

Announcement 2018-26

Planet Home Lending Recent Policy Changes

Planet Home Lending is aligning with the recent Agency announcements. The announcements are summarized below with a link to the Agency's full announcement.

Agency	Summary	Effective Date	Agency Announcement
Fannie Mae	<p>Home Ready Income Limits: The Area Median Income (AMI) estimates for 2018 will be available through DU as of June 23, 2018.</p> <ul style="list-style-type: none"> • Loan casefiles created prior to 6/23/18 will continue to use the 2017 limits • AMI data in DU may differ from the median income estimates posted by HUD 	6/23/2018	Selling Notice
Freddie Mac	<p>Credit Inquiries: Freddie Mac does not require that the Seller obtain a letter from a creditor or a Borrower's statement when a creditor has made a credit report inquiry within the previous 120 days.</p> <ul style="list-style-type: none"> • The Seller must determine whether additional credit was granted • Documentation must be provided reflecting how the Seller made the determination regarding credit being granted when a credit inquiry is present within the previous 120 days 	Immediately	BUL2018-8
Freddie Mac	<p>Income Stability: Freddie Mac clarified section 5301.1 of the Selling Guide related to income stability</p> <ul style="list-style-type: none"> • The Seller must determine when additional analysis and documentation is needed to support income stability • The borrower must have a consistent level of income despite changes in source of income • Refer to the following table for details on the specific changes to the Freddie Mac Selling Guide 	Immediately	BUL2018-8

Freddie Mac Selling Guide Updates – Section 5301.1: (Changes highlighted in Yellow)

Old	New
<p>5301.1: General requirements for all stable monthly income (Effective: 09/14/17) (a) Overview: Analysis of stable monthly income amount The analysis, verification, calculation and determination of the stable monthly income amount is integral to the overall qualification of the Borrower and determination of the Borrower's capacity to repay the Mortgage and</p>	<p>5301.1: General requirements for all stable monthly income (05/22/18) (a) Analysis of stable monthly income amount The analysis, verification, calculation and determination of the stable monthly income amount is integral to the overall qualification of the Borrower and determination of the Borrower's capacity to repay the Mortgage and other monthly obligations.</p>

other monthly obligations.

Topic 5300 provides requirements and guidance for the determination of stable monthly income. However, the Seller may determine that additional analysis and documentation is needed to support the determination of stable monthly income due to industry employment trends, various economic conditions and other factors (e.g., the availability of certain types of employment and changes to pay structures in certain employment fields).

(b) General requirements for all stable monthly income

Stable monthly income is the Borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the Borrower, the Seller must determine that both the source and the amount of the income are stable.

Regardless of the underwriting path, the income qualification sources used to qualify the Borrower (whether or not specifically addressed in Topic 5300) and the documentation in the Mortgage file must be evaluated for stable monthly income qualification requirements and must meet the requirements of Topic 5300. Income qualification sources that do not meet these requirements or are not calculated correctly may invalidate the Loan Product Advisor Risk Class on the Feedback Certificate.

The Seller must include a written analysis of the income qualification sources and amount in the Mortgage file. In addition, all documentation used to establish stable monthly income must be retained in the Mortgage file.

(c) Income stability and history requirements

Income types with pre-determined fixed payment amounts that occur with regular frequency and/or defined and documentable terms lend support to income stability and the analysis of historical receipt is typically not necessary. These characteristics are often seen with income governed by agreements with employers (e.g., mortgage differentials), government programs and/or annuity payments from employer retirement plans or insurance companies.

Income types that fluctuate typically must be viewed from the perspective of historical earnings. The Seller should consider the length of history, degree of fluctuation and/or irregularity of the income. When evaluating stability of income based upon historical receipt (e.g., fluctuating income), additional layering of

Topic 5300 provides requirements and guidance for the determination of stable monthly income. The Seller **must determine when** additional analysis and documentation is needed to support the determination of stable and **consistent monthly income**.

(b) General requirements for all stable monthly income

Stable monthly income is the Borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the Borrower, the Seller must determine that both the source and the amount of the income are stable, **with a consistent level of earnings**.

Regardless of the underwriting path, the income qualification sources used to qualify the Borrower (whether or not specifically addressed in Topic 5300) and the documentation in the Mortgage file must be evaluated for stable monthly income qualification requirements and must meet the requirements of Topic 5300. Income qualification sources that do not meet these requirements or are not calculated correctly may invalidate the Loan Product Advisor Risk Class on the Feedback Certificate.

The Seller must include a written analysis of the income qualification sources and amount in the Mortgage file. In addition, all documentation used to establish stable monthly income must be retained in the Mortgage file.

(c) Income stability and history requirements

The Seller **must consider** the length of history of the income and **whether the earnings have been level and consistent**. When evaluating stability of income based upon historical receipt, additional layering of risk may be present depending upon the degree of income volatility. As a result, the Seller **must determine when additional** documentation (e.g., an additional year of earnings history) is necessary to support income stability.

In most instances, a two-year history of receiving a **consistent level of income** is required in order for the income to be considered stable and used for qualifying. While the source of income may vary, the Borrower **must have** a consistent level of income despite changes in the sources of income. If the Borrower has less than a two-year history of receiving income, the Seller must provide a written analysis to justify the determination that the income that is used to qualify the Borrower is stable.

risk may be present depending upon the degree of income volatility. As a result, the Seller may determine additional documentation (e.g., an additional year of earnings history) is necessary to support income stability.

In most instances, a two-year history of receiving income is required in order for the income to be considered stable and used for qualifying. When the Borrower has less than a two-year history of receiving income, the Seller must provide a written analysis to justify the determination that the income that is used to qualify the Borrower is stable. While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

All Planet Home Lending documentation will be updated to reflect these changes as applicable.

If you have any questions, please contact your Sales Service Representative.