USDA Rural Housing Loan – Bank Deposit Guidelines

A USDA loan is a wonderful program that affords Buyer(s) the opportunity to purchase a home without a down payment, but it does have some unique requirements – specifically around deposits into bank accounts.
Since USDA has household income restrictions to qualify – USDA will require Lenders to confirm that there is no undisclosed income for the household. One of the ways USDA enforces this is by requiring Lenders to verify ALL deposits in your bank accounts to confirm there are not any undisclosed sources of income for the household. This can become quite tedious as it requires Lender(s) to run down very small deposit amounts and explain them. Below is an overview to assist with making this as minimal of a burden to you as possible.

GENERAL RECOMMENDATION

We STRONGLY recommend as a Lender that as much as possible you refrain from moving any money around or putting any deposits into your account beyond payroll for the immediate (2) months statements prior to closing. USDA requires us as Lender(s) to review the most recent (2) months statements – your goal should be to try to make those statements as "clean" as possible so as to minimize the number of deposits that need to be explained/documented.

ACCOUNT TRANSFERS

Any account transfers to or from another account will require that we obtain a (30) day statement for the account from which the funds were transferred. Any additional deposits that are shown in that account that the funds were transferred from would also have to be documented. We recommend keeping this to a minimum. Note that we will consider ALL available funds as part of your loan approval – so if your funds needed to close are in a savings account – it is ok to send us the savings account to show proof of funds to close and you could move funds to your checking account to obtain funds needed to close right before closing without issue.

GIFT FUNDS

Gift funds are permitted for USDA. If you plan to use gift funds – please let us know as soon as possible and we can provide specific documentation requirements to make that as easy as possible for both for you and the Gift Donor.

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Bank Deposit Guidelines - Continued

PAYROLL DEPOSITS

All payroll deposits will have to be matched up to paystubs/paychecks. For direct deposit – this is very straight forward. If you do not have direct deposit – please be sure to put the WHOLE paycheck into the account before withdrawing any cash/holding any funds back. We will need copies of all checks covering the bank statement period(s) provided.

Note that any bank statements that show on your paystub that funds are being direct deposited to will have to be provided and reviewed as well.

NON-PAYROLL DEPOSITS (CASH OR CHECK)

For non-payroll deposits that are a check or cash (i.e. green money bills) – anything in excess of $500 will have to be paper trailed and show proof that it is not income to the household. This can include babysitting money, reimbursement for something paid on behalf of a friends/family, sale of personal goods, etc. We will have to draft a letter of explanation for all of the non-payroll deposits (even if less than $500) to confirm that they are not related to an income source. Recommendation here would be to either put all funds needed into your bank account prior to providing the required (2) month's bank statements or hang onto the funds until after closing.

NON-PAYROLL DEPOSITS (APPS)

This is where things can become quite painful for Buyer(s). USDA requires Lender(s) to verify every single app deposit (i.e. Venmo, Zelle, Cash App, etc) no matter what the deposit amount is (so even if you move over $0.01). We will have to obtain statements from the App and verify all deposits into the App are not income related and prepare a letter of explanation for each deposit to show it is not income related. Additionally – depending on the amount and what is related to – a paper/audit trail may be required by USDA to show it is not income. We STRONGLY recommend not making any of these types of transfers for the (2) months statements you will provide as this can become very cumbersome to document.

The above steps will help minimize the documentation you will have to provide to us as a Lender and make your USDA purchase as smooth as possible. Please do not hesitate to reach out to us as your Lender with any questions on the above – we are happy to provide guidance on how to handle any issues that may arise.

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