


# Jumbo Loan Requirements for Cashout to 80% LTV: Recoup of Funds Used for the Recent Purchase of the Subject Property

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If a borrower purchased the subject property for cash within the last 12 months, refer to the guidelines below for [Loan-to-Value/LTV Determination for Property Owned Less Than One Year and Recoup of Funds Used for the Recent Purchase of the Subject Property](#).

If a borrower was added to title or received the property as a gift but cannot document that a formal purchase transaction occurred within the 12 months, the borrower would not be eligible for a Cash-Out Refinance until he/she is seasoned on title for a minimum of 12 months.

## Recoup of Funds Used for the Recent Purchase of the Subject Property

If a borrower purchased the subject property with cash within the last 12 months and is requesting to recoup the funds used to purchase the property, the transaction must be processed as a cash-out refinance and must meet the following requirements:

- *Owner occupied primary residences and second homes are eligible any time after the original purchase (6 months seasoning is not required).*
- *Investment properties are eligible 6 months after the original purchase.*
- *A satisfactory letter of explanation with supporting documentation as to why the property was bought using cash and the reason they are now seeking to recoup their monies.*
- *Copy of HUD 1 Settlement Statement or Certified Final Closing Statement for the purchase of the subject property which confirms that no mortgage financing was used to obtain the subject property. The preliminary title search or report must also confirm no liens on the subject property. The Closing Statement must be reviewed for anything Union Bank would consider as a sales concession (Refer to **RLU 402-6.4 – Sales Concessions**). Any sales concessions must be deducted from the purchase price.*
- *A copy of the sales contract with all counter offers and/or addendums and a copy of the certified escrow instructions to confirm if any personal property was included in the sales price. The sales contract must be reviewed for anything Union Bank would consider a discrepancy (Refer to IC100 – Fraud Detection & Prevention Guidelines, Section 100.11 – Sales Contract – Red Flags). Any discrepancies/red flags must be addressed.*
- *A change in buyers on the purchase contract could be an indication of a straw buyer and should be investigated thoroughly. • LTV/TLTV will be based upon the lesser of the purchase price or appraised value, less any personal property that may have been included in the purchase.*
- *Verification of the source of funds used to purchase the subject property must be documented from the borrower's own funds (i.e., bank statements, HELOC on another property, etc.). The source must meet*

Union Bank guidelines for acceptable types. Refer to **RLU 402 – Assets**.

- *Contributions By Relatives/Family Members – These funds are acceptable subject to the following guidelines and restrictions:*
- *Acceptable contributors include a family member related by blood, marriage, or adoption, a person who for whom the borrower is a guardian, a person who is a guardian for the borrower, or a domestic partner, fiancée or fiancé.*
- *The contributor cannot have any interest or involvement in the purchase transaction, other than to contribution of funds.*
- *The contributor must provide a signed letter stating the funds were contributed for the purchase of the subject property and the letter must include the contributor's name, address, telephone number, their relationship to the borrower, the amount of the contribution, and the address of the subject property.*

## **Residential Lending Underwriting Manual**

The trail of the funds from the contributor to the borrower must be documented.

If the contribution exceeded 20% of the purchase price, the following LTV restrictions apply:

Maximum 60% LTV if the loan amount < \$1,100,000

Maximum 50% LTV if the loan amount > \$1,100,000 • Business Funds – If business funds were used, the loan is not eligible for recoup of funds. Standard cash-out refinance and seasoning requirements apply.

Any loans used as the source for the purchase transaction (i.e., HELOC on another property) will be required to be repaid or paid down with loan proceeds

If there are sufficient loan proceeds to pay off a loan that was used to purchase the subject property, the loan must be completely repaid. However, if there are not sufficient funds to pay off the loan, the proceeds must be used to pay down the loan. • If the purchase was a non-arm's length transaction or a bail-out, it would be ineligible for a Recoup of Funds-Cash-Out refinance.

## **Inherited Properties**

Borrowers who have inherited a property are eligible for Cash-Out Refinances subject to the following:

### **Property Inherited <= 6 Months**

- Primary residence
- Maximum 50% LTV
- Cash-Out not to exceed \$100,000

### **Property Inherited > 6 to 12 months**

- Primary Residences – No restrictions
- Second Homes and Investment Properties
  - o Maximum 50% LTV

o Cash-Out not to exceed \$100,000

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