



## Planet Home Lending Top Defect Trends – December 2024

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

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.

**1. Monthly payments not properly calculated.**

- a. Assess student loan statements to determine if a loan is deferred. If deferred, the Fannie Mae requirement of 1% repayment calculation applies.

**2. Income and employment**

- a. Incorrect Base Calculation: Roughly half of the miscalculations were associated with new employment, most of which included average income across multiple employers with incentive pay, overtime, and/or bonus included.
- b. Evaluate whether the year-to-date income stream supports the hours used in the calculation and are consistent with prior earnings. If the borrower has a history of receiving shift differential or incentive payments, does the current paystub show evidence of current receipt?
- c. Incorrect calculation – rental: Over half of the rental income defects issued are a result of using rental income from a departing residence for qualification purposes and the property not being rented. This scenario can also be cited as misrepresentation of occupancy as well.
- d. Incorrect calculation – self-employed: Many of the defects resulted from using one year to calculate income when Desktop Underwriter® (DU®) required two years
- e. Best Practices: Use Fannie Mae’s new Income Calculator to calculate monthly income in alignment with current Selling Guide requirements.

**3. Borrower not employed**

- a. Perform extra due diligence in addition to the verbal verification of employment. (ex. internet searches; email borrower at job address as close to closing as possible; track and move the verification timeline up.)
- b. Be aware of specific volatile jobs or industries that are more susceptible to workforce disruptions.

**4. Appraisal**

- a. The main driver of the collateral findings are comparable adjustments and condition and quality rating discrepancies
- b. Best Practice - Utilize Collateral Underwriter® (CU®) to help with your appraisal assessment.
- c. •Loans with appraisal related significant defects presented the following high-risk flags:

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- i. Had a median CU score of 4.6
  - ii. 95% had an Overvaluation Flag (OVF): Most common OVF reason is = Comparable Similarity & Location
  - iii. ~22% had both an OVF and Appraisal Quality Flag (AQF)

**5. Asset documentation**

- a. We saw an increase in asset documentation defects due primarily to lenders only providing one-month statements when two months are required by the AUS Feedback.

**6. Liabilities**

- a. Defects cited in this category are for undisclosed liabilities/mortgages.
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