

Documenting Deposits into Your Bank Accounts

Please Read: *If not followed this can cause major delays. All documentation must be received 7 business days before closing.*

Documenting large deposits has become a major headache for borrowers and a major delay in closing loans for lenders. In order to ease the pain I've listed some rules and tips to keep in mind when sending us your bank statements. If you know your bank statements (Checking, Savings, Etc.) have non payroll deposits please call my team and I to discuss how to properly handle the documentation of these if this information does not make sense.

Rule:

When bank statements (typically covering the most recent two months) are required for financing, large deposits, which are defined as any single deposit that exceeds 25% of the total monthly qualifying income for the loan, must be evaluated and documented appropriately.

Example: John makes \$5,000 a month. He shows a deposit into his checking account for \$1,700 that is not from his employer.

In this example John would need to document the deposit as it is more than 25% of his gross (before deductions) of monthly income.

****if there are two borrowers, it is the total of their income combined that is used to determine the 25% threshold.**

Most Common Large Deposits:

- Funds from investment or retirement accounts being used for down payment
- Funds deposited from other bank accounts not listed on your loan application
- Gift fund from family
- Funds deposited from other financial institutions not located in the U.S. (this can cause major delays)

How to Document Large Deposits:

- Provide copy of the wire/deposit/transfer slip from originating account
- Provide account statement for account receiving the deposit
- Along with deposits, transfers into your bank accounts will need to be documented as well. If you have transfers that come from a different account not listed on your statement, then the most recent 2 months complete bank statements and a transaction detail (if applicable) will be required.

This could be an activity statement from last day of previous statement through the day of the deposit.

- Include a letter of explanation about the funds

EX: Deposit into checking account came from investment account. You would need to also include the statement from the investment account, add the account on your loan application and include the proof of wire or transfer.