



## The Paper Trail:

### Rules when Selling Personal Property for Down Payment or Closing Costs

If you are working with clients who have to sell personal property (example: car, boat, motorcycle, furniture, jewelry, etc.) and they are using part or all of the money towards their down payment, closing costs or cash reserves, there needs to be a “paper trail”.

#### Proceeds from the sale of personal assets are acceptable if the individual purchasing the asset is not part of:

- ⇒ The real estate sale contract.
- ⇒ The mortgage financing transaction.

#### Documentation Requirements:

- ⇒ Proof that the borrower owns the asset.
- ⇒ Proof of value of the asset, as determined by an independent and reputable source
- ⇒ Proof of transfer of ownership of the asset, by either a bill of sale or a statement from the purchaser.
- ⇒ The borrower’s receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser’s (buyer of the asset) canceled check.

Depending how much money is needed, the lender may accept alternatives to this required documentation, especially when the proceeds of the sale represent a minor percentage of the borrower’s overall money needed to close.

Please call your loan officer if you are selling personal property in order to buy a home, so there will be no “hiccups” during the processing of the loan.

Just a few tips to avoid surprises, or worse yet, a rejected loan just days before closing!