



BUY RIVER CITY

## WHAT IS A GIFT OF EQUITY?

*A brief explanation from  
the Buy River City Team*

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# Gift of Equity Explained

## *What Is a Gift of Equity?*

A gift of equity involves the sale of a residence to a family member or someone with whom the seller has a close relationship, at a price below the current market value. The difference between the actual sales price and the market value of the home is the actual gift of equity.

The process derives its name from the fact that the sales price is so much lower than the real market price of the home. The transfer counts as a present or giveaway due to the difference in value, but **no physical money changes hands**.

## *How a Gift of Equity Works*

A gift of equity requires a gift of equity letter, which is a letter stating the facts of the sale and is signed by both the seller and the buyer. Most lenders allow the gift to count as a down payment on the home. A lender can consider the gift of equity as all or part of the cash payment required to qualify for a mortgage.

## *For Example..*

Buyer would like to put 20% down (the standard amount needed in most conventional loans, to avoid mortgage insurance). The gift of equity the seller makes equals 10% of the home's value. The buyer now only needs to make a down payment of 10% of the property's price tag.

Questions? Give us a call at 804.286.1406!

*Emily & ReMi*

*The Buy River City Lending Team*



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