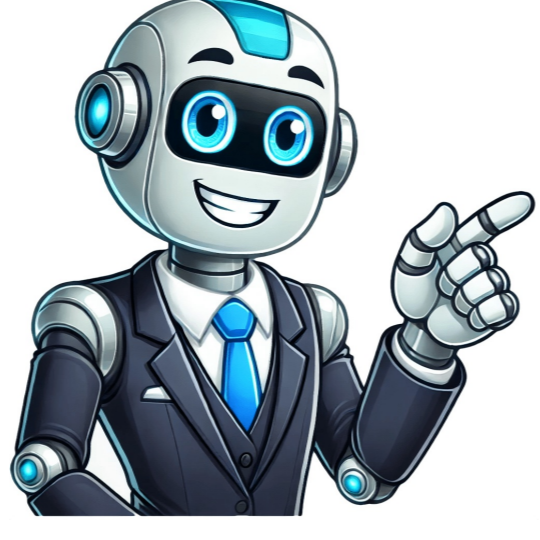


Click to prove
you're human



The lender needs to know the money that came into your account is a gift, not a loan. Loans hinder your ability to pay back your mortgage and add an additional layer of risk for the lender. In addition, the government has strict rules in place to prevent money laundering and other financial crimes. Prove the source of your down payment/mortgage gift. Cant prove the money youre using for your down payment is a gift and not a loan? Your lender might deny you a mortgage. The solution is to ask for a gift letter to accompany any large financial gift you use for your down payment. A mortgage gift letter is a statement that assures your lender the money that came into your account is a gift and not a loan. The person who gave you the money must write and sign the gift letter as well as provide their personal information. Know the limits on gift money. How much money do you need to receive before a gift letter is necessary? Do you only need a gift letter for deposits that are more than \$10,000? What about the relative who gave you a card with \$50 do they need to provide a gift letter? As a general rule, lenders will want you to explain any gift you receive that's over half the value of your total household monthly income. For example, if you earn \$4,000 a month from your salary, your lender will want you to explain any gifts you receive that are more than \$2,000. This standard guideline applies to conventional loans, VA loans and jumbo loans. For a USDA loan or FHA loan, your lender will want an explanation for any deposit that's larger than 1% of the adjusted purchase price or appraised value of your home, whichever is larger. Be ready for lenders to investigate. A mortgage gift letter isn't always the only evidence needed to prove that the money in your account is legitimate. Your lender might contact your donor and ask them to provide withdrawal and deposit slips to verify the transaction. These slips tell the lender your relative had the money in their account before they gave it to you, and that they haven't taken out a loan to fund your down payment. You can take a few steps ahead of time to make sure your gift letter passes your lender's standards. Well also show you how to write a gift letter with a gift letter template so you can help your donor prepare for underwriting. Whether you are a first-time homebuyer or looking to refinance your current mortgage, navigating the world of mortgages can be overwhelming. One crucial document that you may need to provide when applying for a mortgage is a gift letter. In this article, we will guide you through the ins and outs of gift letters for mortgages, including what they are, why they are important, and how to create one. What is a gift letter for a mortgage? A gift letter for a mortgage is a document that verifies that a financial gift has been given to a borrower to assist them with the down payment or closing costs of a home purchase. This letter is typically required by lenders to ensure that the gift funds are not a loan that will need to be repaid. Gift letters are commonly used when a borrower receives financial assistance from a family member or friend to help with the costs associated with buying a home. The letter should include information about the donor, the amount of the gift, the relationship between the borrower and the donor, and a statement confirming that the gift does not need to be repaid. This letter is an essential part of the mortgage application process, as lenders want to ensure that the borrower has the financial means to repay the loan. Why are gift letters for mortgages important? Gift letters for mortgages are important because they provide documentation to lenders that the funds used for the down payment or closing costs are a true gift and not a loan that could affect the borrowers ability to repay the mortgage. Lenders want to ensure that the borrowers financial situation is stable and that they are not taking on additional debt that could impact their ability to make their mortgage payments. By providing a gift letter, borrowers can demonstrate to lenders that they have the necessary funds to cover the upfront costs of buying a home without taking on additional debt. This can help strengthen their mortgage application and increase the likelihood of approval. How to create a gift letter for a mortgage. Creating a gift letter for a mortgage is a relatively straightforward process. The letter should be written by the donor of the gift and should include specific details about the gift and the relationship between the donor and the borrower. Here are some key steps to follow when creating a gift letter: 1. Include the donors information. Begin the letter by including the donors full name, address, and contact information. This will help the lender verify the donors identity and ensure that the gift is coming from a legitimate source. 2. Specify the gift amount. Clearly state the amount of the gift that is being given to the borrower. This should match the amount that the borrower plans to use for the down payment or closing costs. 3. Describe the relationship between the donor and the borrower. Include information about the relationship between the donor and the borrower, such as whether they are family members or friends. This helps establish the legitimacy of the gift and the donors intentions. 4. Confirm that the gift is not a loan. Include a statement in the letter confirming that the gift is not a loan and does not need to be repaid by the borrower. This is a crucial component of the gift letter to assure the lender that the funds are a true gift. 5. Sign and date the letter. Both the donor and the borrower should sign and date the gift letter to indicate their agreement to the terms outlined in the letter. This adds an extra layer of authenticity to the document. Examples of gift letters for mortgages. To give you a better idea of what a gift letter for a mortgage looks like, here are a few examples: Tips for Successful Gift Letters for Mortgages. When creating a gift letter for a mortgage, keep the following tips in mind to ensure a smooth and successful process: Be clear and detailed: Provide specific information about the gift amount, donor, and the relationship between the donor and borrower. Use official language: Use professional language and format when drafting the gift letter to convey seriousness and authenticity. Sign and date the letter: Both parties should sign and date the gift letter to validate the agreement and ensure authenticity. Keep copies for your records: Make copies of the gift letter for your records and provide a copy to your lender as part of your mortgage application. Consult with your lender: If you have any questions or concerns about the gift letter requirements, dont hesitate to reach out to your lender for guidance. Plan: Start the gift letter process early to avoid delays in your mortgage application timeline. In conclusion, gift letters for mortgages are an essential part of the homebuying process, especially if you are receiving financial assistance from a family member or friend. By following the steps outlined in this article and keeping these tips in mind, you can create a successful gift letter that will help strengthen your mortgage application and increase your chances of approval. Remember to consult with your lender if you have any questions or need further guidance on the gift letter requirements. Gift Letter Template for Mortgage Download Updated 4/16/2025 If a relative or friend will be giving you money to help make a down payment on or purchase a house, that's great news. However, your bank or other institutional lender will likely require some type of written documentation that the money is in fact a gift, not a loan. The reason is that, if the money is a loan, you will be deeper in debt than the lender had earlier calculated. In that case, you might no longer qualify for the same loan terms as offered, or perhaps for any loan at all. (Learn more about mortgage requirements.) Here's a sample gift letter you can use to prove that the money is truly meant as an outright gift, with no expectation of repayment. Before finalizing the letter, check with your lender to make sure that it includes all information required, such as evidence of the donor's ability to provide these gift funds. Date: To: [name and address of bank or lender] / We [name of gift-giver(s)] intend to make a GIFT of \$ [dollar amount of gift] to [name(s) of recipient(s)] , my/our [relationship, such as son or daughter], to be applied toward the purchase of property located at: [address of the house you're buying, if known] . There is no repayment expected or implied in this gift, either in the form of cash or by future services, and no lien will be filed by me/us against the property. The SOURCE of this GIFT is: [describe the investment, bank, or other account the gift is coming from] . Signature of Donor(s): _____ Print or Type Name of Donor(s): _____ Address of Donor(s): _____ Street, City, State, Zip: _____ Telephone Number(s) of Donor(s): _____ Email Address of Donor(s): _____ How Big a Gift. Can You Make Without Tax Implications? If a financial gift is large enough, the giver might have to file a gift tax return with the IRS (though they won't pay actual tax during their lifetime; it's assessed against their estate after death, and they might end up owing nothing at all; learn more about The Federal Gift Tax). There's an annual exclusion, however. It is \$19,000 per person per year in 2025, and was \$18,000 per person per year in 2024. (It is adjusted annually.) In other words, that amount can be given without having to file a gift tax return. So, for example, in 2025 your mother and father each could give you and your partner a total of \$76,000 without them having to submit a gift tax return to the IRS. (That's \$19,000 from your mother to you, \$19,000 from your mother to your partner, \$19,000 from your father to you, and \$19,000 from your father to your partner.) For more information on raising a down payment and financing your house purchase, see Nolo's Essential Guide to Buying Your First Home, by Ilona Bray, J.D., and Attorney Ann O'Connell. Your lender demands a gift letter and supporting documentation when someone offers you money to assist you in purchasing a home. A gift letter is a formal piece of writing that declares that money is received as a gift from a friend or family. Gift letters are most frequently used when a borrower has received help with the down payment for a new house or other real estate investment. These letters specify that there is no expectation of repayment in any manner, shape, or form for the money received. Your mortgage provider could ask you to sign a gift letter if you used a gift from family or friends to purchase real estate. Understanding the guidelines for writing a gift letter for a property can help you avoid errors that might cause your loan approval to be delayed. This tutorial will explain a gift letter, how and why you would use one, and how gifts are taxed. Giving each other money presents to help with home-buying expenditures like the down payment and closing charges is a frequent practice. But when using gifts as a home-buying expenditure needs to be certified by the lenders. A signed letter from a donor attesting that their deposit gift money comes with no payback obligations is known as a mortgage gift letter. Gift letters can refer to any present made for any reason, but they are most frequently utilized when obtaining a mortgage to purchase real estate. A gift letter is required to show that money received as a gift is not a loan when you buy real estate and want to put it toward closing costs or a down payment on a mortgage. It is a simple approach to reassure your lender that you are not responsible for repaying friends and family for their gifts of money. Since having more debt might prevent you from getting a mortgage, lenders want to ensure that this money isn't a loan. A sale, trade, or other property transfer from one person (the donor) to another is often considered a gift (the recipient). Cash, checks, or other physical objects, the transfer of ownership of stocks or real estate without getting anything in return, the cancellation of debt, and below-market loans are examples of typical presents. The lender needs to be informed that the funds in your account are gifts, not loans. Loans make it harder for you to repay your mortgage and increase the lenders risk. Furthermore, the government has established strict regulations to stop financial fraud and other economic crimes. Cant quantify that the funds youre utilizing as a down payment are gifts rather than loans? You might not get a mortgage from your lender. The answer is to get a gift letter to go along with any sizeable cash donation you use as a down payment. A gift letter certifies to your lender that the funds in your account were not borrowed. The gift letter must be written by and endorsed by the individual who gave you the money, along with their name and contact information. How much money must you get before you require a gift letter? Do deposits above \$10,000 need a gift letter in addition to other documentation? Do you require a gift letter from the relative who sent you a card with \$50 inside? Lenders will often ask you to explain any gift you get that is more than half the amount of your entire familys monthly income. Your lenders may want you to clarify any presents you get that are worth more than \$5000, for instance if you pay \$4,000 per month. The donors name, contact information, the amount of the gift, and additional information regarding the house and donation must all be included in a mortgage gift letter. Although it is written and signed by the donor, your mortgage lender could have a sample you can use instead. A mortgage donation letter must contain the following information: Name and contact details of the donor. Address of the property youre buying. Relationship between a donor and a buyer. Donation summary of transfer of the gift. A declaration that the donor does not anticipate payback. Bank account number, and type of the donors account. Signature of the donor. You can give your lender supporting paperwork after the gift letter is finished. Notaries are not necessary. There are no restrictions on how much someone can contribute toward your closing expenses or down payment for a mortgage. However, a portion of the down payment may need to come from your resources, depending on the loan and the property type. Remember that these standards are subject to change based on financing requirements; thus, check with your mortgage firm for the current rules. When gifts exceed a specific threshold, the IRS levies taxes. You can give up to \$16,000 in 2022 without any tax consequences. Other tax-free gifts include paying for someone elses tuition or medical costs. Presents for your partner. Married couples may contribute up to \$30,000 combined without paying taxes because of a tax practice known as gift splitting. Gifts made to a political party. The giver typically pays the gift tax, but in some circumstances, the recipient of the gift may opt to pay it instead. If a gift is subject to gift tax, the giver is typically responsible for paying it unless the receiver makes other arrangements. Consult a tax expert for guidance on your particular circumstances. Mortgage Gift Letter Template by homebuyer.com There is no better moment than when you are looking for a home to receive a sizeable monetary present. Traditionally, wedding presents in the form of money, often sizable sums from the bride and grooms parents were used to finance down payments on a first house. A gift letter is a formal document that attests to the fact that whatever money youve gotten is a gift, not a credit, and the donor doesnt want you to pay them anything back. There is no cap on the number of mortgage gifts you may accept or give toward your down payment. Donors may give as much as they desire, and additional money may be given to cover closing fees. A gift letter is a crucial document when a homebuyer receives funds as a gift for their down payment or closing costs. Lenders require this letter to verify the source of the funds and ensure they are not a loan in disguise. This helps them assess the borrowers true financial stability and reduces the risk of future repayment issues. Accurate and compliant gift letters can significantly impact your loan approval. The gift letter must explicitly state that the funds are a gift with no expectation of repayment. It should also include key information about the donor and recipient, the amount of the gift, and the relationship between the parties. Following these guidelines and the examples below will make the process easier for you and the lending institution involved. Here are 8 examples of gift letters, covering various scenarios. Remember to tailor these to your specific situation. Sample 1: Standard Gift Letter for Down Payment [Date][Lender Name][Lender Address][Subject: Gift Letter for [Borrowers Name] Dear [Lender Name], This letter confirms that I, [Donors Name], am gifting \$[Amount] to [Borrowers Name] to be used towards the down payment on their home located at [Property Address]. This is a bona fide gift, and there is no expectation of repayment. I am [Donors Relationship to Borrower]. My address is [Donors Address], and my phone number is [Donors Phone Number]. Sincerely, [Donors Signature][Donors Printed Name] [Sample 2: Gift Letter from Parent to Child] [Date][Lender Name][Lender Address][Subject: Gift Letter for [Childs Name] Dear [Lender Name], I, [Parents Name], am gifting my child, [Childs Name], the amount of \$[Amount]. These funds are to be used for the purchase of a home located at [Property Address]. This is a gift with no obligation for repayment. I am the parent of [Childs Name]. My address is [Parents Address] and my contact number is [Parents Phone Number]. Sincerely, [Parents Signature][Parents Printed Name] [Sample 3: Gift Letter from Grandparent] [Date][Lender Name][Lender Address][Subject: Gift Letter for [Grandchilds Name] Dear [Lender Name], I, [Grandparents Name], am providing a gift of \$[Amount] to my grandchild, [Grandchilds Name], to assist with the purchase of a home located at [Property Address]. This is a genuine gift, and there are no expectations for it to be repaid. You can reach me at [Grandparents Address] or [Grandparents Phone Number]. Sincerely, [Grandparents Signature][Grandparents Printed Name] [Sample 4: Gift Letter from Sibling] [Date][Lender Name][Lender Address][Subject: Gift Letter for [Siblings Name] Dear [Lender Name], I, [Siblings Name], am gifting my sibling, [Siblings Name], the amount of \$[Amount] to use towards the purchase of a property at [Property Address]. This is a gift, and there is no expectation of repayment. I am the sibling of [Siblings Name]. My address is [Siblings Address] and my contact number is [Siblings Phone Number]. Sincerely, [Siblings Signature][Siblings Printed Name] [Sample 5: Gift Letter for Closing Costs] [Date][Lender Name][Lender Address][Subject: Gift Letter for [Borrowers Name] Closing Costs Dear [Lender Name], I, [Donors Name], am providing \$[Amount] as a gift to [Borrowers Name] to cover closing costs associated with the purchase of their home located at [Property Address]. This is a genuine gift with no strings attached. I have no expectation of repayment for these funds. I am [Donors Relationship to Borrower]. My address is [Donors Address], and my phone number is [Donors Phone Number]. Sincerely, [Donors Signature][Donors Printed Name] [Sample 6: Gift Letter with Source of Funds] [Date][Lender Name][Lender Address][Subject: Gift Letter for [Borrowers Name] Source of Funds Dear [Lender Name], I, [Donors Name], am gifting \$[Amount] to [Borrowers Name], for use towards a down payment on the property located at [Property Address]. These funds are a gift and do not require repayment. The source of these funds is [Source of Funds e.g., Savings Account, Investment Account] at [Bank Name], account number [Account Number (Last 4 Digits)]. I am the [Donors Relationship to Borrower] of [Borrowers Name]. My address is [Donors Address], and my phone number is [Donors Phone Number]. Sincerely, [Donors Signature][Donors Printed Name] [Sample 7: Gift Letter with Bank Statement Attached] [Date][Lender Name][Lender Address][Subject: Gift Letter for [Borrowers Name] With Attached Statement] Dear [Lender Name], This letter confirms that I, [Donors Name], am gifting \$[Amount] to [Borrowers Name] to assist with their purchase of the property located at [Property Address]. This is a gift and no repayment is expected. A copy of my bank statement showing sufficient funds is attached to this letter. I am the [Relationship to Borrower] of [Borrowers Name]. My address is [Donors Address] and I can be reached at [Donors Phone Number]. Sincerely, [Donors Signature][Donors Printed Name] [Sample 8: Simple Gift Letter] [Date][Lender Name][Lender Address][Subject: Gift Letter for [Borrowers Name] Dear [Lender Name], I, [Donors Name], am gifting \$[Amount] to [Borrowers Name] towards the purchase of their new home. This is a gift with no expectation of repayment. I am [Donors Relationship to Borrower]. Sincerely, [Donors Signature][Donors Printed Name] These gift letter examples demonstrate the essential components required for mortgage approval. Ensure your letter clearly states the gift amount, donor and recipient information, the property address, and most importantly, that the funds are a gift with no repayment obligation. Always consult with your lender to confirm their specific requirements and avoid any delays in the loan process. Providing transparent and accurate documentation is key to a smooth transaction. Cover Letter & Resume Examples: Get Hired Faster Strong Reference Letter Examples: Guide & Samples SmartAsset maintains strict editorial integrity. It doesnt provide legal, tax, accounting or financial advice and isnt a financial planner, broker, lawyer or tax adviser. Consult with your own advisers for guidance. Opinions, analyses, reviews or recommendations expressed in this post are only the authors and/or informational purposes. This post may contain links from advertisers, and we may receive compensation for marketing their products or services or if users purchase products or services. [Marketing Disclosure] A gift letter for a mortgage is a document that confirms that a financial gift has been given to a homebuyer by a donor, and it is typically required by mortgage lenders to ensure transparency and compliance with lending regulations. The gift letter serves as a written statement from the donor, verifying that the funds provided are a genuine gift and not a loan that needs to be repaid. Heres a breakdown of what the letter typically includes. Purchasing a home can be an overwhelming process, particularly for first-time buyers, and one area that often causes challenges is securing a mortgage. If you are lucky enough to receive a financial gift for your down payment, then you will need to obtain a gift letter. This is a formal document that verifies the transfer of money from one individual to another with no expectation of repayment. Its primarily used when a substantial amount of the down payment for a property is being given to the buyer as a gift, and mortgage companies require it to explain those funds. The letter reassures lenders that the funds are a gift and not a loan, which could potentially affect the borrowers ability to repay the mortgage. If the gifted funds are mistaken for a loan, it could significantly increase your perceived debt level, negatively influencing your credit assessment. This could lead to less favorable mortgage terms, a higher interest rate or even denial of the loan. The gift letter essentially confirms that the funds are not an additional debt liability. This template can guide you when requesting or writing a gift letter: I am writing this letter to confirm that I am providing a gift to [Homebuyers Full Name] to be used as a down payment for the purchase of the property located at [Property Address]. I understand that this gift is to be used solely to secure a mortgage loan for the aforementioned property. Here are the details of the gift: Amount of the gift: \$[Amount] Date of the gift: [Date] Source of funds: [Likely your bank name and account information] I want to clarify that this gift does not require any repayment. I am providing this gift willingly and without any expectation of repayment or future consideration. I understand that [Recipients Name] may require documentation to verify the source of the down payment, and I am happy to provide any additional information or documentation as needed to facilitate the real estate transaction. If there are any specific forms or procedures that need to be followed for the acceptance of this gift, please let me know, and I will promptly provide the necessary information. Please feel free to contact me if you have any questions or require further clarification. I can be reached at [Your Phone Number] or [Your Email Address]. Keep in mind that you may need to adjust the template to your specific situation, including lender requirements and the donor-homebuyer relationship. Therefore, as a homebuyer, you should consult your mortgage lender or a legal professional to ensure that the gift letter meets all necessary criteria. A standard gift letter typically includes several key components. These include: The exact dollar amount being gifted. A statement from the donor indicating that the gift is not a loan. The donors personal information and relationship to the borrower. The date of the gift. Details about the property being purchased, such as the address. Lenders may require specific documents to confirm the source and use of gifted funds for a down payment. These documents may include withdrawal slips from the donors account, deposit slips from the recipients account, copies of gift checks and a gift letter. Each of these documents serves a unique purpose in the verification process. For instance, the withdrawal and deposit slips trace the flow of funds, while the gift letter asserts the nature of the transaction. Awareness of common mistakes made during the documentation of gifted funds can further streamline the process. Some of these common errors include not maintaining a paper trail, co-mingling gifted funds with other personal funds and not securing a gift letter. These errors can lead to complications in the verification process. To sidestep these issues, it is advisable to keep as much documentation as you have available throughout the process. The rules for gift letters can differ depending on the type of loan. For instance, FHA loans require a gift letter that explicitly states the money is a gift and not a loan, authenticated by the donors signature. VA loans require a comprehensive explanation of the funds origin. USDA loans have similar requirements, but they may also ask for bank statements as gift proof. Freddie Mac loans allow gifts but enforce strict rules about who can be a donor to prevent disguising loans as gifts. Failure to comply with these rules can lead to serious repercussions. For example, submitting false information on a gift letter could result in your mortgage application being declined. In more serious situations, you could face charges of mortgage fraud, leading to substantial fines or even a jail sentence. Potential tax consequences are also important to consider. For the donor, the tax consequences can be substantial. As per IRS regulations, gifts above a certain limit within a tax year (\$18,000 in 2024) are liable for gift tax, which could reach up to 40%. Theres an essential exception to this rule, though a lifetime exemption limit (currently \$13.61 million), which means the donor wont pay gift tax until the total gifted amount exceeds this limit over their lifetime. A gift letter acts as legal proof that the funds received are indeed a gift and not a loan, thereby protecting the rights of the giver and preventing future repayment disputes. The gift letter should be accurate and detailed, including the donors name, address, relationship to the borrower, the exact amount of the gift and a clear statement that repayment isnt expected. A financial advisor can help you create a financial plan to save enough money for a down payment. Finding a financial advisor doesnt have to be hard. SmartAssets free tool matches you with up to three vetted financial advisors who serve your area, and you can have a free introductory call with your advisor matches to decide which one you feel is right for you. If you're ready to find an advisor who can help you achieve your financial goals, get started now. One of the big costs many people forget about when buying real estate is the property tax. You can use a free property tax calculator to help you estimate the average property tax in your area. Photo credit: iStock.com/Ludmila Chernetska, iStock.com/mumininan, iStock.com/Ludmila Chernetska Recent posts More from SmartAsset Categories

Gift letter of repayment. Gift letter for loan template. How to write a gift letter. Loan gift letter.