



## USING GIFTED MONEY ON AN FHA LOAN

FHA allows gifted funds to be used on FHA mortgages in order to allow a buyer to get family help for down payment or closing costs or any other purpose of the loan, such as the required payoff of personal debts at closing. However, to prevent loan fraud, they insist that we determine without doubt that the money is actually coming from the donor on the gift letter. It is extremely important that these directions be followed exactly otherwise you may not be able to use the money for closing. How we do that is as follows:

### **Before full loan approval:**

- We get a copy of a filled out gift letter, signed by the donor and the borrower. A fax copy is fine.
- We verify that the donor has funds available to give the gift. That includes:
- A bank statement preceding the date of the gift letter
  - There must be no large unexplained deposits on the donor's bank statement (such as cash or a large deposit for which there is no accompanying reasonable explanation). A payroll direct deposit, for instance, would be reasonably explained by virtue of the fact that it came from the employer and there's a pattern of similar deposits. A deposit from the IRS for a tax refund would be also considered as reasonably explained. A transfer from a Home Equity Line of Credit would similarly be OK. A large cash infusion or a check for which we cannot show the source of the funds would NOT be acceptable however. FHA will assume that the money came from some unexplained source and WILL DISALLOW the use of it for an FHA mortgage.

### **After loan approval (perhaps) but prior to closing by at least a week to 10 days:**

- A copy of the actual cashier's check, made payable to you and showing the donor's name and account number on the check or accompanying stub is required before closing and full and final approval of your loan. This must be received in time to be reviewed by our underwriting dept. This should be accompanied by:
- A teller signed and dated bank run showing the money was withdrawn from the donor's account for the cashier's check. An alternative to this can be an online printout showing the withdrawal from the donors account. It must show the URL identifying information at the bottom of the printout and it must contain enough identifying information so that we can immediately and unarguably determine that it came from the donor's account. The last 4 digits of the account number and name of the donor, for instance, would satisfy this requirement. An account printout lacking enough information will be rejected.
- DO NOT DEPOSIT THE CHECK INTO YOUR ACCOUNT. You will need to bring it to closing.

Please feel free to call and ask us questions if this is not clear or there is some circumstance which it does not cover. All other money should remain separate from the gifted funds, so don't co-mingle money.



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