

Understanding Financial Gifts

WRITTEN BY DAVID REED POSTED ON TUESDAY, 04 OCTOBER 2022 00:00



(/media/k2/items/cache/75cd4bc94187ad6d2301918069130ac7_XL.jpg)

Getting a little help from ol' Mom and Dad to help buy your first home? Lucky you! For most first time homebuyers, coming up with the money for a down payment and closing costs is the biggest challenge. But getting a bit of a financial windfall will go a long way. Just know in advance how lenders view and treat financial gifts when qualifying for a home loan. [We value your privacy. What's important?](#)

One of the things to know is that lenders will want to 'source' the financial gift to make sure it's from a legitimate source. For instance, when you provide your bank statements to the lender, they'll match up what appears on your paycheck stubs with deposit verification from your bank statements. If you get paid on the 1st and 15th, there should be deposits shown on those dates. But if you get a financial gift, the money will simply appear in your account. Lenders will want to know where that irregular deposit came from. [We use cookies to enhance your browsing experience, serve personalized ads or content, and analyze our traffic. By clicking "Accept All", you consent to our use of cookies. \[Click here to view Policy.\]\(#\)](#) (<https://realtymoves.com/privacy-policy>)

Accept All

Lenders want to make sure, for one, that the money showing up in your bank statements doesn't come from a loan. A loan will mean you have to pay it back, either in monthly installments or in one big lump sum. That can affect your ability to pay your mortgage and at minimum increase your debt to income ratios.

Qualified sources for gift funds include family members, qualified non-profits and life partners. Whichever the source, you'll be asked to provide a letter from the donor stating that the funds are indeed a financial gift and are not expected to pay them back. If you do decide however to pay back the donor either all or in part at a later date, you may certainly do so.

It's just upon receiving the gift, you'll need an explanation as to where those funds came from. Lenders also have the right to make sure the donor has the ability to pay the gift and not expect to be paid back. The gift letter will also point out the source of the donor's gift funds. A simple 'from our bank account' will suffice.

When counting on getting some financial help from qualified sources, know in advance it's not as simple as just saying 'it came from my checking account.' You'll need to show the funds are yours, not expected to be paid back and the funds will be used to help finance the purchase of your new home.

Tweet

Like 0



David Reed

David Reed (Austin, TX) is the author of *Mortgages 101*, *Mortgage Confidential*, *Your Successful Career as a Mortgage Broker*, *The Real Estate Investor's Guide to Financing*, *Your Guide to VA Loans* and *Decoding the New Mortgage Market*. As a Senior Loan Officer and Mortgage Executive he closed more than 2,000 mortgage loans over the course of more than 20 years in commercial and residential mortgage lending.

He has appeared on CNN, CNBC, Fox Business, Fox and Friends and the Today In New York show. His advice has appeared in the New York Times, Parade Magazine, Washington Post and Kiplinger's as well as in newspapers and magazines throughout the country.

Email David Reed about this article

We value your privacy

We use cookies to enhance your browsing experience, serve personalized ads or content, and analyze our traffic. By clicking "Accept All", you consent to our use of cookies.

[Click here to view Policy](#)

(<https://realtytimes.com/privacy-policy>).

Accept All