

## Assets Loan Program

Using borrower assets to qualify for a loan instead of traditional income.

Loans secured by financial assets are loans where a borrower uses their own financial assets as collateral. <sup>[1]</sup> These assets can include life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, and other similar holdings. <sup>[2]</sup>

### Key Treatment for Debt-to-Income Calculations:

When a borrower takes out a loan secured by their financial assets, the lender is generally not required to include this as a recurring monthly debt obligation—provided the lender obtains a copy of the loan instrument showing the asset is collateral. <sup>[1]</sup> This is particularly true for 401(k) loans, which are specifically excluded from DTI calculations across FHA, USDA, and conventional programs. <sup>[3] [2]</sup>

### Using Proceeds as Funds to Close:

Loan proceeds secured by financial assets are acceptable sources for down payment, closing costs, and reserves. <sup>[1]</sup> However, if the borrower intends to use the same asset for reserve requirements, the asset value must be reduced by the loan proceeds and any related fees. <sup>[1]</sup>

### Documentation Requirements:

For Fannie Mae and Freddie Mac loans, you'll need evidence of receipt of the loan proceeds, documentation of the asset value and ownership, and proof that the loan is secured by the asset. <sup>[4] [5]</sup> For conventional loans, monthly payments must be included in DTI except for 401(k) loans. <sup>[4]</sup>

**Important Note:** FHA and VA loans do NOT allow loan proceeds secured by an asset to be used as funds to close. <sup>[5]</sup>

### What are acceptable sources of funds for reserves?

Acceptable sources for reserves vary by product, but here's what's generally allowed across UWM's guidelines:

**Liquid Assets:** <sup>[6]</sup> The full value of any non-retirement liquid asset available for withdrawal from a financial institution or brokerage, including checking, savings, money market, or certificate of deposit accounts, stocks, bonds, and mutual funds.

**Government Securities:** <sup>[6]</sup> U.S. Government Securities and other securities traded on public exchanges (NYSE, NASDAQ, OTC, Chicago Board of Trade) where the price can be readily verified.

**Savings Bonds:** <sup>[6]</sup> Counted at 100% of face value if mature. If not mature, the redeemable value at underwriting time is used.

**Life Insurance:** <sup>[6]</sup> Cash value (not face value) that is verified, where the borrower is the owner and not the beneficiary.

**Cash-Out Proceeds:** <sup>[6]</sup> Cash-out proceeds from the subject transaction can be used.

**Retirement Accounts:** <sup>[6]</sup> For borrowers not of retirement age, up to 60% of the vested amount (less any outstanding loans secured by the account) may be counted. For retirement-age borrowers, 100% of funds may be used if the account is not also an income source. The borrower must be able to withdraw regardless of employment status.

**What's NOT Allowed:** <sup>[6]</sup> Net proceeds from pending property sales, 1031 exchange accounts, and gift funds cannot be used for reserves.

## How to value different types of assets for reserve purposes?

**Liquid Assets (100% Value):** <sup>[6]</sup> The full value of any non-retirement liquid asset available for withdrawal from a financial institution or brokerage—including checking, savings, money market, and certificate of deposit accounts—can be counted at 100%.

**Publicly Traded Stocks, Bonds & Mutual Funds:** <sup>[6]</sup> These are valued at 100% for most products. However, on Bank Statement Blue and Pink products, they're valued at 70%. <sup>[7]</sup>

**Savings Bonds:** <sup>[6]</sup> Mature bonds are counted at 100% of face value. If not mature, use the redeemable value at the time of underwriting.

**Life Insurance (Cash Value):** <sup>[6]</sup> Count the cash value (not face value) at 100%. The borrower must be the owner and not the beneficiary.

**Retirement Accounts - Non-Retirement Age Borrowers:** <sup>[6]</sup> Up to 60% of the vested amount (minus any outstanding loans secured by the account) may be counted. The borrower must be able to withdraw regardless of employment status.

**Retirement Accounts - Retirement Age Borrowers:** <sup>[6]</sup> 100% of funds may be used if the account is not also an income source.

**Tax-Deferred Accounts (Stocks, Bonds, Mutual Funds):** <sup>[6]</sup> Reduce the balance by 40% to reflect income taxes and penalties when withdrawn.

**Taxable Accounts (Stocks, Bonds, Mutual Funds):** <sup>[6]</sup> Reduce the balance by 30% to reflect income taxes.

## What assets are NOT acceptable for reserves?

Assets that are NOT acceptable for reserves are clearly defined across UWM's guidelines. Here's what cannot be used:

### Across All Products: <sup>[6]</sup> <sup>[8]</sup> <sup>[10]</sup>

- **Net proceeds from a pending sale of a property** - Cannot be used to meet reserve requirements
- **1031 exchange accounts** - Funds held in these accounts cannot be used for reserves
- **Gift funds** - Gifts cannot be counted toward reserves

### Fannie Mae Specific (Conventional Loans): <sup>[1]</sup>

- Funds that have not been vested
- Funds that cannot be withdrawn except upon retirement, employment termination, or death
- Stock held in an unlisted corporation
- Non-vested stock options and non-vested restricted stock
- Personal unsecured loans
- Rent-back credit
- Interested party contributions (IPCs)
- Lender contributions
- Cash proceeds from a cash-out refinance on the subject property

### Additional Restrictions:

For VA loans specifically, reserves cannot be made up of gifts and cannot come from net proceeds of a refinance or equity in any property. <sup>[9]</sup>

## For a detailed and more related questions [Contact us](#)

1. "What documentation is required to verify reserves?"
2. "What assets are NOT acceptable for reserves?"
3. "How are non-liquid assets treated differently for closing versus reserve
4. "What documentation is required to verify reserves?"
5. "How are retirement accounts treated differently for reserves?"
6. "What are the reserve requirements for different loan products?"
7. "What documentation is required to verify assets for down payment and closing costs?"
8. "How are 401(k) loans treated differently in debt-to-income calculations?"