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**Mortgage Tidbits**

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**Keeping you informed and in the know….**

**Conventional Acceptable Sources of Cash Reserves**

Lenders want to make sure the borrowers are in the best possible position for repayment of the loan once closing occurs. It is not unusual that the approval is based on a borrower having “Reserves”. Typically, cash/liquid reserves are based on two months of the borrower’s mortgage payment which includes principal, interest, taxes, insurance, PMI, & other associated fees. What is the difference between acceptable and unacceptable reserves on a purchase or refinance transaction? Take a look at the list below!

|  |  |
| --- | --- |
| Acceptable Cash Reserve Resources | Unacceptable Cash Reserve Resources |
| * Checking or savings account * Investments in stocks, bonds, mutual funds, certificate of deposit, money market funds, &/or trust accounts * The amount vested in a retirement savings account * The cash value of a vested life insurance policy   Documentation will be required to support the value of accounts used from this list and the ability of the borrower to liquidate the account, if needed. | * **Funds that have not been vested** * **Funds that cannot be withdrawn under circumstances other than the account owner’s retirement, employment termination, or death** * **Stock held in an unlisted corporation** * **Non-vested stock options & non-vested restricted stock** * **Personal unsecured loans** * **Interested party contributions (IPCs)** * **Any amount of a lender contribution** * **Cash proceeds from a cash-out refinance transaction on a subject property** |

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