

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 or Step Up [Income Limits](#)** by household size and property location
 - Review [Income Limits](#) for the **Downpayment and Closing Cost Loan**, if applicable
 - Review the Start Up with a 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 or Step Up: There are no separate income limits for the Monthly Payment Loan.

- **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 **25% minimum housing ratio** requirement, which is based on the qualifying income. For further guidance see Section 7.11 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 2nd note, if applicable
- **Qualifying income determines Conventional MI Premium**
 - Check your AUS findings to determine if your Borrower’s qualifying income is under 80% of the Area Median Income (AMI). Use the [Fannie Mae Look Up Tool](#) or the [Freddie Mac Eligibility Tool](#) to review AMI limits for a specific area.
 - 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
Fannie Mae HFA Preferred™ & Freddie Mac HFA Advantage®	Eligible for Charter-rate MI 18% coverage for 95.01-97% LTV	Not eligible for Charter-rate MI 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 or without a Monthly Payment Loan, use the Step Up income limits. (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:**
 - **Minnesota Housing Eligibility Income:**
Enter the annual income calculated following the guidance in the [Start Up Eligibility Income Worksheet](#) to validate the Borrowers are eligible for the Start Up program.
 - **Monthly Qualifying (URLA) Income:**
Enter the monthly amount being used to qualify the loan for the underlying mortgage product (i.e. URLA income).
- **Entering income for Step Up:**
 - **Minnesota Housing Eligibility Income:**
Leave Blank. For Step Up this field auto-populates based on 12 months x Monthly Qualifying (URLA) Income.
 - **Monthly Qualifying (URLA) Income:**
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.