

B3-4.2-01, Verification of Deposits and Assets (05/04/2022)

Introduction

This topic contains information on verifying deposits and assets, including:

- [Verification of Deposits and Assets](#)
- [Asset Documentation Provided by a Third-Party Asset Verification Vendor](#)
- [Blanket Authorization Form](#)

Verification of Deposits and Assets

The lender can use any of the following types of documentation to verify that a borrower has sufficient funds for closing, down payment, and/or financial reserves:

- *Request for Verification of Deposit* ([Form 1006](#)). The information must be requested directly from the depository institution, and the complete, signed, and dated document must be sent directly from the depository institution.
- Copies of bank statements or investment portfolio statements. All statements must:
 - clearly identify the financial institution,
 - clearly identify the borrower as the account holder,
 - include at least the last four digits of the account number,
 - include the time period covered by the statement,
 - include all deposits and withdrawal transactions (for depository accounts),
 - include all purchase and sale transactions (for financial portfolio accounts), and
 - include the ending account balance.

If the lender is the holder of the borrower's account, the lender may produce a printout or other alternative verification of the asset(s) directly from its system. The printout or alternative verification is acceptable as long as all required data (above) is supplied and documented.

- Copies of retirement account statements. They must be the most recent statements, and they must identify the borrower's vested amount and the terms. (See [B3-4.3-03, Retirement Accounts](#), for additional information.)

The number of required bank or investment portfolio statements varies per transaction type as shown in the following table.

Documentation Requirements	
Purchase transactions	The statements must cover the most recent full two-month period of account activity (60 days, or, if account information is reported on a quarterly basis, the most recent quarter).
Refinance transactions	The statements must cover the most recent full one-month period of account activity (30 days, or, if account information is reported on a quarterly basis, the most recent quarter).

If the latest bank statement is more than 45 days earlier than the date of the loan application, the lender should ask the borrower to provide a more recent, supplemental, bank-generated form that shows at least the last four digits of the account number, balance, and date. The statements may be computer-generated forms, including online account or portfolio statements downloaded by the borrower from the Internet.

Documents that are faxed to the lender or downloaded from the Internet must clearly identify the name of the depository or investment institution and the source of information—for example, by including that information in the Internet or fax banner at the top of the document.

If necessary, the lender must supplement these verifications by obtaining any missing information from the borrower or the depository institution.

See [B3-4.4-02, Requirements for Certain Assets in DU](#), for additional information about documentation of assets for DU loan casefiles.

In addition, loans with assets validated by DU must comply with all requirements pertaining to the DU validation service. Compliance with the DU messages satisfies the requirement for documenting assets. This documentation may differ from the requirements described above. See [B3-2-02, DU Validation Service](#), for additional information.

Asset Documentation Provided by a Third-Party Asset Verification Vendor

- Direct verification by a third-party asset verification vendor. These verifications are acceptable as long as:
 - the borrower provided proper authorizations for the lender to use the verification method,
 - the verified information provided must conform with the information that would be provided on Form 1006 or on bank statements,
 - the date of the completed verification is in compliance with [B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns](#),
 - the lender has determined that the vendor maintains reasonable practices that ensure reliable and authorized verifications of deposit and asset information (see [A4-1-01, Maintaining Seller/Service Eligibility](#)), and
 - the lender understands it will be held accountable for the integrity of the information obtained from this source.

Blanket Authorization Form

Rather than having the applicant sign multiple forms, the lender may have the applicant sign an authorization form which gives the lender blanket authorization to request the information it needs to evaluate the applicant's creditworthiness. (See [B1-1-02, Blanket Authorization Form](#).) When the lender uses this type of blanket authorization, it must attach a copy of the authorization form to each Form 1006 it sends to the depository institutions in which the applicant has accounts.

Recent Related Announcements

The table below provides references to recently issued Announcements that are related to this topic.

Announcements	Issue Date
Announcement SEL-2022-04	May 04, 2022
Announcement SEL-2022-01	February 02, 2022
Announcement SEL-2021-06	July 7, 2021

B3-4.2-02, Depository Accounts (12/14/2022)

Introduction

This topic contains information on depository accounts, including:

- [Depository Accounts](#)
- [Business Assets](#)
- [Evaluating Large Deposits](#)
- [Request for Verification of Deposit](#)

Depository Accounts

Funds held in a checking, savings, money market, certificate of deposit, or other depository accounts may be used for the down payment, closing costs, and financial reserves. The funds must be verified as described in [B3-4.2-01, Verification of Deposits and Assets](#). Unverified funds are not acceptable for the down payment, closing costs, or financial reserves.

The lender must investigate any indications of borrowed funds. These must be identified differently based upon how the asset account was verified.

Business Assets

Business assets may be an acceptable source of funds for the down payment, closing costs, and financial reserves. The borrower must be listed as an owner of the account and the account must be verified in accordance with [B3-4.2-01, Verification of Deposits and Assets](#). If the borrower is also using self-employment income from this business to qualify, see Section B3-3.2, Self-Employment Income, for additional information on the analysis of a self-employed borrower.

Evaluating Large Deposits

A large deposit is defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan. When bank statements (typically covering the most recent two months) are used, the lender must evaluate large deposits. See [B3-4.1-04, Virtual Currency](#) for additional information when a large deposit may be from virtual currency that was exchanged into U.S. dollars. Requirements for evaluating large deposits vary based on the transaction type, as shown in the table below.

Transaction Type	Evaluation Requirements
Refinance transactions	Documentation or explanation for large deposits is not required; however, the lender remains responsible for ensuring that any borrowed funds, including any related liability, are considered.

Transaction Type	Evaluation Requirements
Purchase transactions	<ul style="list-style-type: none"> • If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the lender must document that those funds are from an acceptable source. Occasionally, a borrower may not have all of the documentation required to confirm the source of a deposit. In those instances, the lender must use reasonable judgment based on the available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile. Examples of acceptable documentation include the borrower's written explanation, proof of ownership of an asset that was sold, or a copy of a wedding invitation to support receipt of gift funds. The lender must place in the loan file written documentation of the rationale for using the funds. • Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and the lender must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves. When the lender uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes (whether the loan is underwritten manually or through DU). <p>Note: When a deposit has both sourced and unsourced portions, only the unsourced portion must be used to calculate whether or not it must be considered a large deposit.</p> <p>Examples</p> <ul style="list-style-type: none"> • Scenario 1: Borrower has monthly income of \$4,000 and an account at ABC Bank with a balance of \$20,000. A deposit of \$3,000 is identified, but \$2,500 of that deposit is documented as coming from the borrower's federal income tax refund. Only the unsourced \$500 [the deposit of \$3,000 minus the documented \$2,500] must be considered in calculating whether it meets the large deposit definition. The unsourced \$500 is 12.5% of the borrower's \$4,000 monthly income, falling short of the 50% definition of a large deposit. Therefore, it is not considered a large deposit and the entire \$20,000 balance in the ABC Bank account can be used for underwriting purposes. • Scenario 2: Using the same borrower example, a deposit of \$3,000 is identified, but only \$500 is documented as coming from the borrower's federal income tax refund, leaving \$2,500 unsourced. In this instance, the unsourced \$2,500 is 63% of the borrower's \$4,000 monthly income, which does meet the definition of a large deposit. Therefore, the unsourced \$2,500 must be subtracted from the account balance of \$20,000 and only the remaining \$17,500 may be used for underwriting purposes.

Note: If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, the lender does not need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the lender still has questions as to whether the funds may have been borrowed, the lender should obtain additional documentation.

The DU validation service automates the assessment of large deposits. When assets are validated, DU issues a message indicating which large deposits require documentation. Compliance with the DU messages satisfies the requirement for documenting large deposits. See [B3-2-02, DU Validation Service](#)

Request for Verification of Deposit

When a *Verification of Deposit* (Form 1006) (VOD) is used and depository activity is not included, the lender must verify the source of funds for

- accounts opened within the last 90 days of the application date, and
- account balances that are considerably greater than the average balance reflected on the VOD.

Recent Related Announcements

The table below provides references to recently issued Announcements that are related to this topic.

Announcements	Issue Date
Announcement SEL-2022-10	December 14, 2022
Announcement SEL-2022-04	May 04, 2022

B3-4.2-03, Individual Development Accounts (02/06/2019)

Introduction

This topic contains information on individual development accounts, including:

- [Individual Development Accounts](#)
- [Use of IDA Funds to Meet Borrower Minimum Contribution Requirements](#)
- [Lender Checklist for IDAs](#)