



Planet Home Lending Top Defect Trends – June 2024

Planet Home Lending would like to share the top defects we have identified during our monthly Pre and Post-Purchase Audits.

- 1) 4506C Form incorrect**
 - IRS Form 4506-C was not completed & signed prior to or at closing
 - Missing or incorrect tax form number
 - Missing 4506-C for businesses owned by the borrower
- 2) Income Documents missing**
 - Missing supporting income documentation per AUS and/or agency guidelines
- 3) Closing Instructions missing**
- 4) Other REO Documentation missing**
 - Tax
 - Insurance
 - HOA (if applicable)
 - Mortgage
- 5) Asset Documents missing**
 - Acceptable sourcing for large deposits
- 6) Income Calculations incorrect/not supported**
- 7) Gift Documentation missing**
 - Gift amount on letter in accordance with gift received
 - Evidence of transfer & deposit of gift funds
- 8) Rental Income Documentation missing**
 - Lease
 - Rent Schedule (Fannie Form 1007 or Freddie Form 1000)
 - Proof of rent deposit
- 9) Omitted Liability documentation missing**
 - Supporting documentation that the borrower is not obligated to make payments
- 10) FHA/HUD Missing Settlement Certification**
 - Document missing and/or not complete
 - Page 2 not executed

Best Practices

- Many of Planet's QC income findings are due to discrepancies found between documents (W2s, Paystubs, WVOEs). Always verify that YTD income and pay dates support your calculations, especially with hourly income. Supporting documentation may need to be obtained to address any red flags.

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- Ensure that your Income Calculation Worksheets are included in the file along with the underwriter's detailed comments.
 - When completing the 4506C at closing, please populate it with only the forms needed to support the types of income utilized for qualifying. Besides adding cost, additional forms/years may result in unexpected defects.
 - For Self-Employed borrowers, ensure you have documentation in the file that supports a 5-year history of self-employment when only utilizing 1 year of tax returns.
 - Before closing, read the AUS messages carefully to ensure you have met all requirements – and when the message refers to their Selling Guide, always take the time to read those specific guidelines as they may vary between the GSEs.
 - Calculating self-employed income is confusing and mistakes lead to defects that are not easily curable. FNMA has recently released an excellent Self-Employed Income Calculator, which is easy to use and grants reps and warrants on the calculations! Use this [link](#) for more information.

Sellers are expected to verify the accuracy and integrity of the information used to support the lending decision of all loans closed. In addition, Sellers are expected to adhere to all agency and PHL guidelines, provide all supporting documentation for the completeness of a loan file, and deliver a closed loan package that is compliant to all state and federal regulations.

Please share this feedback with your Operations team so that they may perform extra due-diligence around these topics, reduce findings and overall risk.
