

### chfa firststep<sup>sm</sup>: calculating income for program eligibility

The top suspense or denial factor for CHFA FirstSteps<sup>sm</sup> mortgage loans is income.

**Important:** You need to use different income calculations to determine program eligibility and loan eligibility.

Let's break it down.

Program Eligibility = Gross Annual Income	Loan Eligibility = Qualifying Income
<p>Gross Annual Income is equal to:</p> <ol style="list-style-type: none"> <li>1. the current total gross annual income for all borrower(s) and co-borrower(s); and</li> <li>2. any spouse or civil union partner of any borrower or co-borrower; <b>and</b></li> <li>3. any other individual who is expected to both live in the home and to be secondarily liable (e.g. co-signors, which CHFA currently does not allow) on the loan.</li> </ol> <p>Only the above individuals' incomes (and this <b>includes all income</b>, such as self-employment, child support, second jobs, etc.) need to be calculated to determine program eligibility.</p>	<p>Qualifying Income is the income utilized by the lender for determining borrower eligibility for an FHA loan.</p> <p>Only the income of those individuals on the loan is used.</p> <p>In addition, all other FHA guidelines must be met.</p>

### Example

You are working with a household of three: a couple and their son. Both spouses work, and their son has a part-time job and lives at home. Only one spouse's income will be the *qualifying income* for the loan given the other spouse has poor credit.

However, to determine *program eligibility*, you **would include** both spouses' income, despite only one being on the loan.

Even though the child lives in the home, you would not use the child's income when determining program eligibility for the FirstStep programs. The child does not meet the definition above—he is not a borrower, spouse, civil union partner, or secondarily liable on the loan.

Finally, you would need to ensure the Gross Annual Income is below the [CHFA FirstStep income limit](#) for a household of three or more. Even if using only the spouses' income to determine program eligibility, this is still a household of three.

Need help? Please see Section 600.B of the [CHFA Seller's Guide](#) for complete details.

Please contact us with any questions or for more information.

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