Calculation for FHA 3 or 4 unit property

- Mortgages for three and four unit properties with non-occupying co-borrowers are limited to 75% loan to value (LTV).
- Mortgages that exceed 75% LTV with a non-occupant co-borrower are limited to a one unit single family residence, condominium or planned unit development (PUD).
- Regardless of occupancy status, the 3 or 4 unit property must be self-sufficient.

The maximum mortgage loan calculation must meet all of the following:

- the Statutory limit for the property location,
- the loan-to-value (LTV) limits and
- the 3 or 4 unit self-supporting mortgage calculations described below:

Step 1: **Calculate the monthly payment on the new loan:**

Principal and Interest	@ Note Rate	$_______________
Real Estate Taxes	+	$_______________
Hazard Insurance	+	$_______________
FHA MIP	+	$_______________
HOA Dues, if applicable	+	$_______________
TOTAL Monthly Loan Payment	**=**	**$_______________**

Step 2: **Determine the Monthly Net Rental Income:**

Appraiser's Estimate of Fair market Rent (all units)		$_______________
Less the vacancy factor (use factor from appraiser or 25% whichever is the greater)		$_______________
Projected Net Rental Income	**=**	**$_______________**

Step 3: **The monthly mortgage payment divided by the monthly net rental income cannot exceed 100%. If the result indicates a percentage greater than 100% (negative cash flow) the mortgage loan amount must be reduced.**

TOTAL Monthly Loan Payment		**$____________**
Divided by	÷	
Projected Net Rental Income		**$____________**
Result (if greater than 100% the loan is not self-sufficient and the Loan amount must be reduced)		**______________%**

Notes:

- Borrowers must still qualify for the mortgage based on income, credit, cash to close, and the projected rents received from the remaining units.
- The projected rent may only be considered as gross income for qualifying purposes; it may not be used to offset the monthly mortgage payment.
- The borrower must have reserves equivalent to three months' PITI after closing on purchase transactions. Reserves cannot be derived from a gift.