

GIFT VERIFICATION GUIDELINES

The gift letter is used to verify gift funds that many borrowers use to supplement their closing costs and other cash settlement requirements. When gifts are involved in the transaction, a gift letter from the donor of the gift is required (in most cases, this person should be a blood relative of the borrower). Check with your supervisor or underwriter to be sure it includes all information required by your institution.

- 1. No repayment necessary** The most important requirement of a gift is that the money is, indeed, a gift and need not be repaid.
- 2. Verify donor's funds** The donor's funds must be verified to make sure that he or she has the money in an account to give. This can be done via a VOD to the donor's bank, by copy of a bank statement, or copy of a Cashier's Check that references the donor.
- 3. Borrower must have 5% of his own funds** The borrower must generally have 5% of his or her own funds to contribute toward a down payment before any gift funds are utilized, unless the buyer is involved in a special homebuyer program such as a 97% LTV loan or a 3/2 down-payment option program.
- 4. Transfer of funds must be documented** Gift funds can be used as part of the borrower's earnest money deposit or contributed at or before closing. The transfer of the gift funds to the borrower must be documented. A copy of the gift check from the donor and validated deposit slip from the borrower's account or evidence of receipt of funds by the settlement agent (escrow or attorney) will verify the transfer.