



Last Reviewed: 06/25/2024



TPO Large Deposit Requirements

Government Loan Large Deposit Validation Requirements

TOTAL Scorecard Accept/Approve or Refer Recommendation

FHA

For individual deposits of more than 50% of the total monthly effective income, obtain documentation of the deposits. Additionally, verify that the deposits are commensurate with the Borrower's income and savings history, and that no debts were incurred to obtain part, or all, of the minimum required investment.

If the documents are clear and tell the whole story, an additional explanation is not required.

An explanation may be required in cases where it is not clear whether new debt was incurred to obtain part or all of the MRI.

USDA, Rural Development

All recurring deposits on account statements that are not attributed to wages or earnings, as well as non-recurring deposits greater than \$1,000 that are not attributed to wages or earnings, must be reviewed to confirm the deposits are not from undisclosed income sources.

USDA will require a Borrower letter of explanation (LOE) for large or unusual deposits that are not consistent with the previous history to determine the source and reoccurrence of funds. The LOE validation is relevant to deposits that may be factored into other sources of income which may impact the family income calculation.

VA

No deposit requirements unless otherwise required by the AUS. UHM only needs to verify that funds on deposit are available to cover all costs. VA guidelines apply.

VA Example: Borrower has seasoned funds to cover costs as described above, no deposit validation over and above is required.

Conventional Loan Large Deposit Validation Requirements

Approve Recommendation

Conventional Purchase Transactions ①

Follow FNMA/Agency guidelines and obtain an explanation and documentation (from an acceptable source) for recent large deposits in excess of 50% of the monthly qualified family income for all applicants. Verify that any recent debts were not incurred to obtain part, or all, of the required cash investment on the property being purchased.

Conventional Non-Cumulative Examples: \$5,000.00 in monthly income, three deposits of \$500.00, \$500.00, and \$1,501.00 would not require an explanation or documentation. Conversely, a single \$2,501.00 deposit would require an explanation and documentation for the deposit.

Conventional Refinance Transactions

Documentation or explanation for large deposits is not required; however, UHM is responsible for ensuring that any borrowed funds, including any related liability, are considered.

Freddie Mac Only: For all transactions, when an unverified deposit is used to pay off or pay down an existing debt in order to qualify for the Mortgage, the source of funds must be documented.

Notes

1. If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), SSA, IRS, or transfer between verified accounts, further explanation or documentation is not needed.