

## Gift Guideline — Conventional

A borrower making a purchase of a principal residence or second home may use funds received as a personal gift from an acceptable donor. Gift funds may fund all or part of the down payment, closing costs, or financial reserves, subject to minimum borrower contribution requirements.

### Acceptable Donors:

A relative, defined as the borrower's:

- ◆ Spouse;
- ◆ child, or other dependent;
- ◆ any individual who is related by blood, marriage, adoption, or legal guardianship;
- ◆ fiancé, fiancée, or domestic partner.

The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

### Documentation Requirements:

- ◆ Fully executed gift letter must:
  - ◇ Specify the dollar amount of the gift;
  - ◇ Specify the date the funds were transferred;
  - ◇ Include the donor's statement that no repayment is expected; and
  - ◇ Indicate the donor's name, address, telephone number, relationship to the borrower.
- ◆ Copy of front and back of the cancelled gift check
- ◆ Evidence of transfer of gift funds – borrower's bank statement verifying deposit

### Minimum Borrower Contribution Requirements:

- ◆ With an LTV greater than 80%, if the borrower is purchasing a single unit, primary residence, there is no minimum borrower contribution and all funds needed to complete the transaction may come from a gift.
- ◆ When purchasing a one- to four-unit, primary residence, or a second home, with LTV of 80% or less, there is no minimum borrower contribution and all funds needed to complete the transaction may come from a gift.
- ◆ When purchasing a two- to four-unit primary residence, or a second home, with an LTV greater than 80%, the borrower must make a 5% minimum contribution from his/her own funds. After the minimum borrower contribution has been met, gifts may be used to supplement the down payment, closing costs and reserves.

### Gift of Equity:

A gift of equity refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property, and is transferred to the buyer as a credit in the transaction. A gift of equity is permitted for the purchase of a primary residence or a second home. The acceptable donor and minimum borrower contribution requirements for gifts also apply to gifts of equity. A fully executed gift letter is required.

## Gift Guideline — FHA

A borrower making a purchase of a principal residence may use funds received as a personal gift from an acceptable donor, in most cases.

### Acceptable Donors:

- ◆ The borrower's family member;
  - ◇ A family member is defined as:
    - Child, parent or grandparent
      - \* A child is defined as son, stepson, daughter, stepdaughter
      - \* A parent or grandparent includes step-parent/grandparent or foster parent/grandparent
    - Spouse or domestic partner
    - Legally adopted son or daughter, including child who is placed with the borrower by an authorized agency for legal adoption
    - Foster child
    - Brother, stepbrother, sister, stepsister
    - Uncle, aunt
    - Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law of the borrower.
- ◆ The borrower's employer or labor union;
- ◆ A close friend with a clearly defined and documented interest in the Borrower;
- ◆ A charitable organization;
- ◆ A government agency or public entity that has a program providing homeownership assistance to low or moderate income families, or first-time homebuyers.

### Documentation Requirements:

- ◆ Fully executed gift letter must:
  - ◇ Specify the dollar amount of the gift;
  - ◇ Specify the date the funds were transferred;
  - ◇ Include the donor's statement that no repayment is expected; and
  - ◇ Indicate the donor's name, address, telephone number, relationship to the borrower.
- ◆ Copy of front of gift check
- ◆ Evidence of donor's ability to gift – a copy of the donor's bank statement is required showing the gift check clearing the donor's account. In the case of account transfer instead of a check, we'll need donor's bank statement showing the withdrawal of funds and then borrower's statement showing the transfer of gift funds.  
**NOTE:** We must review the donor's bank statement for large deposits prior to the gift transaction
- ◆ Evidence of deposit of gift funds – borrower's bank statement verifying deposit
- ◆ **CASH ON HAND IS NOT AN ACCEPTABLE SOURCE OF GIFT FUNDS**

### Gift of Equity:

A gift of equity refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property, and is transferred to the buyer as a credit in the transaction. Only a family member may provide a gift of equity on a property being sold to another family member. A fully executed gift letter is required.

### ERP—Pacific Union's Niche Product for Borrowers with Low Credit Scores 580—619

- ◆ For credit scores 600 – 619, gifts are permitted when borrower has 2 months reserves of their own funds
- ◆ For credit scores 580 – 599, gifts are not permitted

### Gift Guideline —USDA

A borrower making a purchase of a principal residence may use funds received as a personal gift from an acceptable donor.

**Acceptable Donors:** USDA doesn't restrict who may provide a gift, except any interested party to the transaction is prohibited.

#### Documentation Requirements:

- ◆ Fully executed gift letter must:
  - ◇ Specify the dollar amount of the gift;
  - ◇ Specify the date the funds were transferred;
  - ◇ Include the donor's statement that no repayment is expected; and
  - ◇ Indicate the donor's name, address, telephone number, relationship to the borrower.
- ◆ Copy of front and back of the cancelled gift check
- ◆ Evidence of transfer of gift funds – borrower's bank statement verifying deposit
- ◆ **CASH ON HAND IS NOT AN ACCEPTABLE SOURCE OF GIFT FUNDS**

**Gift of Equity:** A gift of equity refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property, and is transferred to the buyer as a credit in the transaction. Only a family member may provide a gift of equity on a property being sold to another family member. A fully executed gift letter is required. The borrower may not receive cash back from the gift of equity at closing.

### Gift Guideline —VA

A borrower making a purchase of a principal residence may use funds received as a personal gift.

**Acceptable Donors:** VA doesn't restrict who may provide a gift, except any interested party to the transaction is prohibited.

#### Documentation Requirements:

- ◆ Fully executed gift letter must:
  - ◇ Specify the dollar amount of the gift;
  - ◇ Specify the date the funds were transferred;
  - ◇ Include the donor's statement that no repayment is expected; and
  - ◇ Indicate the donor's name, address, telephone number, relationship to the borrower.
- ◆ Copy of front and back of the cancelled gift check
- ◆ Evidence of transfer of gift funds – borrower's bank statement verifying deposit

**Gift of Equity:** A gift of equity refers to a gift provided by the seller of a property to the buyer. The gift represents a portion of the seller's equity in the property, and is transferred to the buyer as a credit in the transaction. VA doesn't restrict who may provide a gift of equity, except any interested party to the transaction is prohibited. A fully executed gift letter is required.