



FHA INFO 2025-05

January 13, 2025

FHA Announces New Policy that Provides Greater Flexibility for Borrowers Using Income Received from Individuals Renting Space Inside Their Homes

Today, the Federal Housing Administration (FHA) announces the publication of Mortgagee Letter (ML) [2025-04](#), *Revisions to Policies for Rental Income from Boarders of the Subject Property* and a stakeholder briefing webinar. This ML takes into consideration stakeholder feedback received on the draft ML announced in [FHA INFO 2024-79](#), dated November 20, 2024.

The provisions announced in this ML create 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](#) (Handbook 4000.1) — to qualify for an FHA-insured mortgage. These new 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.

This new underwriting guidance:

- Expands 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;
- Establishes that rental income from individuals renting space inside the subject property is permitted whether the borrower is currently a renter or the homeowner;
- Reduces the acceptable rental income history from two years to 12 months from individuals renting space inside the borrower's home;
- Allows 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; and

- Establishes 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.

The provisions of this ML may be implemented immediately but must be implemented for FHA case numbers assigned on or after March 14, 2025, and will be incorporated into a future version of [Handbook 4000.1](#).

To further support mortgagees, FHA will host a stakeholder briefing (see details below). A Frequently Asked Questions (FAQ) document that compiles questions received through the stakeholder briefing and FHA Resource Center will be made available on [hud.gov](#) and announced in a future FHA INFO.

Mortgagees and other interested parties are encouraged to thoroughly review [ML 2025-04](#) and contact the FHA Resource Center (referenced below) with questions.

Stakeholder Briefing

FHA subject matter experts will host a stakeholder briefing for mortgagees and other interested parties regarding the recently announced, [ML 2025-04](#), *Revisions to Policies for Rental Income from Boarders of the Subject Property*. Details include:

- **Title:** Revisions to Policies for Rental Income from Individuals Renting Space Inside the Borrower's Home
- **Date:** Wednesday, January 29, 2025
- **Time:** 2:00 PM–3:30 PM (Eastern)
- **Target Audience:** Underwriters, loan officers, processors, appraisers, quality control, and other industry professionals.
- [Register](#) for the live webinar.

Registrants are invited to pre-submit questions to sfeedback@hud.gov with the subject line: **Borrowers Using Income from Individuals Renting Space Inside The Borrower's Home**. The deadline to submit questions is **Wednesday, January 22, 2025**.

For more information, read today's [press release](#).

Need Support? Contact the FHA Resource Center.

- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.
- E-mail answers@hud.gov. Emails and phone messages will be responded to during normal hours of operation, 8:00 AM to 8:00 PM (Eastern), Monday through Friday on all non-Federal holidays.
- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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