

MPF Announcement:

2025-83

Date:

October 23, 2025

Alert:

Clarification

New Policy

Policy Update

Reminder

Training Information

Audience:

Compliance/Legal

Program Management

Origination

Quality Control

Servicing

Underwriting

Product:

MPF Government MBS

MPF Traditional

MPF Xtra[®]

Effective Date:

Immediately (*unless otherwise noted*)

MPF Xtra Selling Updates – FNMA SEL-2025-08

Fannie Mae published [SEL-2025-08](#) which covers the below referenced topics that are applicable to mortgage loans sold under the MPF Xtra product:

Reference

[Fannie Mae Selling Guide SEL-2025-08](#)

Please note you can access the [MPF Guides](#) and [MPF Announcements](#) on our [MPF Website](#).

Visit the MPF Website to review and register for upcoming complimentary [MPF Webinars](#).

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- **Rental Income Update**

- Updated requirements specific to rental income allowing ADU income to be considered towards qualifying income.

Effective: Desktop Underwriter[®] version 12.1 will be updated in Q1 2026, to include eligibility for ADU rental income. These changes can be implemented immediately for loans that are eligible for manual underwriting

- **Uniform documentation requirements and additional updates**

- Updated documentation requirements for loans with rental income reported on partnership or S corporation federal business tax returns using Form 8825 with those applicable to rental income reported on Schedule E of federal personal tax returns.

Effective: These changes can be implemented immediately but must be implemented for all applications dated on or after Feb. 1, 2026.

- **Allowable Cash Back:**

- The amount of cash back that may be provided directly to the borrower (or other recipient) may not exceed **the greater** of 1% of the UPB of the new loan or \$2,000.

To gain a full understanding of these topics, PFIs should review the entire Fannie Mae Announcement and any applicable Fannie Mae Selling Guide chapters, forms, or exhibits noted in the announcements.

For questions or assistance, please contact the MPF Service Center by using one of the following options:

- [MPF Customer Service Portal](#)
- Email: MPF-Help@fhlbc.com
- Phone: (877) 345-2673

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Selling Guide Announcement (SEL-2025-08)

Oct. 08, 2025

The *Selling Guide* has been updated to include changes to the following:

- [Rental income updates](#): allowing for use of rental income from accessory dwelling units and aligning documentation requirements for rental income reported from a business with that from individuals
- [Allowable cash back](#): increasing the maximum cash back allowed for limited cash-out refinance transactions

View the list of [impacted topics](#).

Rental income updates

Rental income from ADUs

We amended our rental income policy to allow income from an ADU to be considered towards qualifying income provided all the following requirements are met:

- The property must be a one-unit, principal residence and is limited to purchase and limited cash-out refinance transactions.
- The rental income may only be derived from one ADU even if multiple ADUs exist.
- The amount of rental income used for qualifying purposes from the ADU is limited to 30% of the borrower's total qualifying income.

All other *Selling Guide* requirements for documentation of rental income apply.

Effective: Desktop Underwriter® (DU®) version 12.1 will be updated in Q1 2026, to include eligibility for ADU rental income. Lenders may implement these changes immediately for loans that are eligible for manual underwriting.

Uniform documentation requirements and additional updates

We have updated the *Selling Guide* to align documentation requirements for loans with rental income reported on partnership or S corporation federal business tax returns using Form 8825 with those applicable to rental income reported on Schedule E of federal personal tax returns.

- When the borrower receives only rental income reported on the Schedule K-1, lenders must obtain the most recent one-year federal business income tax return for rental income reported on Form 8825. This aligns with documentation requirements for rental income reported on Schedule E for individual borrowers.
- Additionally, all rental income reported on partnership or S corporation returns using Form 8825 will now be classified as self-employment income, regardless of the borrower's personal obligation on the associated mortgage.

These changes and other minor clarifications throughout the topic will promote consistency in income analysis and ensure alignment with existing self-employment income documentation standards.

Effective: Lenders are encouraged to implement these changes immediately, but must do so for all applications dated on or after Feb. 1, 2026. Lenders may immediately disregard DU messages requiring two year's federal business returns and K-1s when only rental income is reported for self-employment or for Schedule K-1 income with less than 25% ownership. DU version 12.1 messaging will be updated in Q1 2026.



Allowable cash back

We have revised the amount of cash back allowed on all limited cash-out refinance transactions. The amount of cash back that may be provided directly to the borrower (or other recipient) may not exceed the greater of 1% of the UPB of the new loan or \$2,000.

Effective: Lenders may take advantage of these changes immediately.

Lenders may contact their Fannie Mae Account Team if they have questions about this Announcement.
Have guide questions? Get answers to all your policy questions, straight from the source. [Ask Poli](#).

Impacted Topics

Section of the Announcement	Updated <i>Selling Guide</i> Topics (Dated Oct. 08, 2025)
Rental income updates	▪ B2-3-04, Special Property Eligibility Considerations ▪ B3-3.1-08, Rental Income ▪ B3-3.1-09, Other Sources of Income
Allowable cash back	▪ B2-1.3-02, Limited Cash-Out Refinance Transactions ▪ B2-1.3-03, Cash-Out Refinance Transactions ▪ B5-2-03, Manufactured Housing Underwriting Requirements ▪ B5-3.3-01, HomeStyle Energy for Improvements on Existing Properties ▪ B5-3.4-01, Property Assessed Clean Energy Loans ▪ B5-4.2-02, Disaster-Related Limited Cash-Out Refinance Flexibilities ▪ E-3-12: Acronyms and Glossary of Defined Terms: L