



FHA Gift Funds Job Aid

General Requirements

Cash on Hand is not an acceptable source of donor gift funds.

The Mortgagee (Lender) must obtain a gift letter signed and dated by the donor and Borrower that includes the following:

- the donor's name, address, telephone number;
- the donor's relationship to the Borrower;
- the dollar amount of the gift; and
- a statement that no repayment is required.

The Mortgagee (Lender) must verify and document the transfer of gift funds from the donor to the Borrower in accordance with the following requirements:

- a. If the gift funds have been **verified in the Borrower's account**, obtain the **donor's bank statement** showing the withdrawal and evidence of the deposit into the Borrower's account.
- b. If the gift funds are **not verified in the Borrower's account**, obtain the certified check or money order or cashier's check or **wire transfer** or other official check, and a bank statement showing the withdrawal from the donor's account. We have confirmed with the ATL HOC that if a gift is being provided direct to the closing agent at closing you must still have a donor bank statement showing the donor had sufficient funds to provide the gift but the actual withdrawal of the gift does not have to be on the document.

If the gift funds are paid directly to the settlement agent, the Mortgagee (Lender) must verify that the settlement agent received the funds from the donor for the amount of the gift, and that the funds were from an acceptable source. **(this is normally in the form of a wire, a donor bank statement is still always required)**

If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the Mortgagee (Lender) must have the donor provide written evidence that the funds were borrowed from an acceptable source, **not from a party to the transaction, including the lender.**

Regardless of when gift funds are made available to a Borrower, the Mortgagee (Lender) must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source (i.e., not from a party to the transaction, including the lender), and were the donor's own funds.

Large Deposits on Donor Bank Statements

When a borrower receives a gift from an acceptable source and the donor's bank statement shows a large deposit, no explanation, documentation or evidence of the source of the deposit is required, regardless of the amount. However, **the gift letter must indicate that any funds given to the borrower were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent, broker, loan officer or any other entity associated with the transaction (or other similar verbiage). Additionally, there can be no evidence that the deposit is from an unacceptable source (i.e., a deposit shows that it was a cash deposit to the branch/ATM).**

Important: Always be sure to check the 4000.1 and Product Profiles for complete requirements. This document is for reference purposes only!

FT360 Input for Gift Funds

Whether the gift funds are being provided at closing or transferred to borrowers account the 1003 page 1 must always reflect the gift.

Whether the gift funds are being provided at closing or transferred to borrowers account the FHA LT must always reflect the gift.

If the funds are already in the borrower's bank account that is documented in the file, you do not list the gift separately in the Asset screen. The typical input for a gift at closing will require the gift to be entered separately below.

VOD			
Belong To	Bank/S&L/Credit Union		Balance
Borrower	WELLS		2,211.84
Borrower	Gift		5,705.00

VOD is for Date

Print "See attached borrower's authorization" on signature line.

To: (Name & Address of Depository)

Name Phone

Attn Fax

Address Email

City

State Zip

Depository Comments

From

Title Print user's name as title

Phone

Fax

Account Information

Account Type	Account in Name of	Account Number	Balance
Gifts Not Deposited	SILVIA V VALDES		5,705.00
Total			5,705.00

Gift FAQs from HUD

Where can I find the guidelines regarding gift funds?

Gifts refer to the contributions of cash or equity with no expectation of repayment. Gift Funds may be provided by:

- the Borrower's Family Member;
- the Borrower's employer or labor union;
- a close friend with a clearly defined and documented interest in the Borrower;
- a charitable organization;
- a governmental agency or public Entity that has a program providing homeownership assistance to low or moderate income families or first-time homebuyers.

Cash on Hand is not an acceptable source of donor gift funds.

Only Family Members may provide equity credit as a gift on property being sold to other Family Members.

Can gift funds be provided from a friend or other unrelated party?

Gifts refer to the contributions of cash or equity with no expectation of repayment. Gifts may be provided by:

- the Borrower's Family Member;
- the Borrower's employer or labor union;
- a close friend with a clearly defined and documented interest in the Borrower;
- a charitable organization;
- a governmental agency or public Entity that has a program providing homeownership assistance to low or moderate income families or first-time homebuyers.

Does HUD allow gifts of equity?

Only Family Members may provide equity credit as a gift on property being sold to other Family Members. The Mortgagee (Lender) must obtain a gift letter signed and dated by the donor and Borrower that includes the following:

- the donor's name, address, telephone number;
- the donor's relationship to the Borrower;
- the dollar amount of the gift; and
- a statement that no repayment is required.

Can gift funds come from the employer?

Gift Funds may be provided by the Borrower's employer or labor union. Any gift of the Borrower's required minimum investment must also comply with the additional requirements for Source Requirements of Borrower's Minimum Required Investment (MRI) found in Handbook 4000.1 II.A.4.d.ii.(B).

The Mortgagee (Lender) must obtain a gift letter signed and dated by the donor and Borrower that includes the following:

- the donor's name, address, and telephone number;
- the donor's relationship to the Borrower;
- the dollar amount of the gift; and
- a statement that no repayment is required.

The receipt of the gift funds must be documented in accordance with Handbook 4000.1 II.A.4.d.iii.(F) or II.A.5.c.iii.(F).

A salary advance cannot be considered as assets to close.

Are government entities required to provide a gift letter?

If a gift is provided by a governmental agency or public entity that has a program providing homeownership assistance to low- or moderate- income families or first-time homebuyers, a gift letter is required. The gift letter must be signed and dated by the donor and Borrower and include the following:

- the donor's name, address, and telephone number;
- the donor's relationship to the Borrower;
- the dollar amount of the gift; and
- a statement that no repayment is required.

Can a real estate agent give a gift of their commission for the down payment?

Real Estate Commission from Sale of Subject Property refers to the Borrower's (i.e., buyer's) portion of a real estate commission earned from the sale of the property being purchased. Mortgagee (Lender)s (Lenders) may consider Real Estate Commissions from the Sale of the Subject Property as part of the Borrower's acceptable source of funds if the Borrower is a licensed real estate agent. A Family Member entitled to the commission may also provide it as a gift, in compliance with standard gift requirements. The Mortgagee (Lender) must verify and document that the Borrower, or Family Member giving the commission as a gift, is a licensed real estate agent, and is entitled to a real estate commission from the sale of the property being purchased.

Can gift funds come from the seller, lender or other interested party?

Gifts may be provided by:

- the Borrower's Family Member;
- the Borrower's employer or labor union;
- a close friend with a clearly defined and documented interest in the Borrower;
- a charitable organization;
- a governmental agency or public Entity that has a program providing homeownership assistance to low- or moderate- income families or first-time homebuyers.

The Mortgagee (Lender) may only permit the Borrower's Minimum Required Investment (MRI) to be provided by a source permissible under Section 203(b)(9)(C) of the National Housing Act, which means the funds for the Borrower's MRI must not come from:

- (1) the seller of the property;
- (2) any other person or Entity who financially benefits from the transaction (directly or indirectly); or
- (3) anyone who is or will be reimbursed, directly or indirectly, by any party included in (1) or (2) above.

While additional funds to close may be provided by one of these sources if permitted under the relevant source of funds requirements above, none of the Borrower's MRI may come from these sources. The Mortgagee (Lender) must document permissible sources for the full MRI in accordance with special requirements noted above. Additionally, in accordance with HUD's Interpretive Rule, Docket No. FR-5679-N-01, HUD does not interpret Section 203(b)(9)(C) of the National Housing Act to prohibit Governmental Entities from providing the Borrower's MRI where the Governmental Entity is originating the insured mortgage through one of its homeownership programs.

Sample Gift Letter



Gift Letter

I/We do hereby certify to the following:

W/We (Donor) have made a gift of \$ _____ to the Borrower(s) names below and no repayment of this gift is expected or implied either in the form of cash or future services of the recipient.

Borrower Name

Borrower Name

This gift is to be applied toward the purchase of the property located at

Street

City

State

Zip

The source of funds for this gift is

Bank Name _____

Type of Account Checking Savings Other

Account Number _____

Relationship to Borrower _____

Donor's Name _____

Address _____

Street

City

State

Zip

Donor's Phone Number _____

Donor Signature

Date

Borrower Signature

Date

Borrower Signature

Date

**Please note: Upon the signature(s) of this gift letter, I/We hereby certify that any funds given to the homebuyer were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent, broker, loan officer or any other entity associated with this transaction.*

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