

Reference guide for Minnesota Housing Start Up Eligibility Income versus Qualifying income

## Start Up Eligibility Income:

**Definition:** The income reviewed to verify the Borrower(s) **eligibility** for the Start Up program (i.e. Following Mortgage Revenue Bond income guidance in the [Start Up Eligibility Income Worksheet](#)).

- **Loan Officer takes application with Borrower:**
  - Determine if the Borrower is a first-time homebuyer
  - Gather necessary documentation from the Borrower (income and assets) to determine eligibility for the Start Up Program
  - Select an underlying mortgage product (Conventional, VA, FHA, Rural Development)
- **Lender Completes Start Up Eligibility Income Calculation:**
  - Complete the [Start Up Eligibility Income Worksheet](#)– Include income from the following people:
    - Each **Borrower** and **anyone** who will be on title, sign the mortgage, and the note.
    - The legal **Spouse** of a Borrower who will *live* in the property. If the current legal spouse will not be living in the subject property, their income **is not** included in the eligibility calculation. The [Non-Occupant Spouse Statement](#) can be used to document this.
    - Anyone signing the **Note** who will not be on title but is expected to live in the property (i.e. an occupant co-signer)
  - Non-occupant co-signer income **is not used** in the Start Up eligibility income calculation as they are not a borrower, will not be living in the property, and they are not on the mortgage
  - Follow [Start Up Eligibility Income Worksheet](#) for guidance on income to include or exclude from the calculation. (Located in Minnesota Housing's [Lender Toolkit](#))

Start Up Eligibility Income Guidance Examples	Included	Excluded
Wages from an employer	✓	
Potential rental income		✓
Educational grants, stipends, loans, or tuition reimbursement		✓
Additional pay (i.e., overtime, bonuses, commissions, shift differential)	✓	
One-time income		✓
Child Support or alimony	✓	
Government transfer payments	✓	
Projected income		✓
Anticipated raise		✓
Self-employment	✓	
Non-occupant co-signer's income		✓

- **Review [Income Limits](#) on the Minnesota Housing website:**
  - Review the **Start Up [Income Limits](#)** by household size and property location
  - Review [Income Limits](#) for the **Downpayment and Closing Cost Loan**, if applicable
    - Review the Deferred Payment Loan and Deferred Payment Loan Plus limits by household size and property location.
    - Review the income limits applicable to the **Monthly Payment Loan**
      - For Start Up: There are no separate income limits for the Monthly Payment Loan.
      - For Step Up: Review the Monthly Payment Loan with Step Up limits by household size and property location.

- **Prior to Closing:**  
Update the [Start Up Eligibility Income Worksheet](#) and the [Commitment System](#) with any changes to the income PRIOR to closing.

## Qualifying Income:

**Definition:** The income used to **qualify** the Borrower for the loan for repayment of the note.

- **Qualifying income is underwriting income:**
  - Calculate qualifying (URLA) income based on program underwriting guidelines
  - Enter qualifying income into the AUS (DU/LPA/GUS) to obtain findings.
  - Enter the **monthly** qualifying income into the Minnesota Housing commitment system
  - Enter the Housing Ratio and the Qualifying Debt Ratio into the Minnesota Housing commitment system
    - **NOTE:** Both the **DPL** and **DPL+** have a **28% minimum housing ratio** requirement, which is based on the qualifying income. For further guidance see Section 7.10 of the [Start Up Manual](#).
  - Underwriter reviews the loan file based on the product selected (Fannie, Freddie, FHA, VA, or RD)
- **Non-Occupant Co-signer**
  - You can use their income and assets to qualify
    - Make sure to include the non-occupant cosigner's income in the monthly qualifying income you enter in the Commitment System
  - The non-occupant co-signer does NOT go into title, does NOT sign the mortgage(s), and does NOT sign any of the Minnesota Housing documents other than the 2<sup>nd</sup> note, if applicable
- **Qualifying income determines Conventional MI Premium**
  - Check your findings or use the Conventional [Income Limits](#) chart to determine if your Borrower's qualifying income is under 80% of the Area Median Income (AMI)
  - Borrowers whose qualifying income is under 80% of the Area Median Income are eligible for charter-rate MI (see chart below)

	At or below 80% AMI	Above 80% AMI
<b>Fannie Mae HFA Preferred™ &amp; Freddie Mac HFA Advantage®</b>	<b>Eligible for Charter-rate MI</b> 18% coverage for 95.01-97% LTV	<b>Not eligible for Charter-rate MI</b> 35% coverage for 95.01-97% LTV

- **Step Up:** The Minnesota Housing Step Up loan does not have a separate income eligibility calculation.
  - Use *only* monthly qualifying income X 12 months to determine if Borrower is within the Step Up income limits.
  - If using just the Step Up first mortgage with no Monthly Payment Loan, use the Step Up income limits.
  - If layering the Monthly Payment Loan with Step Up, use the [income limits](#) for Monthly Payment Loan with Step Up. (Use qualifying income.)
  - The [Income Limits](#) for Step Up are higher than for Start Up.

## Entering Income into the Commitment system:

- **Entering income for Start Up:**

Household Information	
Calculated Annual Minnesota Housing Program Eligibility Income ⓘ	Monthly Qualifying Income (all income listed on URLA) ⓘ
58,632.00	4,886.00

**Minnesota Housing Eligibility Income** (purple highlight):

Enter the income you calculated to make sure the Borrowers are eligible for the Start Up program (following the guidance in the [Start Up Eligibility Income Worksheet](#)).

**Monthly Qualifying (URLA) Income** (yellow highlight):

Enter the monthly amount you are using to qualify the loan for the underlying mortgage product (i.e. URLA income).

- **Entering income for Step Up:**

Household Information	
Calculated Annual Minnesota Housing Program Eligibility Income ⓘ	Monthly Qualifying Income (all income listed on URLA) ⓘ
124,500.00	10,375.00

**Minnesota Housing Eligibility Income** (purple highlight):

Leave Blank. For Step Up this field auto-populates based on 12 months x Monthly Qualifying (URLA) Income.

**Monthly Qualifying (URLA) Income** (yellow highlight):

Enter the monthly amount you are using to qualify the loan for the underlying mortgage product (i.e. URLA income).

## Tips:

- Use the [Start Up Eligibility Income Worksheet](#) and document your work.
- For Start Up eligibility income, do not use worst case scenarios. Annualize the income – do not project.
- Review the income with your underwriter if you have questions.
- Update income in the Commitment System PRIOR to Closing.
- Be sure you have an updated commitment PRIOR to a Clear to Close.

## Questions:

Reach the [Partner Solutions Team](#) at 651.296.8215 or 800.710.8871 between 8:00 a.m. and 5:00 p.m. on business days.