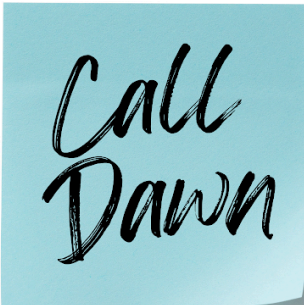




Gift Funds: FHA, VA & USDA

If you are receiving a gift in conjunction with your home purchase, it's essential to review this information carefully. Loan guidelines regarding gifts are very specific, and we need your cooperation, along with that of your donor, to provide the necessary documentation. The last thing we want is for a family member's generosity to lead to frustration for you or them.



Your gift donor must be a family member by blood, marriage, or adoption. A domestic partner can also be a donor, but the underwriting process will require proof that you are living together. If your fiancé or fiancée is giving you a gift, keep in mind that if you are not cohabitating, the underwriter may ask for evidence of your engagement—this is where social media can come in handy! FHA loans also allow for exceptionally close friends, akin to family, but you'll need to provide proof of your long-standing relationship.

It's crucial to remember that we need more from your gift donor than just the funds. Most family members willing to assist you with a gift will be fine with the minimal paperwork involved, but be sure to gauge their willingness. If your gift donor is private about finances or perhaps a bit controlling, stubborn, or unpredictable, ensure they are on board with the required paperwork before you accept any funds.

Timing is Essential

Timing matters when it comes to documentation. If we don't see a transaction, we don't have to document it. This can be beneficial if a family member is reluctant about the paperwork. Communicate early—once a deposit is made, it can't be "unseen." If you deposit a gift several months before applying for your loan, and your last two bank statements show the funds without the deposit being documented, we may have a workaround. Additionally, if you have enough other funds to close without the gift, it might be wise to delay accepting it until after closing. Discuss this with us early on so we can help you navigate your options.

Avoid Cash Gifts

Under no circumstances should you accept a cash gift. If a relative keeps savings in cash (like in a freezer), we need to discuss this further. Documenting the source of a deposit is crucial, as we need to prove it's not from a disallowed source or a new debt. Cash presents a significant problem because it's impossible to trace.

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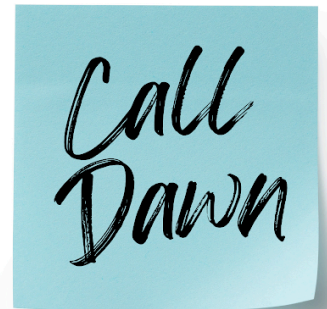


When to Transfer Funds

So, when should you transfer gift funds? It's never too early, but ideally, your gift funds—and any other funds for closing—should be in your bank account at least two weeks before your closing date.

Step One: Gift Letter

Creating a gift letter is straightforward. Simply provide your gift donor's name, relationship to you, address, phone number, and email. We will draft the letter and send it to both of you via DocuSign. Just a few clicks and it's done! **Important:** If the dollar amount of your gift changes—even by a penny—we will need to update your gift letter to reflect this change, as we adhere to strict guidelines.



Step Two: Proving Donor Ability

When receiving a gift in conjunction with your home purchase, FHA and VA loans require proof that your gift comes from the stated donor. The concern is that a seller or other interested party might funnel funds through a family member. Therefore, we need a bank statement from your donor showing the funds in their account at least 30 days before the transfer to you. Here's where things can become a bit complicated: if that statement reveals an incoming deposit or transfer of funds, we will require additional documentation proving the ultimate source of those funds—essentially, a history showing where the money has been for at least 30 days. After the funds have cleared your donor's account, we will need an updated statement or printout that shows the funds leaving their account. This process can feel intrusive to many gift donors, so if your donor is hesitant to provide a bank statement or wants to obscure details, please have them reach out to us. We can often negotiate documentation that meets both their privacy needs and our requirements. However, we must prove donor ability; if we can't, the gift cannot be counted as a source of funds for your closing.

Step Three: Transferring Funds

WARNING: Just Say No to Cash—Do. Not. Deposit. Cash.

Regardless of the circumstances, do not deposit cash gifts!

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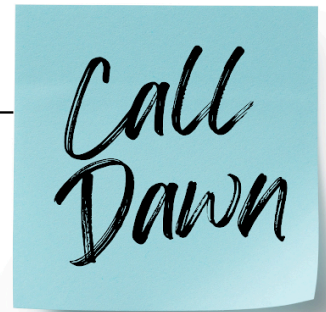




Preferred Method: Wire Transfer

The preferred method for transferring gift funds is via wire transfer. This is the easiest option, as your gift donor can wire the funds directly to the title company—just ask your escrow officer for the wiring instructions.

A wire transfer is secure, clears within a day, and eliminates the risk of lost mail, making it an excellent option for transfers closer to your closing date. If your donor wires the funds to your bank account, we will need proof of receipt. If the incoming wire shows the donor's name, a bank printout from you or the title company is all that's required. If not, we may need banking history or other verification from your gift donor.



Personal Check

If your donor chooses to transfer funds using a personal check, take a quick photo of the check before you deposit it. Make sure to deposit it alone, without any other checks or cash back, to ensure that the numbers match. After the check clears, log onto your bank's website and download a copy of the front and back of the cleared check as PDFs for our records.

If you can't do this, your donor might need to go to their bank's website to obtain a copy of the cleared check. After the deposit, we will also need a bank statement or printout confirming the deposit. Ensure that this deposit occurs well before closing to allow the check ample time to clear. If your donor doesn't use online banking, they can order a copy of the check instead, or a wire transfer may be a better option.

Cashier's Check

If your donor transfers funds via a cashier's check or bank check, please be aware that we will need to gather detailed information. We require a copy of the cashier's check made out to you or the title company, with the gift donor's name indicated in either the "purchased by" or "memo" field. Remember to copy the check before you deposit it.

We will need both a copy of the check and a printout showing it being deposited into your account. Similar to a personal check, deposit it alone without cashback to ensure that the deposit matches the check. From your donor, we need a copy of their bank statement or printout demonstrating the purchase of the cashier's check.

If their bank statement shows any incoming funds, the underwriter may request evidence of where those funds originated. We often find ourselves getting to know clients' grandparents very well while explaining the need to verify where that generous gift originated.

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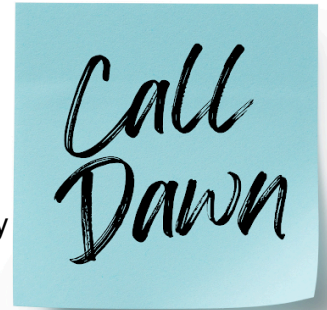




Internal Bank Transfer

If you and your donor share the same bank or credit union, transferring funds internally may seem like a quick solution. However, similar to cashier's checks, this will likely lead to requests for a bank statement from your donor showing the funds leaving their account. If they've transferred funds recently from another source, we may need to trace that money back to its origin. To avoid unnecessary complications, it's best to have your donor send a wire or write a check instead.

If you or your generous family members have any questions, don't hesitate to ask! We're here to help and want to ensure you have a smooth process with minimal extra paperwork.



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