



# Servicing Management Default Underwriter™ (SMDU™) Release Notes for SMDU Version 7.22

May 14, 2018

During the weekend of May 18, 2019, Fannie Mae will implement SMDU Version 7.22. During this implementation SMDU **will not be available** to process transactions from 10 p.m. Eastern Daylight Time on May 17, 2019, until 12 p.m. Eastern Daylight Time on May 18, 2019. Please do not submit transactions to SMDU during this period.

The changes described in these Release Notes will override SMDU Release 7.21 Rules. Therefore, a resubmission to SMDU after the implementation of Version 7.22 may return a different result.

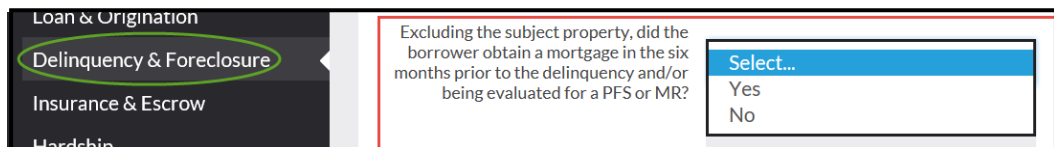
## Alignment with Fannie Mae Policy—B2B and SMDU UI

Beginning with this Release SMDU will be synchronized with the “Fannie Mae Short Sale and Fannie Mae Mortgage Release™ (Deed-in-Lieu of Foreclosure) Workout Options” section of the Fannie Mae [Servicing Guide Announcement SVC-2018-08](#). This update simplifies the short sale and Mortgage Release policies to provide servicers with clear parameters to assist borrowers with exiting the property while avoiding a foreclosure sale. **Please note:** Servicers who do not wish to implement the new policy changes prior to September 1, 2019 should not use SMDU for liquidations.

### **Important note: Data Considerations in Support of the Updated Short Sale and Mortgage Release Policy**

Although no new data fields have been created for this Release, the following data fields are particularly important to SMDU’s evaluation of a short sale or Mortgage Release workout option.

- **New Mortgage Obtained Indicator (DD#1507)** – An indicator that the borrower obtained a new mortgage on a property other than the subject property in the six months leading up to the delinquency or, for current mortgage loans, in the six months preceding the evaluation for a short sale or Mortgage Release. Although this field is not a new field a servicer should verify this data field is being sent in the SMDU request.
  - *This indicator is expressed in the SMDU User Interface (UI) as a question within the “Delinquency and Foreclosure” section (per the example screen shot below)*





- **Permanent Change of Station (PCS) Orders** –To inform SMDU when a servicemember has PCS orders, a servicer must provide the following data fields in the SMDU Request exactly as instructed below:
  - **Income Type** (DD#457) = 16 (16=Military)
  - **Hardship Reason Code** (DD#150) = 9 (9=Distant Employment Transfer)
  - **Property Usage Type** (DD#27) = 1 (1=Principal Residence)

**OR**

  - **Property Type at Origination**= Principal Residence [SMDU Derived Value (Not Servicer provided data)]

*In the SMDU UI these data fields are expressed in the respective “Borrowers”, “Hardship” and “Property” sections (per example screen shots below)*

<b>Borrowers</b>	<b>Assets</b>	<b>\$4,999.01</b>	<b>Income</b>	<b>\$5,500.00</b>
Bankruptcy	Checking Account	\$4,999.01	Military Pay	\$5,500.00

### Hardship

Reason

Distant employment transfer

Bankruptcy

Property

Loan & Origination

Current Property Usage

Principal Residence

- **Data Fields in the SMDU Response that will Always Be Zero** – The following fields will always have a value of zero (“0”) in the SMDU Response.
  - Initial Requested Promissory Note Payment Amount (DD#598)
  - Servicer Incentive Amount (DD#640)
  - Servicer Incentive Amount – MR Transition (DD#641)

*Please note: this field will no longer appear on the SMDU Mortgage Release response page displayed on the SMDU UI.*



- **Borrower Relocation Assistance Amount** - In accordance with the updated liquidation policy, SMDU will always return the same relocation assistance amount for short sale and Mortgage Release evaluations, if eligible. Different amounts will no longer be returned for a Mortgage Release based on jurisdiction.
- **Initial Requested Borrower Contribution Amount** – In accordance with the updated liquidation policy, SMDU will always return the same borrower cash contribution amount for short sale and Mortgage Release evaluations, if applicable.

## **Imminent Default Evaluations (IDE) for Liquidations—B2B and SMDU UI**

With SMDU's alignment with the new short sale and Mortgage Release policy, as referenced on [page 1](#), an IDE may be required for those workout options. An IDE may be accomplished using SMDU through 1) Auto-Decisioning Request (evaluate a borrower's eligibility for short sale and/or Mortgage Release), 2) Case Management Request, and/or 3) Fannie Mae's Stand-Alone IDE tool.

- If a short sale or Mortgage Release evaluation requires an IDE and all the required information is *not* provided, SMDU will return the following message:

***Unable to evaluate for [Workout Display Type Code]; SMDU has insufficient data for Imminent Default determination (e.g. Representative Credit Score, Assets, Property Number of Units or Borrower Occupancy Indicator). Please provide the necessary information and resubmit. (Message 5766)***

- If all the required IDE data fields are included in the short sale or Mortgage Release evaluation, SMDU will execute an IDE and return one of the following messages in the SMDU Response, regardless of whether an IDE is required for the liquidation workout.

***SMDU has evaluated the loan and determined the borrower is not at risk of Imminent Default for purposes of a Short Sale or Mortgage Release. (Message 6562)***

***SMDU has evaluated the loan and determined the borrower is at risk of Imminent Default for purposes of a Short Sale or Mortgage Release. (Message 6564)***

- If a short sale or Mortgage Release evaluation requires an IDE for which all the required information is provided, and the borrower is found not to be at risk of imminent default, SMDU will return at least one of the following new imminent default messages in the SMDU Response:

***Ineligible for [Workout Display Type Code]; Mortgage loan is less than 60 days delinquent and borrower is not at risk of Imminent Default. (Message 5770)***

***Liquidation Imminent Default Initial Eligibility criteria not met; Loan is not current or less than 60 days delinquent. (Message 6550)***

***Liquidation Imminent Default Initial Eligibility criteria not met; No borrower occupies the property securing the mortgage as their principal residence. (Message 6552)***



**Liquidation Imminent Default Initial Eligibility criteria not met; Borrower's non-retirement cash reserves equal or exceed \$25,000.** (Message 6566)

**Liquidation Imminent Default Credit criteria not met; Credit score is greater than 620.** (Message 6554)

**Liquidation Imminent Default Credit criteria not met; Two or more 30-day delinquencies have not occurred on the mortgage loan in the six months immediately preceding the month of evaluation.** (Message 6556)

**Liquidation Imminent Default Credit criteria not met; Housing Expense-to-Income Ratio is less than or equal to 40%.** (Message 6558)

**Liquidation Imminent Default Overriding Hardship criteria not met; Borrower is not experiencing an overriding hardship.** (Message 6560)

## Updates to SMDU Evaluation Rules and Messages

Beginning with this Release:

- **Bankruptcy Reaffirmation Indicator:** The Bankruptcy Reaffirmation Indicator (DD#680) must be provided (Yes or No response) in the SMDU Request for a short sale or Mortgage Release evaluation when the Bankruptcy Type (DD#678) is Chapter 7 and the Bankruptcy Status Type (DD#679) is 2 (Discharged). SMDU will return the Unable to Evaluate message below when a servicer does not provide this field.
  - *In the SMDU UI these data fields are all located in the "Bankruptcy" section (per the example screen shot below)*

The screenshot shows a form with the following fields:

- Filing Date: 03/18/2015
- Type Filed: Chapter 7
- Status: Discharged
- Bankruptcy Reaffirmation Indicator: A dropdown menu with options: Select..., Yes, No.

Below the Filing Date field is a link: [+ Add Additional Bankruptcy](#)

**Unable to Evaluate; servicer has reported a Discharged Chapter 7 Bankruptcy but has not indicated whether or not the mortgage loan debt was reaffirmed. Please update and resubmit.** (Message 5764)



- **Occupancy Discrepancies:** To help prevent inconsistencies with occupancy-related data provided in the SMDU Request (for all workout evaluations), SMDU returns the Unable to Evaluate message noted below when the following scenarios occur:

**Unable to Evaluate for [Workout Display Type Code], Property Occupancy Status Code and Borrower Occupancy Indicator is inconsistent. Please update and resubmit. (Message 5776)**

- Borrower Occupancy Indicator (DD471) is “Yes” and Property Occupancy Status Type (DD22) is something other than Borrower Occupied.
  - *Borrower Occupancy Indicator is expressed in the SMDU UI as a question within the “Borrowers” section; Property Occupancy Status is located within the “Property” section (per the example screen shot below)*

Evaluation Landing

Borrowers

Representative Credit Score: 619

Credit Score Type: Select...

Does borrower currently occupy property as primary residence? Yes

Borrowers

Bankruptcy

Property

Loan & Origination

Delinquency & Foreclosure

Insurance & Escrow

Property Occupancy Status: Borrower Occupied

Intended Property Usage

Current Property Usage

Principal Residence

OR

- Borrower Occupancy Indicator (DD471) is “No” and the Property Occupancy Status Type (DD22) is Borrower Occupied.

Evaluation Landing

Borrowers

Representative Credit Score: 619

Credit Score Type: Select...

Does borrower currently occupy property as primary residence? No

Bankruptcy

Property

Loan & Origination

Property Occupancy Status: Borrower Occupied



## **Updates to SMDU User Interface (UI) Only**

Refer to the “What’s New” section of the UI User Guide for UI-only updates related to:

- SMDU’s synchronization with “Fannie Mae Short Sale and Fannie Mae Mortgage Release™ (Deed-in-Lieu of Foreclosure) Workout Options” (as referenced on page 1).
- IDE Stand-Alone Tool, which will enable a servicer to conduct an independent imminent default evaluation prior to evaluating a borrower’s eligibility for a short sale and Mortgage Release.
- Other miscellaneous updates.

## **Questions and More Information**

Please contact SMDU Operations at [smdu\\_support@fanniemae.com](mailto:smdu_support@fanniemae.com) or your Fannie Mae Servicing Portfolio Manager if you need additional information about this release and/or SMDU.