

Frequently Asked Questions

WHAT DO I NEED TO DO IF I AM RECEIVING A GIFT FOR ALL or PART OF MY DOWN PAYMENT?

Guidelines are very specific regarding the documentation the transfer of gifts funds and the 'paper trail' needed on the transfer of GIFT Funds. In summary, the gift documentation requires the following three items, but please see the section below for 'Specific Guides':

- A. **A gift letter** created by the lender for the loan
- B. **A check for the gift**, which should match the amount stated in the above gift letter,
- C. **And receipt or deposit** of the gift check.

Specific Guides

BEFORE any money changes hands please review these simple steps. My team with our experience have found that this is the BEST way to document gift funds.

1. **First State Bank Mortgage will provided you a GIFT form LETTER to be completed**, signed by all parties and returned to our office. The amount on the Gift Letter MUST match the amount received **exactly**.
2. **You will need to provide us a copy of the Cashier's Check, with the amount that matches the gift letter.**

Yes, Cashier's check is the preferred delivery of the funds. See below in number 3, but make the Cashier's Check out to the closing agent.

Why a Cashier's Check is better for a Gift - Note if you do not use a Cashier's Check, but instead use a personal check, the underwriter always has the option to ask to see if the check has cleared the giftor's bank account, causing one more requirement for the home loan documentation. Hence, please use a Cashier's Check.

*Also, with the ease of internet transfers, **we highly recommend that you do NOT make a wire transfer.** This would cause the underwriter to ask again to see whose account was the transfer from, requiring another bank statement.*

3. We have found that the best way to document receipt of the check is to make the Cashier's check out to the Title Company or First State Bank, whichever entity that is going to close your loan. Just send us a copy of the Cashier's Check and you hold onto that check until closing.

Making the check out to the closing agent eliminates depositing the Cashier's check into the borrower's bank account. Depositing the check could lead to having a hold put on check for several days and then having the borrower wait to show us the new balance after the gift check has been deposited.

If the person giving you the gift wants to utilize a different form of getting your funds to you (personal check, wire transfer, etc) please call our office BEFORE executing as we may have additional instructions for you.

One Other Requirement for FHA Loans:

Finally, if the loan type you are doing is FHA, there is an additional step required. The FHA guidelines requires us to show that the person giving the gift has the ability to give those funds. While this might be a touchy point for the person giving the gift, this is the FHA guideline. It cannot be changed or eliminated.

1. The giftor must provide the most recent statement for the account where the gift funds are coming from (must have bank name, donor name and sufficient balance to give gift). This can be sent directly to your loan officer or processor

Please note as well, that because of banking privacy, we do not share any information the person giving the gift.

Have questions? Call

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