Less Common Assets

Tax Refund

Income tax refund checks from either the Internal Revenue Service (IRS) or State Revenue Service are acceptable sources of funds for use toward down payment, closing costs and reserves. As always, there is documentation you will need to gather for the file as follows:

- A copy of the refund check(s) or a copy of the borrower’s income tax returns clearly identifying the amount of the refund
- There must be proof of the deposit of the funds into the borrower’s account (i.e. the copy of the wire or a copy of the borrower’s bank statement). These must meet the regular asset requirements if these are joint assets being used by one borrower.
Less Common Assets (cont.)

Lease To Purchase

A borrower may enter into an agreement with the seller to have a portion of his/her rent payments held in an “escrow” account until he/she accumulates sufficient funds for the down payment. Not all of the rent funds are held towards down payment only the difference between market rent and the actual rent paid.

Example:
The rent is $1,200.00 per month.
The average market rent in this area is $1,000.00.
The difference between these two amounts is $200.00 per month.
The $200.00 is the amount placed into an escrow account toward the down payment on the property.

Of course, documentation is required for this type of transaction, such as:
- Copy of the rental/purchase agreement reflecting a minimum term of at least 12 months and specifying the monthly rental amount and terms of the lease.
- Copies of the borrower’s cancelled checks or evidence of payment for the last 12 months validating the rental payments.
- Market rent which is determined by the appraisal on the subject property. Be sure when ordering the appraisal to instruct the appraiser to provide a market rent figure on this property.

These types of transactions are not common and borrowers who enter into a lease to purchase option with a seller should have the contract reviewed by an attorney.
Less Common Assets (cont.)

Relocation Credits

Some borrowers may receive relocation credits from their employer as an incentive to move to a new location for their job. Let’s explore how this assistance from an employer can be an asset.

Typically the borrower must use his or her own funds for any required minimum down payment. However, in a relocation circumstance an exception may be made to use the funds from their employer as part of their down payment and/or closing costs. Please note that there is a stipulation that any assistance from the borrower’s employer for relocation must come directly from the employer.

The employer’s award package may include funds to the borrower for any of the following items:

- Down payment assistance
- Closing cost assistance
- Payment of origination points and fees
- Assistance toward buying down the interest rate
- Lump sum that could be used as needed by the borrower in the purchase of the new home

See next page for more information on how to document this asset.
Less Common Assets (cont.)

Relocation Credits

Documentation from the employer to support this benefit must be obtained and placed in the file.

These items would be:

- The terms of the relocation agreement
- This is generally in the form of a relocation contract.
- This relocation agreement must be an existing company program, not just a one-time exception for this individual employee
- The agreement must specify the dollar amount of the benefit
- Proof that the funds came directly from the employer

Note: If the relocation assistance is granted as a secured second mortgage and there are repayment terms, this monthly figure must be added to the borrower’s debt calculations for qualifying. The eligibility requirements for subordinate financing must still be met.