



Not Your Ordinary Assets

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Objectives

A look at less common assets that **can be used** in a mortgage transaction:

- ▮ Acceptable assets in a mortgage transaction
- ▮ Converting **fixed assets** to cash
- ▮ Documentation needed for each asset

Assets covered in this session

- // Sale of assets or **loans against** fixed assets:
 - Retirement Funds
 - Life Insurance
 - Personal Property such as: Artwork, Collectibles, Automobiles
- // Tax Refunds
- // Lease to Purchase Option
- // 1031 Exchanges
- // Relocation Credits

Selling an Asset

Sale of a personal asset is an **acceptable source** of funds

Purchaser of asset may not be party to the sale or mortgage transaction

Documentation required:

- // Evidence of ownership of asset*
- // Certification of asset's value*
- // Transfer of ownership of the asset**
 - // Bill of sale
 - // Statement from purchaser
- // Proof of deposit into borrower's account**

[* Fannie Mae guideline updates 12/2020](#)

** Freddie Mac requires only these two items

Loans against Fixed Assets

Funds from loans against Personal Property **may be used** for down payment, closing costs, and reserves.

- /// Automobiles
- /// Artwork
- /// Collections
- /// Life Insurance
- /// Retirement Funds

Securing a loan against a personal asset

Documentation includes:

- ▮ Terms of the Loan – the Note
- ▮ Confirmation of funds received





Loan on an asset

Asset: Classic Car

Loan amount: \$10,000.00

Interest rate: 6.49%
(www.bankrate.com)

Term: 48 months

Monthly payment: **\$238.00**

401k funds used for reserves

401K Loan:	\$15,000.00
Fees/penalties	<u>+ 1,250.00</u>
	\$16,250.00
401K balance:	\$50,000.00
Loan + fees	<u>- 16,250.00</u>

Remaining balance available for reserves
= \$33,750.00

Monthly payments from a 401K loan do not have to be considered a debt





Using retirement funds

Types of Accounts: **IRA, 401K, Keogh**

- /// Funds must be vested
- /// Funds may be used for Closing costs or Down payment
- /// Documentation required:
- /// Recent Account Statement Funds may be used for Reserves with stipulations
- /// Evidence of liquidation and deposit of funds

Life Insurance funds

Life Insurance is an agreement between the policy holder and their insurance company where a set amount of money will be paid to a beneficiary upon the death of the insured.

Documentation Requirements:


- Whole Life Policies only
- Terms of the loan and any penalties
- Proof of receipt of funds
- Evidence if no repayment is required

EX: Policy Cash Value = \$25,000

Amt. borrowed = \$12,000

Remaining value of asset = \$13,000





Bridge Loan – Equity from existing property secured as loan for closing costs on a new property

Current House

- Value = \$300,000
- Mortgage = \$50,000
- Equity = \$250,000
- Mortgage Pmt = x
- Bridge Loan Pmt = y

New House

- Value = \$400,000
- Mortgage = \$150,000
- Funds needed
\$250,000
- Mortgage Payment = z

Remember that the borrower must qualify
with the mortgage payments on **both** homes $x + y + z$

Odd duck assets

- // Tax Refunds
- // Lease to Purchase Option
- // 1031 Exchanges
- // Relocation Credits



Form **1040**

Department of the Treasury
U.S. Individual

Label

See
instructions
(page 16.)

Use the
label.

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What about tax refunds?

IRS tax refunds **can be used** as a source for down payment, closing costs, and reserves

Documentation Required:

- Copy of refund check or printout from Where's My Refund evidencing actual refund date
- Proof of deposit into borrower's account

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Real estate commissions

If the borrower is a licensed realtor, their commission from the sale of the subject property may be used for down payment and/or closings.

You will need to provide:

- // Evidence of real estate license
- // Purchase contract must reflect borrower is the buyer's agent
- // Closing Disclosure must reflect credit to borrower as agent





Lease to purchase option credits

Subject Rent = \$1,200.00

Market Rent = \$1,000.00

Escrow = \$200.00/Month
(towards down payment)



1031 Property Exchange

Tax deferred proceeds from investment property sale

Must be similar properties in the exchange

QI (Qualified Intermediary) must place proceeds in escrow account and manage it

Documentation Requirements:

Closing Disclosure from property being sold

QI Statement verifying funds

Copy of Exchange Agreement

Relocation credits

Assist an employee in closing on a mortgage transaction when that employee moves to another location at the request of their employer.

The relocation plan must be an established program, not a one-time exception for the employee

May be used to supplement down payment, closing costs or even buying down their interest rate

You will need to provide:

- // Copy of the relocation agreement or contract
- // Verification of receipt of funds by the borrower





Documentation Review

- /// Only need to document **ownership** of 'titled' assets (i.e.: automobile, boat, etc...)
- /// Need **proof of value**
 - /// How can this be obtained? Answer in the chat box
- /// Proof of **sale** and/or **ownership transfer**
- /// Evidence of **deposit of funds**
- /// For a Loan, the **Note** and **confirmation of funds**



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