



Last Reviewed: 01/12/2023

TPO Large Deposit Requirements

Government Loan Large Deposit Validation Requirements

TOTAL Scorecard Accept/Approve or Refer Recommendation

FHA

Provide an explanation and documentation for recent large deposits in excess of 1% of the adjusted value for a purchase (lesser of the sales price or appraised value), or appraised value for a refinance. Statements are reviewed on an individual basis.

**Please note: In the event of a pattern of deposits without evidence of origin within a short period of time, the Underwriter may validate deposits even if less than 1%. Backing out large deposits and using the remaining balance on a statement is not permitted by FHA. However, in cases in which the source of funds cannot be fully documented to FHA standards and extreme vetting has been documented, the deposit may be able to be backed out at the Underwriter's discretion.

The Underwriter must insure that:

1. The funds did not originate from an unacceptable source AND
2. The funds are not needed for closing and/or reserves

The determination will require, at minimum, a detailed LOE from the borrower indicating the source of funds to close. Additional documentation to support the LOE may be required by the Underwater.

If the determination is made to allow a deposit to be backed out of the available balance for qualifying, the Underwriter must fully detail the decision on the 92900-LT.

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 (LOX) for large or unusual deposits that are not consistent with the previous history to determine the source and reoccurrence of funds. The LOX 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

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.

Footnotes

1. Deposits referenced are outside of identifiable employer-based income.
2. Joint asset statements are viewed as joint accounts; utilizing total income for all account owners following the scope of this policy. Separate asset statements (example, two unmarried borrowers with separate statements) are viewed on an individual basis; utilizing the account owner's sole income in the analysis.
3. Backing out large deposits to utilize the remaining balance on a statement is not permitted, when utilizing FHA financing. This is acceptable when utilizing Conventional, VA, and USDA financing.