



Planet Home Lending Top Defect Trends – August 2025

Planet Home Lending would like to highlight a trend we continue to see in our Pre- and Post-Purchase audits: undisclosed liabilities.

This happens when debt doesn't get disclosed or properly factored into qualifications. As a result, the debt-to-income (DTI) ratio becomes inaccurate, and the loan may no longer meet eligibility requirements.

Sellers are expected to ensure the loan file reflects all borrower liabilities—at application and all the way through closing—in alignment with Fannie Mae Selling Guide B3-6-01 and B3-6-02.

Please share this with your team so they can stay alert and take steps to prevent this issue.

What We're Seeing

Based on internal audits and insights published by Fannie Mae's Quality Insider:

- **Auto loans** are the most frequent type of new debt we see go undisclosed
 - The original credit report often includes a **related inquiry**, but no follow-up is done
 - Borrowers also forget to disclose **personal loans, new mortgages, or leases**
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What to Watch For

To help reduce this trend, here are some red flags and missed steps to avoid:

- **Credit report inquiries** without supporting documentation
 - **Automatic payments** on bank statements that may signal new debt
 - Soft credit pull or Undisclosed Debt Monitoring (UDM) reports that are **not updated before closing**, especially on high-risk files
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Best Practices

- **Re-engage the borrower:** Ask about new debts at key points—especially just before closing
 - **Require a borrower certification at closing** stating no new debts were incurred
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- **Flag and follow up** on all credit inquiries—don't assume they're harmless
 - **Consider a soft credit pull 3–5 days before closing** on all files
 - **Train your team** to recognize this defect as both **common and preventable**
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Reminder

Fannie Mae requires that if a borrower opens or discloses new debt after underwriting—but before closing—the DTI must be **recalculated prior to funding**. Failing to do so may result in a **repurchase demand**.

“Fannie Mae expects lenders to have in place processes to facilitate borrower disclosure of changes in financial circumstances throughout the origination process.” – *Fannie Mae Selling Guide B3-6-02*

Undisclosed liabilities continue to be a top post-purchase defect. Taking proactive steps can help ensure loans stay compliant, eligible, and saleable.
