Selling vs. Taking a Loan Against an Asset

Selling an Asset:

All of the following items must be present in the file in order for these funds to be acceptable for use in a mortgage transaction:

- Proof that the borrower actually owned the asset, such as the title of the vehicle
- Certification as to the value of the asset from a reliable third party, such as an appraisal or the blue book value
- Verification that there is a buyer, who is not a party to the mortgage transaction, and who has agreed to pay a certain price for the asset, so in other words, there must be a contract to purchase or a letter of intent
- The final bill of sale *
- Proof of receipt of the funds from the sale by the borrower, such as a bank statement verifying the funds have been deposited *

*FreddieMac only requires the last two bullets (April, 2015)

Taking a Loan against an Asset:

Common assets to borrow against:

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

Borrowed funds that are secured by an asset are allowable sources of funds for use in a mortgage transaction for the down payment, closing costs, and reserve requirements.

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Sales vs. Loan of an Asset

Notes:

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Documentation & Loan on Asset Examples

- The terms of the secured loan - i.e. copy of the Note (to include payments in debt ratio calculation)

One thing to remember is the party providing the secured loan cannot be an interested party to the transaction (i.e. the loan officer, realtor, or builder who happens to be the borrower's employer, etc.)

- Confirmation that the funds were transferred to the borrower

Review copies of the borrower's current bank statements or a VOD (Verification of Deposit) to verify the receipt and deposit of the funds from the loan

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Loan on Asset Examples

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