



Frequently Asked Bankruptcy Cramdown Questions

This FAQ applies to all chapters

September 8, 2025

Q1. Now that the bankruptcy plan has been confirmed, how do I report the terms to FannieMae?

Servicers report bankruptcy cramdown terms to Fannie Mae using the Servicing Management Default Underwriter™ (SMDU™) User Interface (UI). [Review the user guide](#)

Q2. Can late charges be capitalized on a bankruptcy cramdown?

No. Although some bankruptcy jurisdictions will allow the inclusion of late charges, Fannie Mae does not allow the capitalization of late charges.

Q3. Hard Rejects and Bankruptcy Loans: Why do I have a Hard Reject for a Bankruptcy Cramdown Loan in the System?

When a loan is in Bankruptcy with an active cramdown, the servicer must notify Fannie Mae of the updated treatment prior to updating its system to reflect the new terms. Hard Rejects typically result due to the servicer updating its system to reflect the treatment terms prior to advising and allowing Fannie Mae to update first.

Q4. Will Fannie Mae accept an 1111(b) election? If so, when is it appropriate and what do I need to do?

Fannie Mae will consider 1111(b) elections on a case-by-case basis. This election is not to be used as standard practice for cramdowns and *requires Fannie Mae approval in every instance*. Servicers must obtain approval from Fannie Mae by submitting [Form 20](#) prior to making and accepting the election. Even if the Servicer's counsel recommends making the election, the Servicer is still required to obtain Fannie Mae approval prior to moving forward with the election.



Q5. Modifications beyond Servicing Guide Terms vs. Cramdowns: What is the difference and how are they handled?

It is not permissible to have both a modification and a cramdown in the same case. A cramdown occurs when a plan of reorganization changes the terms of a loan owned by Fannie Mae and is confirmed by an order of the bankruptcy court. Separate from cramdowns, Servicers may agree to loan modifications to resolve disputes in bankruptcy cases (or for other reasons).

To offer loan modification terms that go beyond those authorized under the Servicing Guide and any applicable delegations, the Servicer must obtain approval from Fannie Mae using [Form 20](#) before the case can be submitted via SMDU. When submitting such a modification via SMDU, you will select Campaign ID-Special with Trial or Special without Trial which follows the same approval process as other Fannie Mae Modifications. Questions on these modifications should be sent to loss_mitigation@fanniemae.com.

Q6. How do I seek reimbursement for the legal fees and costs associated with handling the cramdown on behalf of FannieMae?

Requests for approval of excess attorney fees are required to be submitted by the attorney directly to Fannie Mae through Property 360. Law firms can request excess fee training by contacting Excess_Fee_Request@FannieMae.com.

Q7. What is a LAR?

A Loan Activity Report (LAR) is an item which is submitted by your Investor Reporting group. FNMA Investor Reporting may request that you submit a LAR when the Pre-MOD UPB and Pre-MOD LPI figures reported on the template do not match those in Fannie Mae's system. The cramdown terms cannot be booked until these figures match.

After you submit your cramdown case through SMDU, do not apply payments to the loan until you have received an email confirming that the cramdown has been booked on Fannie Mae's systems—this will offset the forgiveness/capitalization snapshot we are trying to capture and cause a figure mismatch. Additionally, do not book the treatment on your own systems before you have received booking confirmation from Fannie Mae—this will also result in a figure mismatch and you will have to submit a LAR.

Q8. How do I submit funds to be applied to the unsecured portion of a claim?

For Actual/Actual loans, Servicers must remit funds through CRS using remittance code 001.

For Scheduled/Scheduled and Scheduled/Actual loans, Servicers must make all funds due to Fannie Mae available for drafting by the 18th calendar day of the month or the preceding business day if the 18th is not a business day.

Servicer will report the bifurcated amount to be applied by sending an email to ETM_DelMods@fanniemae.com. Include in the email Seller Servicer ID number, Fannie Mae loan number and the date funds were remitted.