

Asset Documentation

Documenting assets is a requirement on every mortgage transaction. In a perfect world you will provide two months of complete bank statements (all pages) and the money that has been sitting in your account without movement and no outside deposits.

But what happens if you don't have complete statements or your statements show deposits outside of your employer –or- transfers from other bank accounts? This will quickly become the most time consuming part of the entire mortgage process.

This guide will hopefully prepare you for the asset documentation aspect of the loan process at Leader Bank, which is typically the most time consuming and frustrating part (for both applicants AND lenders). Please keep in mind banks are required by law to document all assets being used during a home purchase.

The best course of action is to avoid showing deposits or transfers on bank accounts for two months before your purchase. But if it's too late for that – let's discuss the best way to handle it.

The following items showing up on your bank statements will require more documentation:

- Deposits greater than 25% of your gross monthly income
- Transfers between accounts
- 401k or investment liquidation
- Gift funds (money received from family or spouse)

Deposits

- First off – payroll does not count here. Your regular salary direct deposit does not count. A deposit greater than 25% of your gross monthly income will require an explanation and documentation to prove. For example – if you have a deposit for \$4,000 on your statement and the deposit is from a business expense reimbursement we'll just need that explanation plus a copy of the check OR stub from your employer.
- A deposit from a family member will be called a gift and generally must be a blood relative or spouse to be eligible to be used for this purchase. If it is a non-qualifying party the bank will not allow you to use these funds towards your purchase. A gift is documented by filling out a gift form (supplied by the bank) which is signed by the gift donor and then a copy of the check provided.
- Cash deposits are the worst kind. Lenders do not want to see you depositing cash from under the mattress or other sources.

Transfers

- A bank transfer from one of your other accounts will require us to have 2 months of both bank statements. If either statement has deposits or other transfers we'll need to follow the trail all the way until the deposits or transfers stop. Any deposits encountered along the way need to be documented.
- A bank transfer from another person will be considered the same as a gift. In this case however, the bank

is required to get a bank statement from the gift donors account whereas above (with a deposit) we just need a copy of the check. For this reason it is preferred for gifts to be given via check and not transferred between accounts.

401k or Investment liquidation

- If you are liquidating from a 401k or investment account to use funds for your purchase we will need to see the initial standard documentation - 2 months of full statement (or quarterly statement) from before the liquidation plus a transaction history showing the funds being sold or liquidated. Then we need a statement or transaction detail showing the funds coming out of your bank account. We will also need to see the funds entering your other bank account to see they are available for use. If a check is used instead of wire we need a copy of the check and your bank statement showing deposit. If wire we need statements showing the wire coming in and a wire receipt.
- Because of the documentation needed and the time that will be required to obtain it, you will want to get this process started early. You don't want to be scrambling to obtain this documentation right before closing.
- If you are taking a loan from 401k we need all of the same documentation mentioned above except we will also need terms of the loan and if there is a payment associated that will count against your income as debt similar to a car loan payment.

Gift Funds

We have already discussed gift funds above at this point. Any gift funds will require a gift form provided by the bank then filled out and signed by all parties. If the gift is given in check form we only need a copy of the check and your bank statement showing the deposit clearing. If the check is from a wire we'll need a wire receipt from the bank. An account transfer is the most intrusive option as we will need a copy of your gift donors bank statement as well as yours. FHA and VA Loans will always require copy of the gift donors bank statement for gifts.

What are considered acceptable bank statements?

- 1) The old standard paper statements are always acceptable as long as we have all pages. If page 1 mentions pages 1-13 we will need to see page 13 even if it is completely blank! The lender doesn't know there is nothing on that page until they see it.
- 2) Electronic statements are acceptable as long as they are actual statements and not just online transaction histories. Electronic statement means it has a full 30 days history of detail, an account number and your name listed, the name of the bank, and there is a running balance for the account with each transaction. We cannot accept a screen shot, or photo, or any statement that does not have all of the items mentioned above.

We need to document your offer and P&S checks too

The check you gave at offer (usually \$1000) and the check you will give when you sign the purchase and sale are items we need copies of as well. In addition to the checks we need a bank statement from you which shows those checks clearing your bank accounts. You typically will not have these statements until later in the transaction since the P&S check will not clear until after you have provided that check. At this point you have already given your upfront documentation most likely. In some cases you will not have a lot of time between the P&S check clearing your account in closing. In these cases you might have to go

to your physical bank and obtain a bank statement from a teller. It must contain (similar to above item 2): bank letterhead, signature or stamp from teller, a full 30 day transaction history up until the checks clearing, running account balance with each transaction and your name and account number must be shown.

Don't make the mistake of moving money before closing!

You've gotten close to the end but you are not yet clear to close and you start moving money between accounts in preparation for your closing. STOP!!! You do not want to think about moving any funds until your loan is clear to close and you have checked with your loan officer to confirm it is safe to move. If you move funds or deposit money and the underwriter needs an updated statement and sees it – we will need to start the entire asset documenting process all over again. This is unfortunately not an uncommon occurrence and it is very disheartening on both sides especially when the loan was 95% of the way to the finish line. Once you are clear to close and/or your loan officer tells you it is safe, you can transfer or move funds in preparation for closing and you will not be required to document anything.

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