Fannie Mae

Imminent Default Evaluation
Frequently Asked Questions – Servicers

Q1. May servicers use the Imminent Default Evaluation in Lender Letter LL-2017-08 to evaluate mortgage loans for short sales and Mortgage Releases?

No. The Imminent Default Evaluation in Lender Letter LL-2017-08 may only be used to evaluate mortgage loans for conventional mortgage loan modifications.

Q2. Will Servicing Management Default Underwriter™ (SMDU™) evaluate the borrower for imminent default as part of the evaluation for a modification?

Yes. On or after February 1, 2018, if the borrower is current or less than 60 days delinquent on a conventional mortgage loan secured by a primary residence, the Imminent Default evaluation for a conventional mortgage loan modification will be incorporated into SMDU. SMDU will run the Imminent Default evaluation business rules as part of the evaluation for a conventional mortgage loan modification if all of the data required to run the Imminent Default evaluation is provided in the servicer's submission.

Q3. If it is determined that the borrower is not in imminent default and as a result not eligible for a loan modification, must the servicer communicate to the borrower the reason the borrower was not eligible?

If the loan is a conventional mortgage loan secured by a primary residence and is current or less than 60 days delinquent and determined not to be in imminent default, the servicer is responsible for communicating that the borrower is not eligible for a modification in accordance with the *Servicing Guide* and applicable law. If the loan was evaluated using SMDU, SMDU will provide additional detail regarding the reason(s) for the denial that the servicer may share with the borrower.

Q4. Must the borrower meet the initial eligibility criteria, the credit review criteria, and the hardship review criteria to be considered in imminent default for a conventional mortgage loan modification?

No. To be considered in imminent default for a conventional mortgage loan modification, the borrower must satisfy:

- the initial eligibility criteria, and
- **either** the credit or hardship review eligibility criteria

Q5. How is the determination made for the mortgage loan having two or more 30 day delinquencies in the six months immediately preceding the month of evaluation?

To determine if the mortgage loan has two or more 30 day delinquencies in the six months immediately preceding the month of evaluation, determine the delinquency of the mortgage loan at the close of business on the last business day of each of the six months immediately preceding the month of evaluation. For example, if the servicer is evaluating the mortgage loan on August 31, 2018, determine the delinquency of the mortgage loan at the close of business on the last business day of February, March, April, May, June, and July 2018. If the mortgage loan was 30 days delinquent at any two or more of these six points in time, the mortgage loan meets the “two or more 30 day delinquencies on the mortgage loan in the six months immediately preceding the month of the evaluation” criteria. Any delinquency greater than 30 days, for example 60 days or 120 days, does not count as a 30 day delinquency.

Example 1:
For an evaluation on July 31, 2018 with the previous 6 month payment history in the table below:

Payment history for the 6 months immediately preceding the month of evaluation						
Month End	Jan	Feb	Mar	Apr	May	Jun
LPI Date	1-Jan	1-Jan	1-Jan	1-Feb	1-May	1-Jun
Due Date	1-Feb	1-Feb	1-Feb	1-Mar	1-Jun	1-Jul
Months Delinquent	0	1	2	2	0	0
30 Days Delinquent		X				
This mortgage loan had 1 30 day delinquency in the six months immediately preceding the month of evaluation for purposes of imminent default.						

In this example, at the end of January the loan has a LPI date of 1/1/2018, making the loan current, 0 months delinquent. By the end of February, the borrower had not made their payment, as a result at the end of February they were one month (30 days) delinquent. This would add one tally mark in the number of 30 day delinquencies for the reporting period. By the end of March, the borrower had not made a payment; as a result, the loan LPI date remains 1/1/2018, making the loan two months (60 days) delinquent. In April the borrower made a payment advancing the LPI date to 2/1/2018 and keeping the loan two months (60 days) delinquent. In May the borrower made three payments, advancing the LPI date to 5/1/2018 and bringing the loan current. In June the borrower made a payment, advancing the LPI date to 6/1/2018 remaining current at the end of the 6 month review cycle. Therefore, when being evaluated in July, for the six months immediately preceding the month of evaluation, the borrower is considered to have experienced one 30 day delinquency.

Example 2:
For an evaluation on July 18, 2018 with the previous 6 month payment history in the table below:

Payment history for the 6 months immediately preceding the month of evaluation						
Month End	Jan	Feb	Mar	Apr	May	Jun
LPI Date	1-Jan	1-Jan	1-Jan	1-Jan	1-Jan	1-Jan
Due Date	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb
Months Delinquent	0	1	2	3	4	5
30 Days Delinquent		X				
This mortgage loan had 1 30 day delinquency in the six months immediately preceding the month of evaluation for purposes of imminent default.						

In this example, at the end of January, the loan has a LPI date of 1/1/2018, making the loan current, 0 months delinquent. By the end of February, the borrower had not made their payment, as a result at the end of February they were one month (30 days) delinquent. This would add one tally mark in the number of 30 day delinquencies for the reporting period. The borrower makes no further payments between March and June; therefore the LPI date through June remains 1/1/2018. The additional months of delinquency do not qualify as 30 day delinquencies. Therefore when being evaluated in July, for the six months immediately preceding the month of evaluation, the borrower is considered to have experienced one 30 day delinquency.

Example 3:
For an evaluation on July 1, 2018 with the previous 6 month payment history in the table below:

Payment history for the 6 months immediately preceding the month of evaluation						
Month End	Jan	Feb	Mar	Apr	May	Jun
LPI Date	1-Jan	1-Jan	1-Jan	1-Feb	1-May	1-May
Due Date	1-Feb	1-Feb	1-Feb	1-Mar	1-Jun	1-Jun
Months Delinquent	0	1	2	2	0	1
30 Days Delinquent		X				X
This mortgage loan had 2 30 day delinquencies in the six months immediately preceding the month of evaluation for purposes of imminent default.						

In this example, at the end of January the loan has a LPI date of 1/1/2018, making the loan current, 0 months delinquent. By the end of February, the borrower had not made their payment, as a result at the end of February they were one month (30 days) delinquent. This would add one tally mark in the number of 30 day delinquencies for the reporting period. By the end of March, the borrower had not made a payment; as a result, the loan LPI date remains 1/1/2018, making the loan two months (60 days) delinquent. In April the borrower made a payment, advancing the LPI date to 2/1/2018 and keeping the loan two months (60 days) delinquent. In May the borrower made three payments, advancing the LPI date to 5/1/2018 and bringing the loan current. In June, the borrower missed a payment, keeping the LPI date at 5/1/2018 becoming 1 month (30 days) delinquent for the last month of the review cycle. Therefore, when being evaluated in July, for the six months immediately preceding the month of evaluation, the borrower is considered to have experienced two 30 day delinquencies.