

If you plan to accept a monetary gift to help you cover homebuying costs, familiarize yourself with how funds may be used and who are acceptable donors.

Q&A: Accepting Gift Funds

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May I use gift funds on all types of purchases?

Borrowers seeking a mortgage to secure a principle residence or second home may use funds received as a personal gift from an acceptable donor. Restrictions vary between loan types as to how gift funds may be used, for down payment, closing costs or reserves subject to minimum borrower contribution requirements. Gifts are not allowed on an investment property.

Who can give a gift?

Gift funds can only come from acceptable donors. A gift can be provided by a relative, fiancé or domestic partner. A relative is more closely defined as the borrower's spouse, child, dependent or any other individual who is related to the borrower by blood, marriage, adoption or legal guardianship.

What documentation is required?

Gifts may be evidenced with a gift letter signed by the donor. The gift letter must specify gifted dollar amount, date funds were transferred, donor statement that no repayment is expected and donor identification, including name, phone, address and relationship to the borrower.

How are gift funds verified?

Lenders will gather documentation to confirm sufficient funds are in the donor's account or have been transferred to the borrower's account. There are three different ways to verify funds:

- Copy of the donor's check and borrower's deposit slip
- Copy of the donor's withdrawal slip and borrower's deposit slip
- Lender can document donor gave closing agent the gift funds in the forms of a cashier's check, certified check or another official check.

Can equity be gifted?

Gifts of equity are allowed by the seller to the buyer on principle residences and second home purchases. The gift represents a portion of the seller's equity in the property, and is transferred to the buyer as a credit. This still requires a gift letter and the settlement statement listing the gift of equity.

Gift donors also should familiarize themselves with the IRS annual gift tax rules,

as taxes may be owed if the gift amount exceeds the annual exclusion. Please consult with a tax professional.

We are here to help, even if you are not an RCB Bank customer. Give us a call.



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Restrictions, limitations and conditions apply for all loan types with approved credit.

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