Overview

Franklin American Mortgage Company (FAMC) would like to identify and remind brokers of the requirements to be adhered to when entering Down Payments and Gift Funds properly in the Automated Underwriting System (AUS) for new FHA purchase and refinance loans. Failure to complete this section correctly can result in a false decision returned by the AUS which could adversely affect the loan during the underwriting, closing, or insuring process.

AUS Portal

When using the FAMC AUS Portal, complete the fields on the Property Info screen as follows:

- “Down Pmt Amt” field with the total amount of the gift to match the Gift Letter being provided
- “Down Payment Type” with the option of Cash Gift
- “Down Payment Source” with the option that best matches the source as it appears on the Gift Letter
- “Description” with a brief explanation of the source of the gift funds

If the FAMC AUS Portal experiences technical difficulties when entering gift information, contact your AE or submit the loan as-is and the underwriter will make the necessary corrections. NOTE: If errors/mistakes are identified by the underwriter, updated AUS findings could impact the loan.

Desktop Originator Loans

When using Desktop Originator (DO) directly, complete the fields under the Down Payment Information section of the “Types, Terms, and Property” screen as follows:

- “Amount” with the total amount of the gift to match the Gift Letter being provided
- “Source of Down Payment” with one of these acceptable options:
  - FHA-Gift-Source Government Assistance
  - FHA-Gift-Source NA
  - FHA-Gift-Source Relative
  - FHA-Gift-Source Nonprofit/Religious/Community-Non-Seller Funded
- “Explanation” with a brief description of the source of the gift funds
Complete the “Assets” section as follows:

- **Section IV Assets: Gifts deposited into a depository account**
  - If the borrower has received a gift and that gift has been deposited into a depository account, the gift should **NOT** be entered separately as a gift asset. Instead enter the bank statement (checking/savings) with the value equal to the statement balance.
  - If an asset statement is received to show proof that a gift has been deposited and the balance on the statement is less than the amount of the gift as entered on the Gift Letter, enter the asset as a checking/savings account with the value matching the balance of the account statement. The amount entered for Down Payment Information will still reflect the full amount on the Gift Letter, regardless of the asset statement balance.

- **Section IV Assets: Gifts that have NOT been deposited into a depository account**
  - Enter the gift asset with the value matching the gift letter
  
  **Example:** If the borrower’s verified checking account reflects a balance of $15,000 and $5,000 of that amount was from a gift, the checking account balance should remain as $15,000, with the $5,000 shown as a gift in the Source of Down Payment section.

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**When a gift is entered in the “Asset” section but not the “Down Payment” section:**

“This loan is ineligible because a gift amount is shown in the Assets section but not in the Source of Down Payment section. The information is required in both sections to ensure calculations are preformed correctly by DU, and the correct information is sent to the FHA TOTAL Mortgage Scorecard. Enter the full gift amount in the Source of Down Payment Section with a valid FHA Down Payment Type Code and resubmit.”

**If the above does not apply, a generic message will appear with instructions on how to properly enter Gift Funds:**

“If a gift is being used, the full amount of the gift must be entered in the Source of Down Payment Section with a valid FHA Down Payment Type Code, to ensure that the correct information is sent to the FHA TOTAL Mortgage Scorecard. Additionally, the gift must be entered in the Assets section as verified. If the gift has been deposited into a depository account, it should not be entered separately as a gift asset to avoid double counting of the gift funds. If the gift has not been deposited into a depository account, it must be shown separately as a gift asset.”

**If the fields are completed correctly, the following messages will appear in the “Assets” section of the findings:**

A gift is listed as a source of funds or asset to be included in funds available for closing. List the name, address, telephone number, relationship to the borrower, and the amount of the gift on the loan application or in a gift letter signed by the donor and borrower for each cash gift received. Document the transfer of the gift funds to the borrower’s accounts, in accordance with the instructions described in the Online version of HUD Handbook 4155.1, Mortgage Credit Analysis for Mortgage Insurance.

A gift was entered as a source of down payment. The loan is ineligible for FHA insurance if any of the down payment funds are provided by (a) the seller or any other person or entity that financially benefits from the transaction, or (b) any 3rd party that is reimbursed directly or indirectly by the seller or any other person or entity that financially benefits from the transaction.

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If a gift is part of the loan transaction and the applicable messages do not appear on the DO findings, please update accordingly to ensure DO can properly assess the loan and provide accurate findings.

**Loan Prospector Loans**

For Loan Prospector (LP) loans, the broker will need to ensure there is an asset listed with the Asset Type “Gift”. Next, refer to the FHA section from within the Modify Loan application. There is a dropdown field for Down Payment source with the following options, one of which must be chosen and match the source on the Gift Letter:

- Relative
- Government Assistance
- Nonprofit/Religious/Community
- Employer/Other – **should not be chosen because FAMC does not permit an employer as a gift donor**
Enter the “Gift Amount” as the total of the gift to match the Gift Letter.

Receiving Multiple Gifts

For instances where more than one gift is received by the borrower(s), each gift is required to be accompanied by its own Gift Letter. As a result, a separate Down Payment item will need to be entered for each additional gift and Gift Letter, regardless of the AUS system being used.

FAMC appreciates every effort that can be made by the broker to provide a complete and accurate AUS upon loan submission.

Please contact your Account Executive if you have any questions. We thank you for your continued business!