

# eReality

An Update from the Agencies on eCommerce in the Mortgage Industry

Tami Eckstein, Moderator  
Business Integration Manager  
MERSCORP



## Session Overview

- **Purpose**

- » Provide an overview of the current eMortgage environment at an industry level
  - » Provide insight into current agency initiatives and guidelines specific to eNotes and eVaults
  - » Provide direction on where to find current and valid eCommerce reference material
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## Session Overview

- **Introduction of Panelist**

- » **Harry Gardner**

- Senior Director, Industry Technology  
Mortgage Bankers Association

- » **Christos Bettios**

- Senior Product Manager  
Fannie Mae

- » **Michael Garcia**

- Director of Single Family and Manufactured Housing Division, Office of Mortgage Backed Securities  
Ginnie Mae

- » **Ann Epstein**

- Director, Change and Integration  
Freddie Mac
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## Session Overview

- **Session Housekeeping**

- » Cell phones/PDAs off or vibrate
  - » Questions will be taken following the entire presentation, if time allows
  - » Q&A cards available for follow-up here and at the Hospitality Table
  - » eCommerce Reference Directory
    - Online at the MBA Document Custody Subcommittee SharePoint Site
    - Available in your conference manual
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# MBA Document Custody eCommerce Reference Directory

Published July 2006



- **Fannie Mae**

- » *Includes information on delivering eMortgage loans to Fannie Mae. Specific eMortgage information can be found under the Single-Family tab, Guides/Selling & Servicing Guide/Related Selling Information/eMortgage Delivery. [www.efanniemae.com](http://www.efanniemae.com)*

- **Freddie Mac eMortgage Web site**

- » *Includes information on delivering eMortgage loans to Freddie Mac. Specific eMortgage information includes FAQ section and an eMortgage Handbook, found under the Doing Business With Freddie Mac tab, Single-Family/Sale and Deliver Loans/Loan Delivery/Electronic Mortgages. [www.freddiemac.com](http://www.freddiemac.com)*

- **Ginnie Mae**

- » *Ginnie Mae guarantees investors the timely payment of principal and interest on MBS backed by federally insured or guaranteed loans — mainly loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). Other guarantors or issuers of loans eligible as collateral for Ginnie Mae MBS include the Department of Agriculture's Rural Housing Service (RHS) and the Department of Housing and Urban Development's Office of Public and Indian Housing (PIH). Use the search functionality at the top of the Ginnie Mae homepage to obtain up-to-the minute news and information on any Ginnie Mae eMortgage initiatives. [www.ginniemae.gov](http://www.ginniemae.gov)*

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# MBA Document Custody eCommerce Reference Directory

Published July 2006



- **Mortgage Bankers Association**

- » *The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry. Use the search functionality at the top of the homepage to obtain up-to-the minute news and information on eMortgage related conferences and meetings, recent presentations, industry trends, and educational resources. [www.mortgagebankers.org](http://www.mortgagebankers.org)*

- **Mortgage Industry Standards Maintenance Organization**

- » *A subsidiary of the Mortgage Bankers Association, The Mortgage Industry Standards Maintenance Organization's (MISMO) mission is to develop, promote, and maintain voluntary electronic commerce standards for the mortgage industry. Workgroups made up of volunteer industry practitioners work to coordinate the development and maintenance of Internet based Extensible Markup Language (XML) real estate finance specifications. MISMO has published specifications that support mortgage insurance application, mortgage insurance loan boarding, secondary, bulk pricing, real estate services, credit reporting and underwriting process areas. Through an open and democratic process, MISMO delivers a common format for the electronic transfer of mortgage industry data. With the MBA's support and the subscriber company participation, MISMO is the premiere standards development body for the real estate finance industry. The specifications are freely available for industry implementation via the MISMO website. On this site you will find current documentation on eMortgages including eMortgage Closing Guide, eMortgage Vaulting Guide, eClosing Cost Benefit White Paper, and SMART Doc Implementation Guides. [www.mismo.org](http://www.mismo.org)*

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- **Mortgage Electronic Registration System Inc.**

- » *MERS was created by the mortgage banking industry to streamline the mortgage process by using electronic commerce to eliminate paper. eMortgage resources can be found under the MERS® eRegistry tab, and includes manuals, pricing and publications specific to the MERS® eRegistry. The MERS® eRegistry is the national system of record that identifies the owner (Controller) and custodian (Location) for a registered eNote. Information can also be found specific to MERS® eDelivery, an application which provides a method for distributing eMortgage packages from one MERS® eRegistry Member to another, using the existing MERS® eRegistry infrastructure and transaction security requirements. [www.mersinc.org](http://www.mersinc.org)*

- **The National Archives**

- » *Electronic Records guidance site provides guidance on system functions that might be required of an electronic records keeping or electronic records management system. These guidelines are very general in nature, providing basic items to research when developing systems for electronic records management. [www.archives.gov](http://www.archives.gov)*

- **Office of the Comptroller of the Currency**

- » *OCC issues guidance to ensure national banks and their service providers and software vendors maintain safe and sound electronic banking practices. In addition to the final OCC Ruling published in May of 2002 on Electronic Banking, additional reference material includes papers including consumer disclosures, topic specific booklets and the FFIEC Information Technology Examination Handbook. [www.occ.treas.gov](http://www.occ.treas.gov)*

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- **Property Records Industry Association – PRIA**

- » *PRIA serves the property records industry by facilitating recordation and access to public property records, by formulating and disseminating model standards, systems and procedures while preserving the integrity of those records. PRIA is currently working hand-in-hand with the mortgage industry to facilitate e-recording. Membership in PRIA affords you full access to this site, including the Listservs. General material available to the public via this website includes newsletters, presentations, publications, and standards. [www.pria.us](http://www.pria.us)*

- **Secure Identity Services Accreditation Corporation**

- » *Secure Identity Services Accreditation Corporation (SISAC) is a wholly owned non-profit subsidiary of the Mortgage Bankers Association of America (MBA) that develops and maintains industry standards for secure identity credentials to be used within e-mortgage related transactions, and accredits issuers of secure identity credentials against these same standards. SISAC defines minimum standards for technology, and policies and rule sets for governance of digital identity credentials. SISAC does not provide identity credentials, rather SISAC requirements are used to accredit and certify Public Key Infrastructure (PKI) secure identity credential service providers. SISAC provides standards for secure identity credentials. Subscribers use their credentials to digitally sign electronic records, access secured Web sites, communicate privately, and protect data from unauthorized tampering. Identity standards combined with the Mortgage Industry Standards Maintenance Organization (MISMO) data and presentation standards provide secure, interoperable and legally binding electronic records for the mortgage banking industry. [www.sisac.org](http://www.sisac.org)*

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- **Standards and Procedures for Electronic Records and Signatures**

- » *New eCommerce laws make possible the widespread replacement of paper documents with electronic records. They also enable the broad use of electronic signatures. Many businesses have begun converting their operations to avail themselves of the enormous advantages offered by electronic records systems. While the new eCommerce laws permit the use of electronic records and signatures, they also require that electronic systems and processes meet specific standards for obtaining consent to use electronic records and signatures, presentation of information, execution of signatures and creation of agreements, record retention, printing, and delivery. To address this problem, industry leaders have undertaken a cross-industry initiative to establish commonly understood "rules of the road" available to all parties seeking to take advantage of the powers conferred by ESIGN and UETA. The product of this initiative is the Standards and Procedures for Electronic Records and Signatures ("SPeRS"). This site provides the access to ordering the SPeRS Manual, as well as SPeRS standards, implementation considerations and applicable white papers. [www.spers.org](http://www.spers.org)*
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# eNotes and eVaults... the next best thing to sliced bread.

Introductory commentary on sliced bread taken from "*Mousetraps, Sliced Bread and the Mothers of Inventions*"  
by Robert Fulford, *Globe and Mail*, Oct. 19, 1999

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# MISMO – eMortgage Update

Harry Gardner  
Senior Director, Industry Technology  
MBA  
VP, eMortgages, MISMO



## Topics

- eMortgage Overview
  - eDocument Formats
  - Current Efforts
  - What's Next
-

- Builds on standard XML Data Transactions (MISMO)

eMortgage process uses:

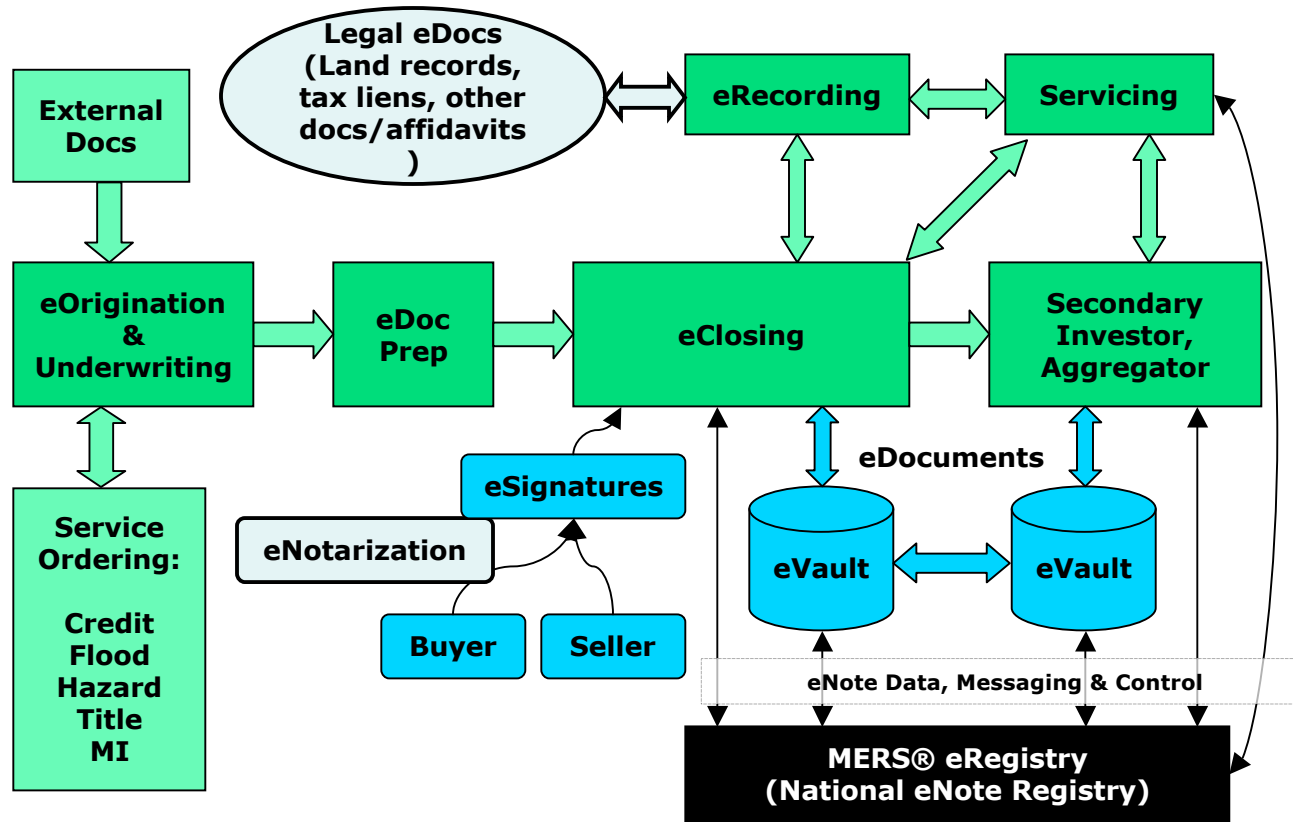
- Documents
- Signatures
- Packaging
- Delivery
- Storage

All electronic

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- Scanned Images
  - MS Word and equivalents
  - MISMO® SMART Doc® Specification
    - » Categories define level of “intelligence”
    - » Sections for VIEW, DATA, SIGNATURES & MAP
  - Adobe PDF
    - » Different levels of complexity
    - » Most-used: Scanned images
    - » More useful: Text, formatting, form-fillable fields
    - » New: Intelligent Document Format (VIEW, DATA, SIGNATURES & MAP)
-

# eMortgage Process Flow



## Industry Guidance

- eMortgage Guidelines & Recommendations
- eMortgage Guide
- eMortgage Closing Guide
- eMortgage Vaulting Guide
- eMortgage Cost-Benefit Analysis
- SMART Doc® Implementation Guide

## Technical Specifications

- SMART Doc® Specification
  - ePackaging Specification
  - eMessaging Specification
  - eMortgage Closing Interface Transactions (eMCIT)
-

- SMART Doc® Specification, I-Guide updates
  - Standardization Guidance for eSigned PDF documents
  - eMortgage Vault Regulatory Reference Guide
  - eMortgage Closing Interface Transactions
  - More Data-Document mappings
  - eMortgage ROI – expanded scope
  - eMortgage Glossary
-

## What's Next?



- Greater lender adoption
  - Expand library of standardized forms
  - Standards for PDF eClosing documents
  - Systems allow co-existence of SMART Doc® & PDF e-forms, images
  - eClosing systems become more interoperable via standardized e-documents and eClosing transactions
-

Thank you



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# Fannie Mae and eMortgages

“Business as Usual”

Christos Bettios  
Senior Product Manager, eMortgage G Group  
Fannie Mae



### eMortgages Are a Reality

- Business As Usual: As In the Paper Mortgage World, the Process, Technology, and Legal Risks are Manageable
  - Our eMortgage Delivery Solution Has Been Open For Business Since 2002
  - We Buy eMortgage Loans Nearly Every Day
  - We Share Our Expertise With Our Lender Customers
-

## Our Experience

- **Significant Value**

- » Borrower – No Surprises; Better Experience
  - » Closing Agents – Close More Loans
  - » Lender – Process Efficiencies, Shorter Sales Cycles, Funding Pickup
-

## Our Experience

- **eMortgages Are About Data**
    - » Trusted Source
    - » Business And Data Integrity
    - » Control Of The Data = Control Of The Process
    - » For Lenders: Same Day Origination, Close, Sell
-

## Our Experience

- **Lender Adoption Continues To Grow**
    - » Offering Borrower Incentives (Better Quality)
  - **eMortgage Loan Volumes are Growing**
-

## Fannie Mae's Doc Custody Guidelines

- **Opportunities for streamlining:**
    - » Certification
    - » Document retrieval
    - » Exception processing
    - » Audits
-

### Fannie Mae eMortgage Status

- **Four lenders currently delivering eMortgages to Fannie Mae**
  - **Delivery is both Cash and MBS**
  - **Have purchased eNotes in 17 states**
  - **Have had major servicing events, servicing transfer, payoffs, and modifications**
-

### Fannie Mae eMortgage Status

- **Seven additional lenders currently in implementation stages**
  - **Most eMortgage solutions vendors have participated or are getting ready to participate in eNote deliveries to Fannie Mae:**
    - » Doc Prep
      - VMP, Digital Docs, Online Documents Inc.
    - » eClosing/eVault
      - 1<sup>st</sup> American, DPS, Digital Docs, Fiserv, Stewart, Settleware, Encomia
-

## Fannie Mae eMortgage Resources

- **eMortgage Guide Available on <http://www.efanniemae.com>**
  - **Contacts**
    - » [christos\\_bettios@fanniemae.com](mailto:christos_bettios@fanniemae.com)
    - » Fannie Mae eMortgage Group
    - » Fannie Mae Customer Representatives
  - **We`d Like To Hear From You**
    - » Track Market Developments
    - » Help Remove Obstacles
-

# Freddie Mac – eMortgage Readiness

An Update

Ann Epstein  
eMortgage Offerings Director  
Freddie Mac



## Topics

- Benefits & Implementation Approach
  - Our eMortgage Handbook
  - Industry Current State
  - Future Actions
-

### Benefits For Our Customers

- Eliminate costs and errors associated with paper processing
  - Increased data integrity throughout the process
  - Reduction in number of post funding data corrections
-

### Benefits For Our Customers con't

- Automated compliance audits
  - Improved delivery process
  - More efficient quality control audits
-

### Open Standards Approach

- **The eMortgage solution belongs to our customers who can control:**
    - » The vendor selection
    - » The functionality of the solution
    - » The investor(s) to which it connects
    - » The user experience of their internal and external customers as they interact with the solution.
  - **The use of open standards gives our customers freedom to select systems and products that best meet their needs**
-

### Freddie Mac's Role

- Limit our focus on providing our customers with the connections and functionality necessary to sell us eMortgages
  - We expect that our customers will use eMortgage systems provided by third-party vendors rather than custom build their own
  - Work closely with our customers to incrementally develop interfaces between these systems and our Selling System for delivery
-

### Our eMortgage Handbook

- **Published December 2005**
    - » Sets forth requirements and guidance for Seller/Servicers that wish to create or manage mortgage loans using Electronic Records and Electronic Signatures.
  - **Based on industry standards (MISMO, SPeRS, MERS)**
  - **Provides guidance to Seller/Servicers and custodians for:**
    - » Acceptable signatures
    - » Creating and using natively electronic documents
    - » Storing and sharing documents electronically
    - » Creating, delivering and managing electronic notes and other loan documents
-

### Current Industry State

- Refinance and origination slowdown is giving everyone a chance to retool and advance technology
  - eMortgage concept is gaining industry-wide momentum
  - Supporting industry infrastructure is in place (MERS eRegistry, MISMO SMART Document, SPeRS, etc.)
-

### More To Accomplish

- Great progress has been made but more needs to be done to fully realize benefits
  - Focus on steps necessary to drive eMortgage to wide scale adoption
  - This is an industry wide challenge that will require the participation of all players
  - Freddie has detailed areas where additional work is needed in our recently released eMortgage Timeline
-

### Some Key Needs To Address

- **Per our eMortgage Timeline**

- » Standards for electronic documents such as Loan Modifications
  - » Processes and technology to enable use of electronic document for loan set up
  - » Change management protocols to adapt to new technology
  - » Standards for electronic recording and notarization
  - » Returning original documents to borrower at payoff
-

### Freddie Mac Actions

- Continue to work with industry groups to develop standards that help remove obstacles
  - Further refine the specifications for doing business with us electronically (i.e., Lender Delivery, Default, and QC specifications and Document Custodian)
  - Adjust our implementation timeline according to market development
-

### Industry Actions

- Use available standards and published guides
  - Define and refine eMortgage strategy and review system readiness
  - Evaluate eMortgage technology options and make selections
  - Establish trading partner arrangements and build interfaces
  - Modify business processes to replace paper documents with electronic documents
-

### Summary

- As an industry we need to work together to address the barriers to wider adoption in order to realize the full benefits of eMortgages
  - Freddie Mac will continue to work with our business partners and through industry standards organizations to meet the challenges
-

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# Ginnie Mae and eMortgages

Proposed Document Custodian Requirements for Storage of Electronic Notes

Michael Garcia  
Director of Single Family and Manufactured Housing Division  
Office of Mortgage Backed Securities  
Ginnie Mae



## Presentation Overview

- **The eRegistry**
  - **Proposed eCustodian Eligibility Requirements**
  - **Proposed eVault Requirements**
-

## Minimum Requirements for an eRegistry

- **Registration**
    - » The ability to register an eNote
  - **Transfer**
    - » The ability to record changes in the Controller's Delegatee, and Location as the result of the transfer of an eNote
  - **Interface**
    - » The ability to interface with private eVaults that receive and store eNotes
  - **Identification**
    - » The ability to identify the Controller, Controller's Delegatee (if any), and the Location of each eNote in its registry
-

## Minimum Requirements for an eRegistry Con't.

- **MERS® eRegistry**

- » Only eRegistry at this time recognized by Ginnie Mae
  - » Meets all of the functional requirements
    - Registration – allows eNotes to be registered at closing
    - Transfer – allows tracking of transfers of eNotes
    - Interface – allows for the ability to interface with eVaults
    - Identification – Controller, Delegatee and Location
  - » Established by the mortgage industry, the MERS® eRegistry is a system of record that identifies the owner (Controller) and custodian (Location) for registered eNotes
  - » Ginnie Mae approved eCustodian must have the ability to interface to the MERS® eRegistry
-

## General eCustodian Eligibility Requirements

- **Formal Application and Approval as an eCustodian**
    - » Different and unique from paper based document custodian application and approval process
    - » Approval as a paper based document custodian does not imply or constitute approval as an eCustodian
-

### Minimum eCustodian Eligibility Requirements

- **Submit a certification stating currently approved as a Ginnie Mae document custodian in good standing**
  - **Submit a completed Ginnie Mae eCustodian application addendum/questionnaire**
-

### Minimum eCustodian Eligibility Requirements con't

- **Submit a practical examination or report from an independent third-party technology specialist**
    - » Technology Specialist must be recognized nationally as having proficiency with respect to eVaulting and eNote storage
    - » Report must confirm that the electronic storage system (eVault) used by the eCustodian meets industry guidelines and/or requirements set forth by MISMO, MERS® eRegistry and Ginnie Mae
  - **Maintain an eVault system that offers Ginnie Mae defined security levels**
  - **Ability to have any electronic record or eNote owned by Ginnie Mae and stored in eCustodian's eVault available upon written request by Ginnie Mae or its designee**
-

### Minimum eCustodian Eligibility Requirements con't

- **Have at least one backup copy or recovery eVault system for all electronic records in their eVault**
  - **Recovery or backup must restore archived/backup records within 24 hours**
  - **Business Continuity Plan and/or Disaster Recovery Plan**
    - » Detail specific restoration timelines and roles and responsibilities
    - » Procedures for notification of Issuers and Ginnie Mae within 24 hours of disaster
    - » Provide for certification of annual testing, acknowledged by independent auditor or internal audit
    - » Certification must state test was completed successfully on the eVault, or if eVault failed, the date the successful test was completed
-

### Minimum eCustodian Eligibility Requirements con't

- **Agree to promptly inform Ginnie Mae of any attempted security breach, situation, event or unauthorized access**
  - **Satisfy any other requirements determined by Ginnie Mae as necessary to protect their interest, subject to amendment from time to time**
-

### Minimum eVault Requirements

- **A computer database that supports transactional level activity sufficient to perform and report on custodial and certification processes**
  - **Ability to control access to the different transaction participants**
  - **Ability to handle transferable record requirements**
  - **Ability to verify document integrity**
-

### Minimum eVault Requirements con't

- **Ability to verify and authenticate digital certificate(s)**
  - **Ability to provide and manage different levels of access based on defined roles/groups**
  - **Ability to provide full auditing capabilities in terms of document access**
    - » Tracking of access, alteration, receipt, processing and transfer
  - **Ability to interface with the MERS® eRegistry**
-

## Minimum eVault Requirements con't

- **Use of Third Party Vendor Software / Hardware**
    - » Ginnie Mae does not endorse or recommend the use of any specific third-party eVault solution vendor
    - » Issuer and eCustodian bear the responsibility for overall system competence and compliance
  
  - **Requirements of Third Party Vendor Software / Hardware**
    - » All contracts must stipulate that Vendor will additionally take instructions from Ginnie Mae and or its designee specific to requests for electronic documents or electronic records
    - » All primary and secondary data storage facilities must be permanently housed in the United States of America
    - » eVault system must comply with Section 501 of Gramm-Leach-Bliley Act, Section 326 of the Patriot Act, Sarbanes-Oxley Act of 2002, and all other applicable state and federal laws governing data security and privacy
-

### Additional Requirements In Development

- **eVault Audit Requirements**
  - **eNote Document Requirements**
  - **Ginnie Mae eMortgage Pool Certification Requirements**
  - **Changes to Ginnie Mae Issuer Requirements**
-

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