



Planet Home Lending Top Defect Trends – July 2025

What We're Catching Most Often:

Reviews this month highlight: insufficient analysis and documentation of variable and commission income—especially when income is averaged over time.

Lenders are expected to assess history, frequency, and trending to ensure the income is stable, predictable, and likely to continue.

Key Requirements: Variable Income

Applicable for hourly income with fluctuating hours, overtime, commissions, bonuses, and similar types.

See: Fannie Mae B3-3.1-01

Three areas must be evaluated:

- History of Receipt: 2+ years is recommended. 12–24 months may be acceptable if positive compensating factors exist.
- Frequency of Payment: Must be identified (e.g., weekly, monthly, annually) to accurately calculate the current monthly income.
- Income Trending:
 - Compare YTD income to prior years using W-2s, tax returns, or a VOE.
 - If stable or increasing → average it.
 - If declining → use current lower amount.
 - If declining and unstable → income may be ineligible.

Example:

If a bonus is paid once annually in March, divide by 12—not 3—to avoid inflating the average.

Commission Income Specifics

See: Fannie Mae B3-3.1-04

Requirements Include:

- Minimum 2-year history is recommended (12–24 months may be acceptable with strong offsetting factors).

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- Must be documented with either:
 - A completed Form 1005 (Request for VOE), or
 - A recent paystub + W-2s covering the past two years.
 - A verbal VOE is also required for each employer.
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Continuity of Income

See: Fannie Mae B3-3.1-09

Unless otherwise indicated, variable and commission income do not require documented 3-year continuance. **However**, if the income source is expected to change (e.g., upcoming job change, retirement), the lower income amount must be used to qualify. If the income comes from a depleting asset, documentation showing it will last at least 3 years is required.

Spotlight on Excellence:

Shoutout to the sellers who are taking the time to do this right—by breaking down variable income accurately and documenting the full picture. This level of diligence prevents conditions, protects borrowers from avoidable delays, and shows a deep commitment to loan quality and partnership.
