryers, trash compactors, furnaces, roofs, and carpeting, etc.—should be expensed on a replacement cost basis.

Equipment	Replacement Cost	Remaining Life	By Applicant/ Appraiser	Lender Adjustments
Stoves/Ranges .... @ \$	_____	ea. ÷ _____ Yrs. x _____	Units =\$ _____	\$ _____
Refrigerators ..... @ \$	_____	ea. ÷ _____ Yrs. x _____	Units =\$ _____	\$ _____
Dishwashers ..... @ \$	_____	ea. ÷ _____ Yrs. x _____	Units =\$ _____	\$ _____
A/C Units ..... @ \$	_____	ea. ÷ _____ Yrs. x _____	Units =\$ _____	\$ _____
C. Washer/Dryers @ \$	_____	ea. ÷ _____ Yrs. x _____	Units =\$ _____	\$ _____
HW Heaters ..... @ \$	_____	ea. ÷ _____ Yrs. x _____	Units =\$ _____	\$ _____
Furnace(s) ..... @ \$	_____	ea. ÷ _____ Yrs. x _____	Units =\$ _____	\$ _____
(Other) ..... @ \$	_____	ea. ÷ _____ Yrs. x _____	Units =\$ _____	\$ _____
Roof ..... @ \$	_____	÷ _____ Yrs. x One Bldg. =	\$ _____	\$ _____
Carpeting (Wall to Wall)				
		Remaining Life		
(Units) _____	Total Sq. Yds. @ \$ _____	Per Sq. Yd. ÷ _____ Yrs. =	\$ _____	\$ _____
(Public Areas) _____	Total Sq. Yds. @ \$ _____	Per Sq. Yd. ÷ _____ Yrs. =	\$ _____	\$ _____
Total Replacement Reserves. (Enter on Pg. 1)			\$ _____	\$ _____

Operating Income Reconciliation

\$ _____	Effective Gross Income	– \$ _____	Total Operating Expenses	= \$ _____	Operating Income	÷ 12 = \$ _____	Monthly Operating Income
\$ _____	Monthly Operating Income	– \$ _____	Monthly Housing Expense	= \$ _____	Net Cash Flow		

(Note: Monthly Housing Expense includes principal and interest on the mortgage, hazard insurance premiums, real estate taxes, mortgage insurance premiums, HOA dues, leasehold payments, and subordinate financing payments.)

Underwriter’s instructions for 2-4 Family Owner-Occupied Properties

- If Monthly Operating Income is a positive number, enter as “Net Rental Income” in the “Gross Monthly Income” section of Freddie Mac Form 65/Fannie Mae Form 1003. If Monthly Operating Income is a negative number, it must be included as a liability for qualification purposes.
- The borrower’s monthly housing expense-to-income ratio must be calculated by comparing the total Monthly Housing Expense for the **subject property** to the borrower’s stable monthly income.

Underwriter’s instructions for 1-4 Family Investment Properties

- If Net Cash Flow is a positive number, enter as “Net Rental Income” in the “Gross Monthly Income” section of Freddie Mac Form 65/Fannie Mae Form 1003. If Net Cash Flow is a negative number, it must be included as a liability for qualification purposes.
- The borrower’s monthly housing expense-to-income ratio must be calculated by comparing the total monthly housing expense for the borrower’s **primary residence** to the borrower’s stable monthly income.

Appraiser’s Comments (Including sources for data and rationale for the projections)

Appraiser Name	Appraiser Signature	Date
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Underwriter’s Comments and Rationale for Adjustments

Underwriter Name	Underwriter Signature	Date
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