



Planet Home Lending Top Defect Trends – May 2025

✦ What We're Catching Most Often:

✓ Net Proceeds from Sale of Property Not Being Validated

Per Fannie Mae guidelines **B3-4.3-10**, if the proceeds from the sale of a currently owned home are needed for the down payment and closing costs on the new house, the lender must verify the source of funds by obtaining a copy of the settlement statement on the existing home before, or simultaneously with, the settlement on the new home, showing sufficient net cash proceeds to consummate the purchase of the new home.

✓ Gift Funds Not Fully Documented

Per Fannie Mae guidelines **B3-4.3-04**, all gift funds must be documented with:

- A complete **Gift Letter** (specify the actual or maximum dollar amount, include the donor's statement that no repayment is expected, and indicate the donor's name, address, phone number, and relationship to the borrower)
- **Proof of transfer** (e.g., wire receipt)
- **Verification of donor availability of funds**
- **Evidence of receipt** in the borrower's account (e.g., updated bank statement or settlement statement showing receipt of the donor's check)

Gift Funds Provided Directly to the Closing Agent via Wire Transfer:

Gift funds may be wired from the donor's account directly to the closing agent. The lender must provide documentation to verify:

- The **gift donor is the remitter** of the wire, and
- The **bank account used belongs to the donor**

Verifying Donor Availability of Funds and Transfer of Gift Funds:

The lender must verify that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's or closing agent's account. Acceptable documentation includes:

- A copy of the **donor's check** and the **borrower's deposit slip**
- A copy of the **donor's withdrawal slip** and **borrower's deposit slip**
- **Evidence of electronic transfer** of funds from the donor's account to the borrower or closing agent
- A copy of the **donor's check** to the closing agent
- A **settlement statement** showing receipt of the donor's check

If funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of an **electronic transfer, certified check, cashier's check, or other official check.**

Why This Matters:

We're seeing frequent issues where one or more of these are missing—resulting in conditions and delays. All assets used in qualifying must be documented with sufficient detail to confirm both ownership and access. Net proceeds and gift funds must be supported by a paper trail showing availability and receipt.

Without this, loans may not meet asset eligibility requirements and will be conditioned—resulting in delays and potential repurchase risk.

Spotlight on Excellence:

We want to acknowledge the sellers who are setting the bar—those who go beyond the basics, demonstrate due diligence, and act as true partners in the lending process. Submitting complete, well-documented assets not only reflects operational excellence, but also honors the borrower by ensuring a smooth, timely closing experience.
