

Planet Home Lending Top Defect Trends – April 2025

Last month, we flagged "Common Income Docs Missing". But let's zoom in on a common culprit behind most of these findings:

Missing CPA Letter or Business License to verify self-employment.

♠ What We're Catching:

- CPA letters that are undated or unsigned
- Expired or inactive licenses
- No documentation at all
- Lack of proof that the business is currently operating

What the Guidelines Say:

- Fannie Mae Selling Guide B3-3.1-07 Self-Employed Income
 - "The lender must verify the existence of the borrower's business within 120 calendar days prior to the note date:
 - from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; or
 - by verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance."

And don't forget:

"The lender must document the source of the information obtained and the name and title of the lender's employee who obtained the information."

How to Fix It:

- ✓ Use a dated, signed CPA letter that clearly states the business is active
- ✓ Submit a valid, current business license
- ✓ Update your submission document package checklists
- ✓ 🌗 Train your team to identify self-employed borrowers early and gather documentation up front



***** Why This Matters:

Verifying the borrower's self-employment status ensures the business is active and producing income as disclosed. If that can't be confirmed—due to missing CPA letters, inactive licenses, or lack of business activity—it puts the borrower's ability to repay in question and may require the loan to be reevaluated.