



**Missouri Housing**  
Development Commission



# LENDER TRAINING: Borrower Eligibility



MHDC.com

# GENERAL BORROWER ELIGIBILITY

- To qualify for MHDC homebuyer programs, minimally the borrower meet the following requirements:
  - For government loans: Current minimum credit score of 640
    - Maximum debt-to-income (DTI) ratio is 45% for 640-680
    - Maximum DTI is 50% for greater than 680
  - For conventional loans: Current minimum credit score of 640
    - Maximum DTI ratio is 50%.
  - The total gross annual household income must be within the established limits (vary by area)
  - See “Property Eligibility” video for property and occupancy requirements

# 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.**

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

# 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.**

# 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.**

# 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/homeowners/>
- Higher income limits for Targeted areas and Next Step.

# 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.**

# NON-BORROWING SPOUSE

## Non-borrowing spouse must:

- Execute the Deed of Trust.
- NOT be on the Note.
- NOT take Title.
- NOT sign MHDC forms.
- Still qualify for the program.

**Best Practice: NBS be left off of purchase contract.**

**THIS WILL ONLY APPLY TO FIRST PLACE/NEXT STEP LOANS**



# 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: John Smith, a married person.**

# 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 will each sign affidavits stating they will not be residing together (MHDC Marital Waiver Affidavits, Form 550-1 and 550-2).
  - Title company generated Marital Waivers are not acceptable.
- Currently separated applicants owned a home with that spouse within the last three years do not qualify as “First-time homebuyers”.
- This also applies for spouses that are incarcerated.

# NON U.S. CITIZENS

- **Each applicant, along with their spouse, must be a U.S. citizen or a lawful resident alien even if the spouse is not on the loan.**
  - **Must be eligible to work in the U.S.**
  - **Must have valid SSN**
  - **Marital status may not be waived**

# 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 and Mortgage Credit Certificate Programs**