



MBA's 93rd ANNUAL CONVENTION & EXPO 2006

OCTOBER 22 • 25 HYATT REGENCY • CHICAGO

MISMO Business Rules Exchange

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The First American Corporation



Agenda

- What is the Business Rules Exchange Workgroup?
- Defining business rules
- Potential industry/business impact of the Business Rules Exchange Workgroup.
- Scope of the workgroup
- Sample scenario
- The Future
- Conclusion





MISMO Evolution

- Initial MISMO focus was on supporting specific segments of mortgage process.
 - » Origination
 - » Real Estate Services
 - Flood
 - Title
 - Appraisal
 - Credit
 - » Secondary
 - » Servicing
- MISMO is still evolving segment specifications and defining new standards that can be leverage across the entire mortgage process.
 - » eMortgage
 - » Security
 - » **Business Rules Exchange**





What is the MISMO Business Rules Exchange Workgroup?

- *Officially Created in 2006*
 - » *Held first face-face meeting in Fort Collins, CO Sept 2006.*
- *The Charter*
 - » *To develop, promote, and maintain voluntary electronic commerce standards for the exchange of business rules for the mortgage industry.*
- **The Participants**
 - » Volunteer mortgage industry leaders.
 - » Volunteer rules engine technology leaders.
 - » Others
- **The High Level Goal**
 - » Provide the industry an option for communicating simple and potentially complex business rules up and down the mortgage process in a software friendly format (XML) as opposed to by fax, pdf, U.S. Mail, web page, or other mechanisms.





Rules in the Mortgage Process



- Marketing related rules
- Pre-qualification
- Product Selection
- Loan Pricing
- Application Submission
- Loan Disclosures
- Regulatory

- Loan file consistency rules
- Loan file completeness rules
- Loan file accuracy rules
- Documentation Rules
- Loan Disclosures
- Regulatory

- LTV
- Debt to income ratio
- Compensating factors
- Housing to income
- Credit Scoring
- Regulatory

- Regulatory
- Pricing and pipeline management
- Loan delivery
- Document tracking
- Funding

- Investor remittance
- Tax/Escrow administration
- Set up and payment processing
- Loss Mitigation
- Reporting
- Regulatory





The following items are IN SCOPE for the MISMO Business Rules Exchange Workgroup.

- *Identification of scenarios for the mortgage loan process and complete proof of concepts.*
- *Agreement of a mortgage related vocabulary to facilitate rule distribution. (MISMO data dictionary)*
- *Recommendation of an XML based framework for rules interchange.*
- *Creation of guides and technical references for the industry*
- *Creation of MXCompliance Suite to help ensure interoperability between partners.*





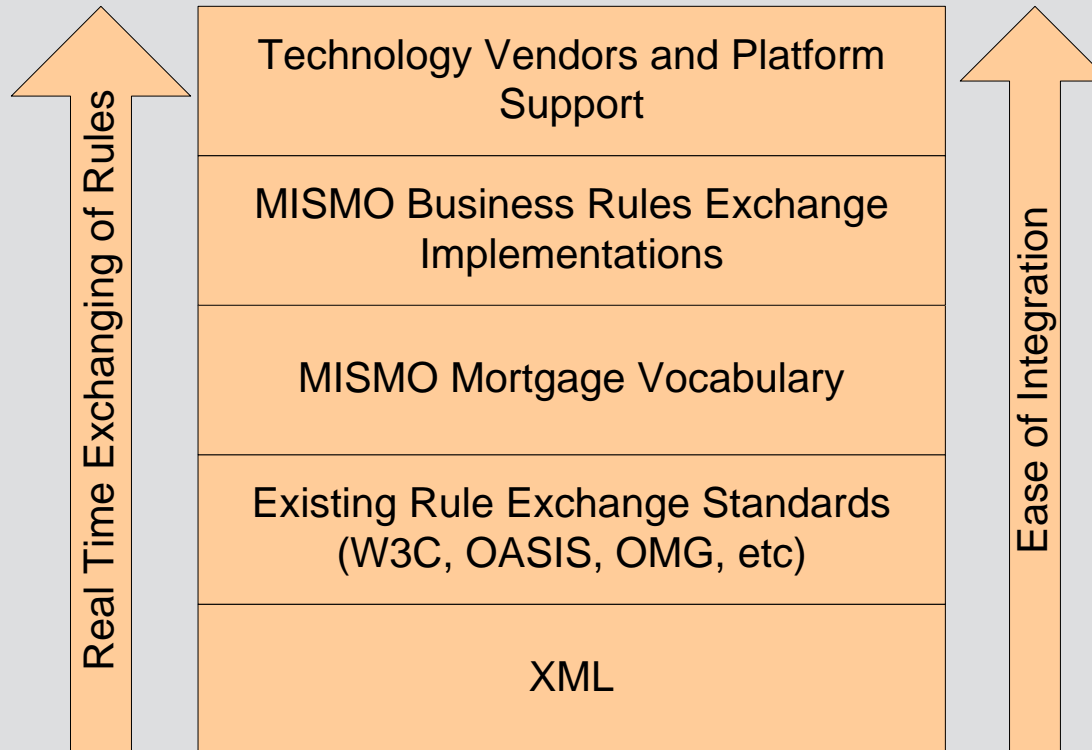
Not in Scope for the MISMO Business Rules Exchange Workgroup

- *Creation of a rules language*
- *Execution of rules*
- *Translation of rules*
- *Method of transport of rules*
- *Supply rules to the mortgage industry*
- *Security associated with the exchanging of rules*





Business Rules Exchange Technology Stack.





Potential Impact of MISMO Business Rules Exchange Workgroup on the Industry.

- Increased business agility and efficiency by allowing for quick adaptation to changing rules in the mortgage space.
 - » Market conditions
 - » Regulatory changes
 - » Others
- Ability to enhance customer experience through faster distribution of rules throughout the mortgage process.
- Reduced costs associated with implications of incorrect keying or interpretation of previously manually communicated rules.
- Increased efficiency as a result of systems being able to integrate and make decisions based on rules exchanged.
- Enablement of a real time enterprise within the mortgage industry.





Simple Sample usage scenario

- Rate Sheet Distribution Today
 - » Current process works but is very manual based on fax or web page distribution
 - » Exposes several parties to risks associated market changes and poor communication channels.
 - » Difficult to react quickly to customer needs.
- *Note this is a simple example of a usage scenario that leverages the business rules exchange framework used to help illustrate how the framework could be utilized.*





Sample Rate Sheet

Effective Date: 10/09/06

Wholesale Rate Sheet



GRADE	score	FULL DOC 1ST 2/28 & 3/27 PAR										score	STATED INCOME 2/28 & 3/27 PAR									
		LTV~	65%	70%	75%	80%	85%	90%	95%	100%	LTV~		65%	70%	75%	80%	85%	90%	95%	100%		
A+ 0X30 Full/Easy/3/28 to \$800K Full Doc > \$800K - \$1.5M	700~	5.950	6.100	6.150	6.300	6.500	6.850	7.050	7.700	7.700	7.700	6.850	7.000	7.050	7.100	7.450	7.800	8.350	9.000			
	680	6.050	6.200	6.250	6.400	6.600	6.950	7.150	7.800	7.800	6.950	7.100	7.150	7.200	7.550	7.900	8.450	9.100				
	660	6.150	6.300	6.350	6.500	6.700	7.050	7.250	7.900	7.900	7.050	7.200	7.250	7.300	7.650	8.000	8.700	9.350				
	640	6.250	6.400	6.450	6.600	6.800	7.150	7.350	8.000	8.000	7.150	7.300	7.350	7.400	7.750	8.100	8.900	9.550				
	620	6.600	6.750	6.800	6.950	7.150	7.400	7.650	8.700	8.700	7.450	7.600	7.650	7.700	8.000	8.400	9.400					
	600	6.800	6.950	7.000	7.050	7.250	7.600	8.050	9.000	9.000	7.800	7.950	8.000	8.050	8.400	8.800	9.700					
	580	7.200	7.350	7.400	7.450	7.650	8.100	8.600			8.200	8.350	8.400	8.450	8.800							
	560	7.500	7.650	7.700	7.750	8.050	8.400				8.500	8.650	8.700	8.750								
	525	7.950	8.100	8.150	8.200	8.600					8.950	9.100	9.150	9.200								
	500	8.450	8.600	8.650	8.700						9.450	9.600	9.650	9.700								
A 1X30 Full/Easy/3/28 to \$800K Full Doc > \$800K - \$1.5M	700~	6.200	6.350	6.400	6.550	6.750	7.100	7.450	8.200	8.200	7.150	7.300	7.350	7.550	7.750	8.100	8.650					
	680	6.300	6.450	6.500	6.650	6.850	7.200	7.550	8.300	8.300	7.250	7.400	7.450	7.650	7.850	8.200	8.750					
	660	6.400	6.550	6.600	6.750	6.950	7.300	7.650	8.400	8.400	7.350	7.500	7.550	7.750	7.950	8.300	9.000					
	640	6.500	6.650	6.700	6.850	7.050	7.400	7.750	8.500	8.500	7.450	7.600	7.650	7.850	8.150	8.500	9.200					
	620	6.750	6.900	6.950	7.000	7.300	7.550	8.150	8.850	8.850	7.600	7.750	7.800	8.000	8.300	9.000						
	600	6.950	7.100	7.150	7.200	7.400	7.750	8.200	9.050	9.050	7.800	7.950	8.000	8.200	8.550	9.300						
	580	7.250	7.400	7.450	7.500	7.700	8.100	8.550			8.300	8.450	8.500	8.700	9.050							
	560	7.750	7.900	7.950	8.100	8.300	8.650				8.750	8.900	8.950	9.150								
	525	8.100	8.250	8.300	8.450	8.650					9.100	9.250	9.300	9.500								
	500	8.600	8.750	8.800	8.950						9.600	9.750	9.800	10.000								
A- 3X30 Full/Easy/3/28 to \$800K	700~	6.450	6.600	6.650	6.700	6.900	7.250			7.000	7.150	7.200	7.400	7.550	7.750	8.100	8.650					
	680	6.550	6.700	6.750	6.800	7.000	7.350			7.100	7.250	7.300	7.500	7.650	7.850	8.200	8.750					
	660	6.650	6.800	6.850	6.900	7.100	7.450			7.200	7.350	7.400	7.600	7.750	8.000	8.400	9.000					
	640	6.750	6.900	6.950	7.000	7.200	7.550			7.300	7.450	7.500	7.700	7.850	8.100	8.500	9.100					
	620	6.900	7.050	7.100	7.150	7.350	7.700			7.400	7.550	7.600	7.800	7.950	8.200	8.600	9.200					
	600	7.000	7.150	7.200	7.250	7.450	7.800			7.500	7.650	7.700	7.900	8.050	8.300	8.700	9.300					
	580	7.400	7.550	7.600	7.650	7.850	8.200			7.700	7.850	7.900	8.100	8.250	8.500	8.900	9.500					
	560	7.850	8.000	8.050	8.100	8.300	8.650			8.100	8.250	8.300	8.450	8.600	8.850	9.200	9.800					
	525	8.450	8.600	8.650	8.700	8.900	9.250			8.800	8.950	9.000	9.150	9.300	9.550	9.900						
	500	8.950	9.100	9.150	9.200					9.250	9.400	9.450	9.600	9.750	10.000							
B 1X60 Full/Easy/3/28 to \$800K	680	6.750	6.900	6.950	7.000	7.300	7.900			7.000	7.150	7.200	7.400	7.550	7.750	8.100	8.650					
	660	6.850	7.000	7.050	7.100	7.400	8.000			7.100	7.250	7.300	7.500	7.650	7.850	8.200	8.750					
	640	6.950	7.100	7.150	7.200	7.500	8.100			7.200	7.350	7.400	7.600	7.750	8.000	8.400	9.000					
	620	7.100	7.250	7.300	7.350	7.650	8.250			7.350	7.500	7.550	7.750	7.900	8.150	8.550	9.150					
	600	7.200	7.350	7.400	7.450	7.750	8.350			7.450	7.600	7.650	7.850	8.000	8.250	8.650	9.250					
	580	7.450	7.600	7.650	7.700	8.000	8.600			7.700	7.850	7.900	8.100	8.250	8.500	8.900	9.500					
	560	8.000	8.150	8.200	8.250	8.500	9.100			8.250	8.400	8.450	8.650	8.800	9.050	9.450	10.050					
	525	8.600	8.750	8.800	8.850	9.100	9.700			8.850	9.000	9.050	9.250	9.400	9.650	10.050						
	500	9.100	9.250	9.300	9.450					9.350	9.500	9.550	9.750	9.900	10.150							
	C Max. 90 days Delinquent Full/Easy/3/28 to \$500K	680	7.550	7.700	7.750	7.800	8.400			7.800	7.950	8.000	8.200	8.350	8.550	8.900	9.500					
660		7.650	7.800	7.850	7.900	8.500			7.900	8.050	8.100	8.300	8.450	8.650	9.000	9.600						
640		7.750	7.900	7.950	8.000	8.600			8.000	8.150	8.200	8.400	8.550	8.750	9.100	9.700						
620		7.900	8.050	8.100	8.150	8.750			8.150	8.300	8.350	8.550	8.700	8.900	9.250	9.850						
600		8.000	8.150	8.200	8.250	8.850			8.250	8.400	8.450	8.650	8.800	9.000	9.350	9.950						
580		8.250	8.400	8.450	8.500	9.100			8.500	8.650	8.700	8.900	9.050	9.250	9.600	10.200						
560		8.650	8.700	8.750	8.800	9.400			8.800	8.950	9.000	9.200	9.350	9.550	9.900	10.500						
525		9.250	9.400	9.450					9.450	9.600	9.650	9.850	10.000	10.200	10.550							
500		9.750	9.900	9.950					9.950	10.100	10.150	10.350	10.500	10.700	11.050							
C- Full/Easy/3/28 to \$500K		550	10.700	10.950					10.950	11.200	11.250	11.450	11.600	11.800	12.150							
	500	11.250	11.500					11.500	11.750	11.800	12.000	12.200	12.400	12.750								
D Full/Easy to \$500K	550	11.050						11.050	11.300	11.350	11.550	11.700	11.900	12.250								
	500	11.600						11.600	11.850	11.900	12.100	12.300	12.500	12.850								
Debt Ratio:		55	55	55	55	55	50	50	50	55	55	55	55	55	50	50	50	50				

TYPE	ADJUSTMENTS TO RATE	%
Products	5/25 Fixed/Adjustable or Fixed >=600	-800
	Fixed <600	-760
Doc Types	40/30 & 50/30 Fixed/Adjustable 550-679	-150
	40/30 Fixed/Adjustable <550	-400
Property	EZ Doc LTV >= 85% LTV or Blended W-2	-200
	EZ Doc LTV < 85% LTV	-500
1st Lien Loan Amounts	Non-Owner	-750
	2-4 Units, Modular, Rural Condo	-350
Interest Only (2/28, 3/27, 5/25)	>=\$75,000	+100
	\$75,000 to \$149,999.99	+250
Bankruptcy	\$300,000 to \$1,000,000	-350
	>=\$1,250,000	-400
Prepay 1st and 2nd (where allowed, max. 3 yrs)	Rate add for all credit scores >=640	+300
	Rate add for all credit scores 580-639	+400
Combo 1st Lien Adjustments	No BK Severing	+200
	Waive prepay-No YSP	-100
Rate Discount	2/28 w/2 yr. prep-max. 2 YSP	Par
	2/28 w/1 yr. prep-max. 1 YSP	-500
Prepay	3/27, 5/25, Fixed or 2nds w/3 yr. prep-max. 2 YSP for 1st loan	Par
	3/27, 5/25, Fixed or 2nds w/2 yr. prep-max. 2 YSP for 1st loan	-250
No 2nd 1st loans (CA, HI, MD, ME, NH, max. 2 YSP)	3/27, 5/25, Fixed or 2nds w/1 yr. prep-max. 1 YSP for 1st loan	+500
	No 2nd 1st loans (CO, IA, KS, MD, ME, MA, PA, TX)	-250
YSP (Max. 2.0)	Rate add for all credit scores >=640	+120
	Rate add for all credit scores 580-639	+250
Rate Discount	Full Doc 640-679	+120
	Full Doc <640	+150
Easy Doc 640-679	Full Doc 640-679	+370
	Easy Doc 640-679	+250
Easy Doc <640	Easy Doc <640	+150
	Stated >=680	+300
Stated <680	Stated <680	+500
	Stated <680	+800

5% PIGGYBACK 2NDS				
A+	A	A-	B	C
12,850	13,100	13,350	13,600	14,350

Program Notes - Combo 1st Lien Adjustments N/A

- *15% SA/PAR; LTV must <=8%
- *Max DTI: 60%
- *Full/Easy Doc; 10 or 15 year feed (20 & 30 yr. available on amt. >=25K)
- *Min. score: 600

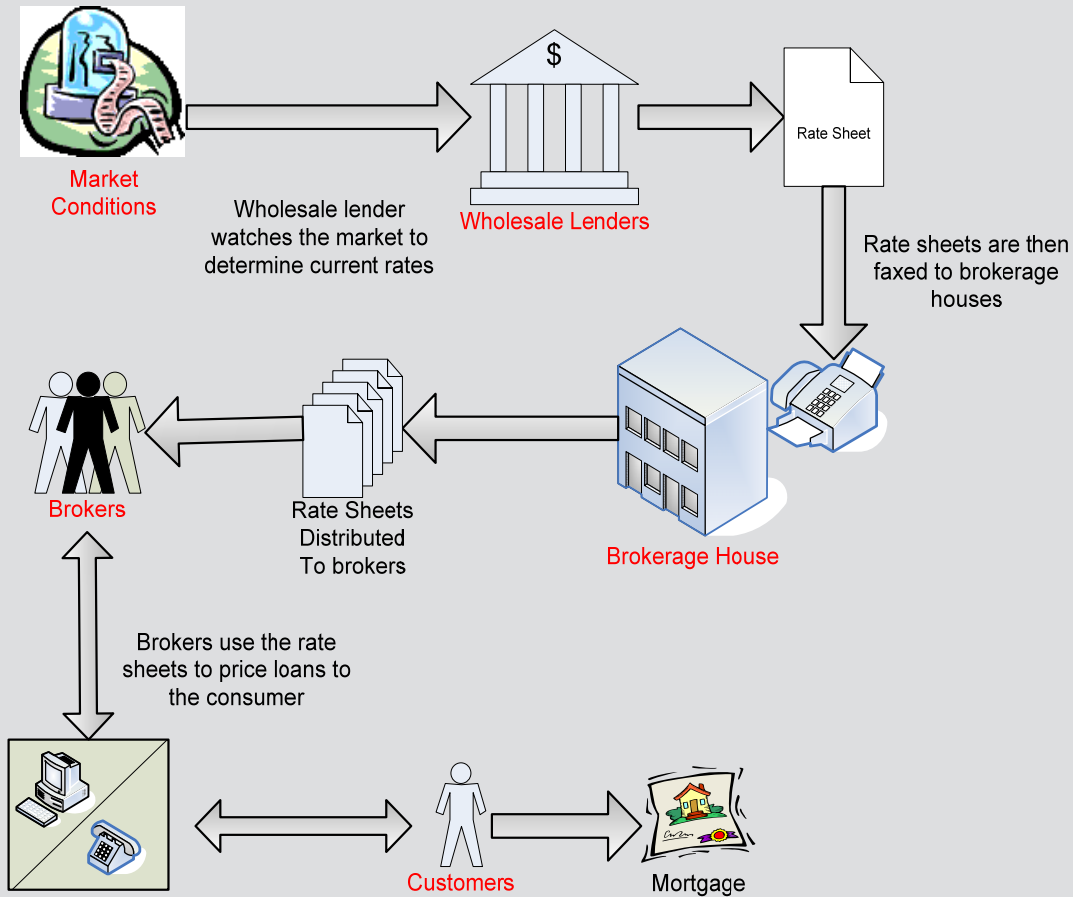
Michigan Program Guidelines

Full Doc: Max. 80% LTV/CLTV; Easy Doc: Max. 90% LTV/CLTV; Stated: Max. 80% LTV/CLTV. FL & outside secondary financing OK to CLTV's stated above.

10, 15 &				
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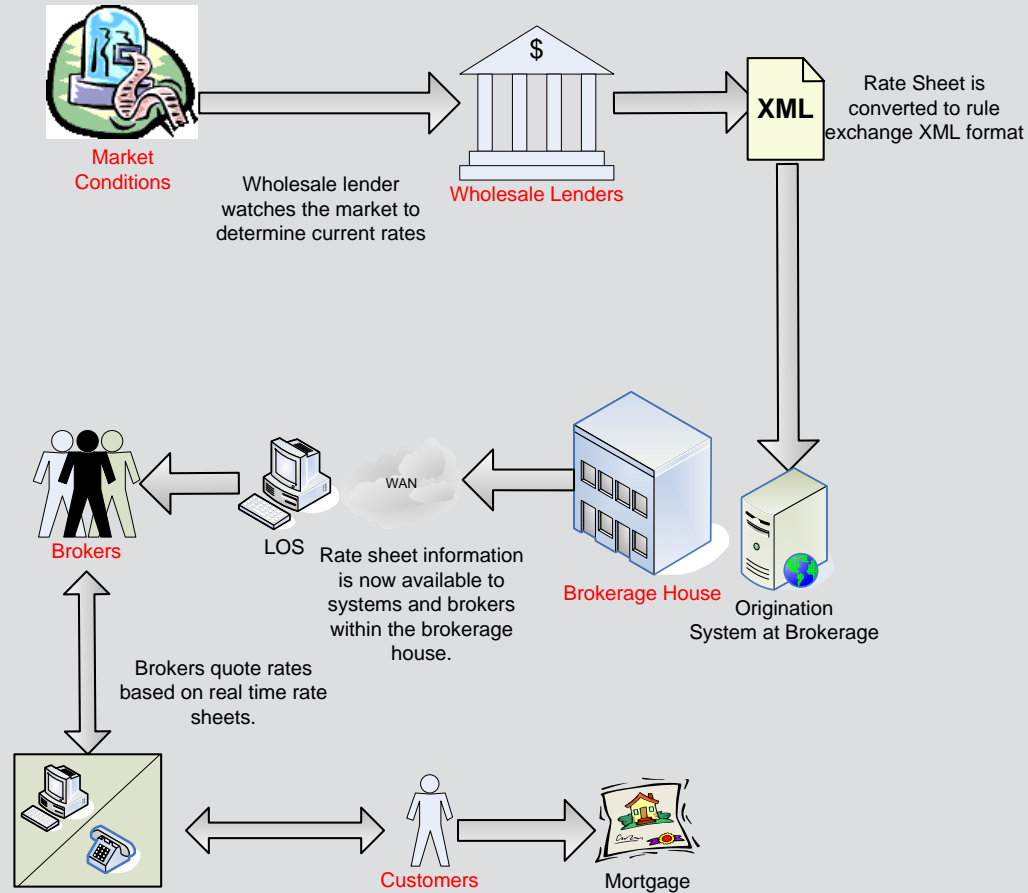


Current Rate sheet distribution process





Future Rate sheet distribution process





Potential advantages of leveraging the MISMO Business Rule Exchange specification for rate sheet distribution

- Brokers can quote and lock rates with up to date information.
- Decision engines / systems could accept rate sheet information in real time allowing them to make decisions in terms of product selection, eligibility and pricing.
- Brokerage houses could automate the addition of “broker points” into their existing systems.
- Increased efficiencies and customer experience based on streamlined rate sheet process.
- Lenders could distribute their complete catalog of loan programs to brokers reducing the need for manual phone calls and emails between warehouse lenders and brokers.





The Future of Business Rules Exchange

- The industry will decide
 - » Where the workgroup goes in the future.
 - » The adoption rate.
- Meeting quarterly at MISMO face-face meetings to solicit industry input on direction and needs.
- Completion of proof of concepts to continue to prove out existing technology.
- Engage technology vendors to support the standard “out of the box”



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