

SECTION 4006 – DOCUMENTATION OF REQUIRED FUNDS

The documentation must clearly establish the borrower has sufficient liquid funds without resorting to unsecured borrowed funds for the required down payment and all additional costs incidental to closing. The source of any funds needed to close the transaction, or funds considered as an offsetting factor, should be clearly established. If the required funds are held in a recently opened (within 180 days) account, the source of funds in the new account is to be documented.

.01 MINIMUM DOWN PAYMENT CONTRIBUTION

For conventional loans, the borrower must invest a minimum down payment contribution of 5% from their own cash assets. This must be established and verified prior to and in addition to the receipt of any gift funds used in the transaction. However, gift funds that meet the requirements outlined in [Section .06](#) below may be used for the minimum required down payment contribution, closing costs and prepaid items on some conventional loans:

1. For a single-family primary residence, gift funds may be used to satisfy the minimum 5% down payment contribution.
2. For a duplex primary residence, of the total 10% down payment requirement, the borrower must make a minimum 5% down payment contribution from their own funds. However, a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, may be used to satisfy the minimum 5% contribution as long as the borrower and donor will use the home as their primary residence.

When gift funds are used for the minimum contribution, homebuyer education is required. For loans with no program options (i.e. IRRLIB etc.) that would otherwise require homebuyer education, the borrower may opt to take either AHFC's HomeChoice class or AHFC's on-line education course. However, the borrower will not receive credit toward the commitment fee if they opt to take the on-line course.

Note: Except when required for program options, the homebuyer education requirement is waived when the down payment is equal to or greater than 20% of value (the lesser of the sales price or appraised value).

For FHA, HUD, VA and RD loans, follow the applicable insurer/guarantor requirements. See the AHELP section for additional information regarding minimum down payment requirements in connection with Down Payment Assistance loans.