



How to Document Gift Funds

Please follow this chart when documenting gift funds for a borrower. Further clarification on the requirements are listed below the grid/chart:

Program	USDA	FHA	VA	Conventional
Gift Letter Needed?	X	X	X	X
Donor Bank Statement Required?	X	X	X	
Copy of Cancelled check from Donor?				X
Donor Must be Related to Borrower?		X		X
Borrower bank statement showing gift deposits required?	X	X	X	X
Funds for gift may be wired to title company.	X	X	X	X
Large deposits on Donor Bank Statement to be sourced	X	X	X	X
Gift of equity allowed?	X	X	X	X

Important Details for gift funds:

Gift Letter –

- must be a fully executed gift letter that is signed by all borrowers and the donor of the funds.
- The gift letter must specifically state that there is no payment or return of funds expected.
- Donor's name, address and phone number
- Donor's relationship to the borrower
- The exact dollar amount of the gift

Donor Bank Statements –

- must be for a full 30 day statement cycle and show the withdrawal of the gift funds on the statement. All large deposits are to be sourced to show the funds were the donors to gift

Copy of Cancelled check from Donor –

- for conventional transactions, verification evidencing the transfer of funds from the donor to the borrower is required.
- As long as the funds deposited into the borrowers account match the check for the gift from the donor, a cancelled check is acceptable. If the deposits do not match exactly, further documentation is required.

Donor must be related to Borrower –

- FNMA & FHLMC require the donor to be a relative. Fiancé is considered acceptable for both agencies. Confirmation of relationship may be required
- FHA requires the donor to be related and provides a detailed list of acceptable relatives
- Cousins are not acceptable for any of the agencies listed above
- USDA & VA do not restrict donors to family members. BUT, the donor may not be an interested party in the sale of the home.

Borrower Bank Statement showing gift funds deposited – this will be required on all agencies.

- Borrower's bank statements should be provided after the gift funds are deposited
- The bank statements provided should not have a gap between the bank statements already on file with underwriting.
- All large deposits must be sourced and have an LOX

Funds for Gift may be wired to title –

Yes, this is acceptable. Borrower bank statements will not be required for updating if this option is used. The following will be needed:

- Confirmation of the sent wire from the donor's bank showing the date sent, amount sent and where it was sent to
- Confirmation of the received wire from the title company showing the same information
- Donor's bank statements will still be needed per the program requirements

Large Deposits must be sourced on Donor Bank Statements –

All programs require large deposits to be sourced with an image of what was deposited and a letter of explanation to explain what the image references

Gift of Equity Allowed –

Gift of equity is allowed on all programs.

- Gift of equity can only be gifted from a relative
- Gift funds in the form of equity or cash are not eligible on an investment property

Questions regarding gift funds? Email mtgsupportcenter@flanaganstatebank.com