MHDC Missouri Housing Development Commission

LENDER TRAINING:
Borrower Eligibility

EQUAL HOUSING OPPORTUNITY

MHDC.com

GENERAL BORROWER ELIGIBILITY

- To qualify for MHDC homebuyer programs, minimally the borrower meet the following requirements:
  - Meet minimum FICO credit score criteria
  - Have debt-to-income (DTI) ratio within maximum limit
  - The total gross annual household income must be within the established limits (vary by area)
  - Meet primary residency requirements

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FICO SCORE

- Current minimum FICO credit score of 640.
- Lenders can set more restrictive minimum credit scores.
- Minimum FICO credit score of 660 required for manufactured home purchases.

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DEBT-TO-INCOME RATIO

- Government Loans:
  - Maximum DTI is 45% with FICO credit score of 640.
  - Maximum DTI is 50% with FICO credit score of 680 or higher.
- Conventional Loans:
  - Maximum DTI is 50% with FICO credit score of 640 or higher.
- Lenders can set more restrictive minimum credit scores.

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BORROWER INCOME LIMITS

- Homebuyer must meet total gross annual household income limits.
- Household income limits are set by HUD and updated annually.
- Published and available at https://mhdc.com/services/lender-resources/
- Higher income limits for Targeted areas and Next Step.

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FIRST-TIME HOMEBUYER

A first-time homebuyer is defined as a person who has not had an ownership interest in their principal residence within the last 3 years.

- **<u>All</u> adult persons who will be on the loan or the spouse of the borrower must meet the First-Time Home Buyer qualification.**
- **The only exceptions to this requirement are if the applicant is purchasing a home in a federally targeted area or is a qualified veteran.**

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PRIMARY RESIDENCY REQUIREMENT

- All borrowers must occupy the purchased home within 60 days of purchase and remain in the home as a primary residence.
- MHDC programs may not be used for purchase of investment properties or secondary homes.

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SPOUSES

- A spouse is counted in the total household number
  - Income from the spouse is included in the total gross annual household income

- The spouse of the borrower must meet program eligibility criteria, whether they are a borrowing or non-borrowing spouse.

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NON-BORROWING SPOUSE

Non-Borrowing Spouse:

- **MUST Execute the Deed of Trust**
- **MUST NOT be on the Note**
- **MAY take Title**
- **MUST sign MHDC required forms**
- **MUST meet eligibility requirements**

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NON-BORROWING SPOUSE CONT'D

- 1st NOTE: John Smith – signed only by John Smith.
- 2nd NOTE: John Smith – signed only by John Smith.
- 1st DOT: John Smith and NBS, husband and wife – signed by John and NBS.
- 2nd DOT: John Smith and NBS, husband and wife – signed by John and NBS.
- Warranty Deed AND Title Policy: subject to who takes title

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PERSONS WHO ARE SEPARATED

- Any applicant who is separated is still considered a married person.
- If the applicant and their spouse have been separated for more than 12 months:
  - They may each sign an MHDC Waiver of Marital Rights Affidavit stating they will not be residing together.
- Separated applicants who owned a home with their spouse within the last three years may not qualify as "first-time homebuyers."

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CITIZENSHIP REQUIREMENTS

To be eligible for MHDC financing, borrowers and their spouses must meet all applicable federal, state, Master Servicer, and Agency (FHA, FNMA, FHLMC, VA, USDA) citizenship requirements.

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CONCLUSION

Minimum borrower eligibility requirements include:

- **Meet minimum credit score**
- **Be within maximum debt-to-income ratio**
- **Meet total gross annual household income limits**
- **Meet First-Time Homebuyer or Qualified Veteran definition***

***Only applicable to First Place Program**

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