

Mortgage Loan Programs

Step Up *Non-first-time homebuyer loans*



Frequently Asked Questions - For Lenders

The following FAQ's are provided for reference only and do not contain all the information needed to originate loans for sale to Minnesota Housing. Lenders should refer to Minnesota Housing's [Step Up Program Procedural Manual](#) and the underlying product descriptions for complete information.

What is the Step Up program?

Step Up is a Minnesota Housing purchase and refinance loan program available to homeowners and repeat homebuyers. Step Up offers affordable, fixed-rate loans and access to our HFA conventional loan products that can reduce or eliminate mortgage insurance costs. Borrowers who meet the lower Monthly Payment Loan [income limits](#) also have access to an optional amortizing downpayment and closing cost loan.

I thought Minnesota Housing only offers programs for first-time homebuyers? Why are non-first-time homebuyers eligible for Step Up loans?

We have traditionally financed our mortgage programs with tax-exempt mortgage revenue bonds (MRB), which provide below-market interest rates to first-time homebuyers. We are financing the Step Up program with a non-tax-exempt source, so Step Up is available to non-first-time homeowners and buyers.

Am I eligible to offer Step Up?

The Step Up program is available to all Minnesota Housing Start Up lenders. If your company is not currently a Minnesota Housing Participating Lender, please contact our Business Account Representative, Christina Akinola (christina.akinola@state.mn.us) to start the application process.

Can a non-Minnesota Housing borrower refinance with Step Up? Yes.

Which income calculation method do I use for Step Up?

Lenders should use industry-standard qualifying income to determine Step Up income eligibility.

Is downpayment and closing cost assistance available with Step Up?

The Monthly Payment Loan is available to Step Up borrowers who meet the lower Monthly Payment Loan [income limits](#). Borrowers may utilize Fannie Mae approved Community Seconds® as well.

What training and program resources are available?

Visit the [Step Up lender page](#) to access program manuals, program and product descriptions, and forms. If you are new to Minnesota Housing, we highly recommend you register for a webinar by visiting our [Training](#) page.

Are borrowers eligible for Step Up if they need to rent their current home because they are unable to sell it?

As long as borrowers occupy the home they finance with the Step Up program, Minnesota Housing does not prohibit renting a previous residence. The underlying product guidelines for HFA Preferred™ and HFA Preferred Risk Sharing™, however, do not allow other property ownership. Always consult underlying product guidelines.

If the borrowers rent their current home and purchase a new home with Step Up, do they need to pay off their existing Minnesota Housing downpayment and closing cost loan?

Yes, Minnesota Housing second mortgages must be paid back if the borrower no longer occupies the property.

Step Up Frequently Asked Questions - For Lenders (Continued)

My borrower has a Minnesota Housing downpayment and closing cost loan. Will you subordinate? And could my borrower get a Monthly Payment Loan if they are subordinating an existing Minnesota Housing second?

Refer to our [Subordination Options Guide](#) for details. Borrowers cannot get a new DPA loan if they are subordinating an existing DPA loan.

Can the lender pay the costs associated with closing for a refinance?

Yes, with the Step Up Premium Pricing option. Monthly Payment Loan cannot be used with Premium Pricing.

Do borrowers have to be in a targeted neighborhood?

No. Step Up is offered statewide and no demographic or geographic requirements apply.

Do you allow non-occupying co-signers like parents? Yes.

Is the payment on the Monthly Payment Loan added to the borrower's DTI calculation for qualification purposes?

Defer to the underlying product guidelines.

Can borrowers exceed the DTI ratios required by the Step Up program if DU® approves them? No.

Will the monthly payment on the Monthly Payment Loan be part of the same mortgage statement as the first mortgage, or will there be two separate statements?

Monthly Payment Loan borrowers' monthly mortgage statement for will consist of two statements – one statement for the first mortgage loan and a second statement for the Monthly Payment Loan. Borrowers should make a separate payment for each statement.

Can borrowers with no credit scores still be approved?

Yes. Refer to Chapter 2 of the [Step Up Program Procedural Manual](#) for details.

Will there be any exceptions to the 640 credit score if there are compensating factors? No.

Who is allowed to pay the extension fees?

Minnesota Housing has no restrictions on who pays extension fees for a Step Up loan.

Are Step Up loans subject to subsidy recapture? No.

May the borrower use the second mortgage to pay the required 3% down with the HFA Preferred™ and HFA Preferred Risk Sharing™ products? Yes.

Who can I contact if I have questions?

Contact our Partner Solutions Team at 651.296.8215 or 800.710.8871 or mnhousing.solution@state.mn.us between 7:30 a.m. and 5:00 p.m. on business days.

Not sure who to call? Review our [contact sheet](#) to see what types of questions go to Minnesota Housing, your underwriter, or U.S. Bank Home Mortgage HFA Division.