

Planet Home Lending Top Defect Trends – June 2025

What We're Catching Most Often:

Undocumented Large Deposits / Increases

Our QA and QC reviews continue to flag missing or incomplete documentation around large deposits. This can lead to underwriting delays, asset eligibility issues, and potential repurchase risk if not addressed upfront.

What is Required?

Per Fannie Mae guidelines (B3-4.2-02), a large deposit is defined as a single deposit that exceeds 50% of the borrower's total monthly qualifying income.

For Purchase Transactions:

If large deposits are used toward the purchase transaction (down payment, closing costs, reserves), the source of those funds **must be verified** as acceptable.

Acceptable documentation includes:

- Written explanation from the borrower
- Proof of ownership of an asset sold
- Copy of a wedding invitation supporting receipt of gift funds
- Documentation of ownership of transferred assets
- Verification of a tax refund or other acceptable source

Note: If the deposit source is clearly identifiable on the statement (ex: payroll direct deposit, SSA, IRS refund, verified account transfer), no further documentation is required.

If the deposit is partially sourced:

Only the *unsourced portion* is evaluated to determine if it meets the large deposit threshold.

Why This Matters:

Undocumented large deposits cannot be used to support the transaction. Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan), and the lender must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves.

When the lender uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes (whether the loan is underwritten manually or through DU).

If not properly sourced or reduced, this can trigger underwriting suspense, delays, and conditions—impacting the borrower's experience and increasing risk exposure.

© Spotlight on Excellence:

We want to acknowledge sellers who consistently demonstrate thorough due diligence in documenting large deposits—ensuring underwriting transparency and helping deliver a seamless experience for borrowers. Partnering with us on this requirement protects loan salability and supports stronger closing pipelines.