

# MISMO and eMortgage Update

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# What got us here

- Software industry finally agreed on XML
    - » Software costs next to nothing
    - » Interfaces can be extended or retracted at runtime (in production)
  - Industry needed a vertical way to define like terms, structure, and best practices
  - MBA launches MISMO as a subscriber workgroup in January 2000
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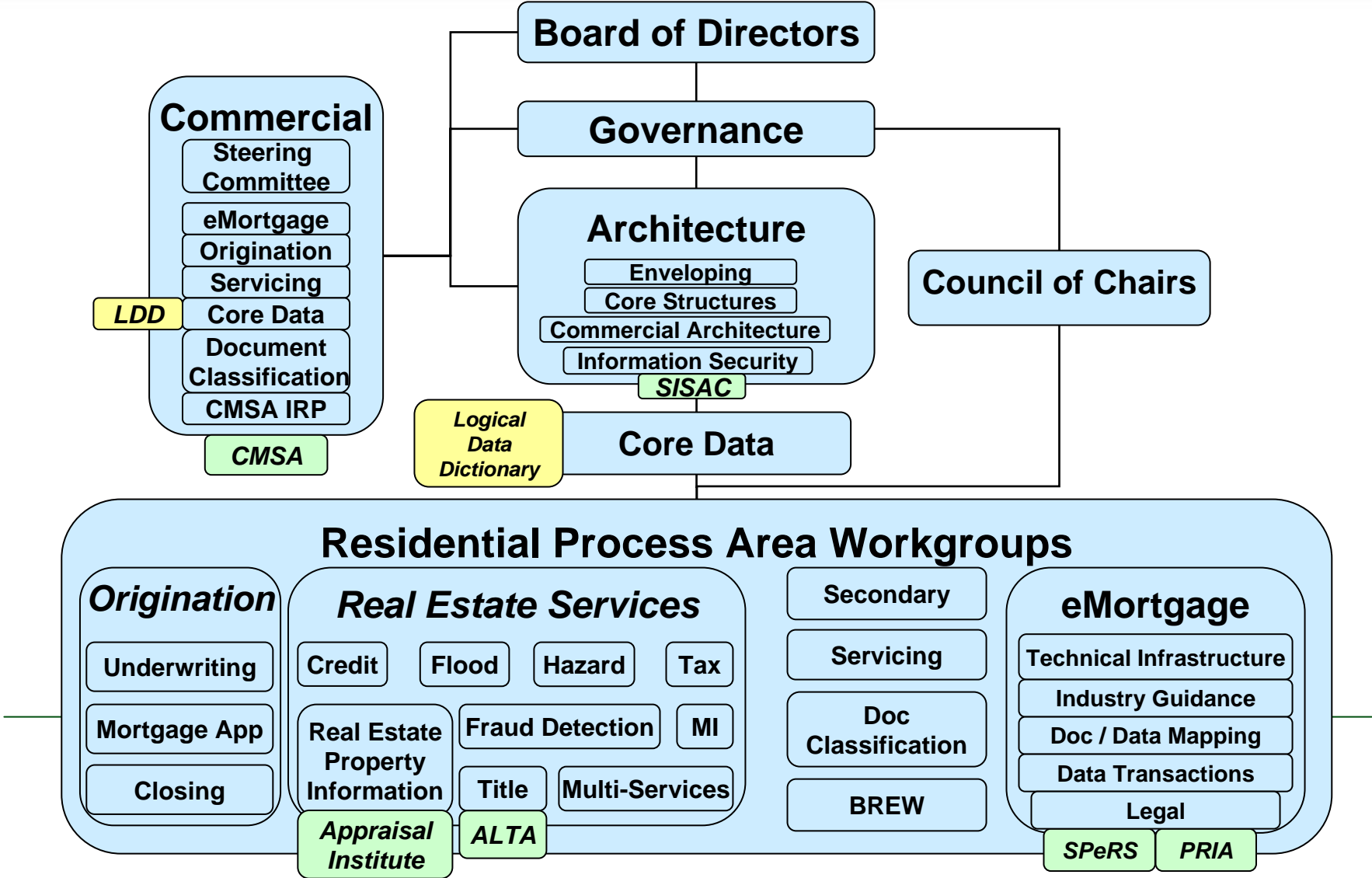
# Business Benefits of MISMO Standards

- Common language through data dictionary
  - Mapping of terms between process areas
  - Standardized data transactions
    - » Faster / cheaper / better
    - » Interface development in 2 weeks vs. 6 months
    - » Much easier to add or subtract interfaces with business partners
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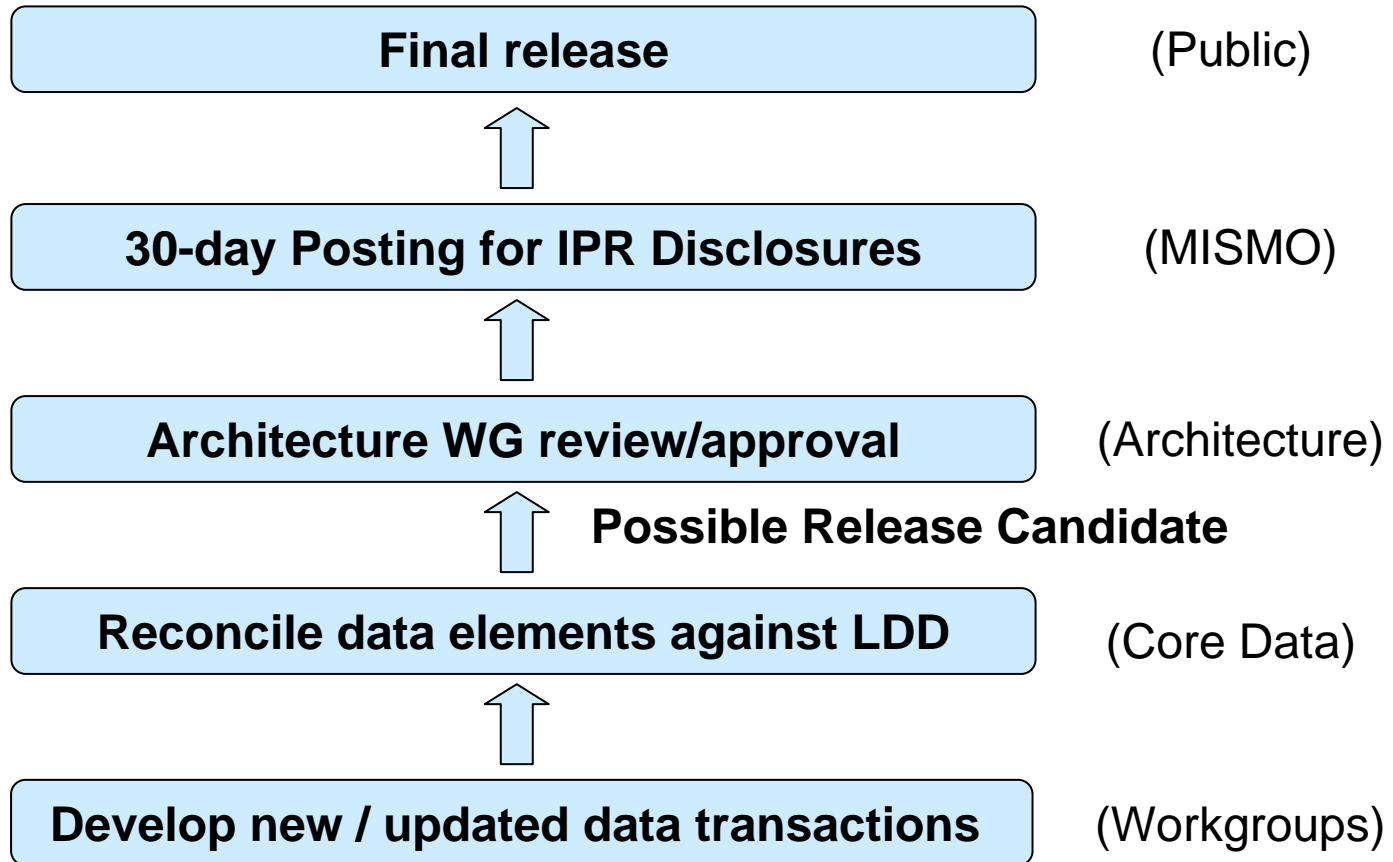
# Cost Benefit of MISMO Standards

- MBA Time & Motion Study
    - » Surveyed lenders and vendors on cost of mortgage process and savings from use of MISMO XML standards (not eMortgages)
  - Conclusions:
    - » Potential savings of \$249/loan
    - » Execution cost pickup of up to 15.38 bps
    - » Total potential margin improvement of over \$450 per loan
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# MISMO Organization



# MISMO Standards Process



# Standards Evolution

**MISMO 1.0:  
Loan-centric  
DTDs**

**MISMO 2.0:  
Transactional  
DTDs**

**SMART Doc®  
Specification 1.0  
& Guide**

**Additional  
eMortgage  
Guides**

**MISMO 3.0:  
Schema**

**1999**

**2000**

**2001**

**2002**

**2003**

**2004**

**2005**

**2006**

*DTD was ready;  
Schema not final*

*AUS 2.x:  
GSEs agree  
on common dataset*

*MBA Time &  
Motion Study*

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# Legal Issues Affecting MISMO Participants

- Data compliance: HMDA
  - Data security and integrity: GLB, Sarbanes-Oxley, CA SB 1386 and myriad of others
  - Legal compliance: ESIGN and UETA
  - Reporting compliance: Sarbanes-Oxley
  - Terrorism compliance: PATRIOT Act
  - Intellectual Property: IPR Policy, Business Process Method Patents
  - Organizational: 501(c)6, ByLaws, P&P's
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# 2006 Governance Priorities

- Expand Standards:
    - » Continually expand and enhance business data dictionary and XML transactions clarifying impacts and integration with eMortgage & SMART Doc – ONGOING
    - » Synchronize eMortgage initiatives and approval processes with rest of organization – DONE
  - Improve Infrastructure
    - » Better communications & coordination of work efforts across a larger organization
      - Council of Chairs – DONE
      - Formalize tracking and reporting of standards activities & release notification – DONE
    - » Implement tools enhancements (e.g. Contivo & SharePoint) to support MISMO's development activities – DONE
    - » Grow and expand MISMO Compliance program ("MXCompliance") – ONGOING
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# 2006 Priorities (continued)

- Enhance Architecture:
    - » Complete 3.x Engineering Guidelines and begin building MISMO 3.x transactions – IN PROCESS
  - Integrate Security
    - » Enable a secure environment by integrating SISAC & information security standards into industry data exchanges – IN PROCESS
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# Where MISMO is being used

- Front-end service providers
    - Application, Credit, MI, Title, Flood, AUS
  - LOS's
    - Dynatek, MortgageFlex, Gallagher...
  - Servicers
    - Loan setup and some servicing transfer
  - "e" companies (eClosing, eMortgage, ...)
    - Encomia, DPS, Fiserv eLending, Stewart, Digital Docs, MERS, ...
  - Title companies
    - Fidelity, Stewart, First American, ...
  - Consultants
    - CC Pace, TPG, Magnolia Technologies...
  - Forms and Doc Prep Companies
    - VMP/Wolters Kluwer, DesertDocs...
  - Startup companies learning the business
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# eCommerce in the Mortgage Industry

- Online originations
- Electronic service ordering and fulfillment
- ***Document imaging***, paperless delivery
- Electronic signing solutions
- eClosing / eRecording / eNotarization
- Electronic Vaulting

All leading toward true/full eMortgages...

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# Why eMortgages?

## **Lenders:**

- Better control of process
- Shortened timeframes
- Reduced data errors, easier QC
- JIT doc generation, no paper shipping
- eDelivery immediately upon closing
- eRecording – no delay

## **Borrowers:**

- Enhanced experience
- Document preview
- Easy doc access
- Easier closing
- Reduced cost

*Cost savings throughout the process*

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# Improved Quality

- **DATA quality**
  - » Documents can update new systems automatically (SMART Documents store extractable data)
  - » Data re-keying mistakes reduced or eliminated
- **DOCUMENT quality**
  - » Documents match system of record (modification to documents controlled by lender)
  - » Electronic signature processes capture more evidence about document signing ceremony
  - » Document integrity over the life of the loan can be validated at any time
- **PROCESS quality**
  - » All parties share the same exact information, efficient access to documents
  - » Documents are always correctly signed/notarized
  - » Automated QC of documents makes post closing/investor pre-purchase exception-handling-only

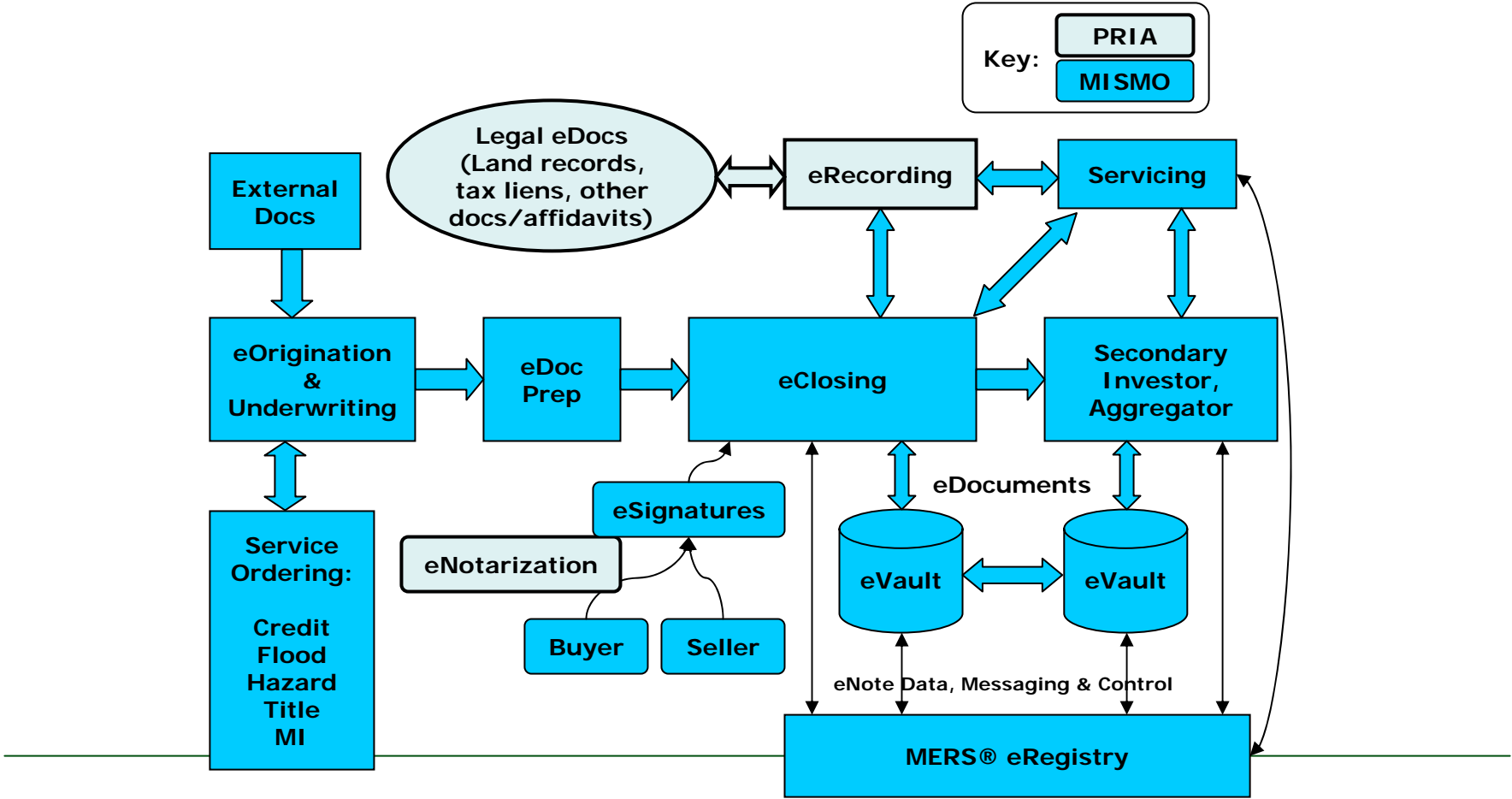
(\* This slide courtesy Kim Weaver, Fiserv eLending)

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# Pieces of the eMortgage Process

Data Transactions	<i>Speaking a common language</i>
eMessaging	<i>Addressing, receiving, acknowledging</i>
ePackaging	<i>Wrapping multiple docs, compression, encryption</i>
eDocuments	<i>Electronic forms: View + Data + Signatures, allowing for workflow (SMART Doc® forms)</i>
eSignatures / Security	<i>Interoperable digital certificates, conforming to common baseline requirements</i>
eRecording / eNotarization	<i>Electronic recordation at county recorders' offices, support for Notary data in eDocs</i>
eNote Registry (MERS eRegistry)	<i>Legal compliance infrastructure for negotiable instruments</i>
Electronic Vaulting	<i>Storage and management of electronic documents</i>

# eMortgage Process Flow



# Electronic Document Requirements

- Information describing the document
  - Visual representation of the document
  - Data embedded in the document
  - Transparent linking of the data and visual representation
  - Electronic signatures in the document
  - Tamper-evident security in the document
  - Audit trail of changes in the document
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# SMART® Document Concept

Securable  
Manageable  
Archivable  
Retrievable  
Transferable

May 1, 2003  
Closing Date



<ClosingDate>20030501  
</ClosingDate>

Header

Audit Trail

View

Map

Data

Signatures

*Document type, other info*

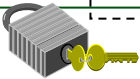
*History of events*

*What the buyer sees and signs*

*Maps View fields into Data*

*XML Data for lights-out processing*

*Electronic or digital signatures – buyer, seller, et al*



*Tamper-evident seal*

# eMortgage Specifications and Guidance

- XML Specifications
    - » SMART Doc® Specification & DTDs
    - » ePackaging DTD
    - » eMessaging DTD
    - » eMortgage Closing Interface Transactions (eMCIT)
  - Industry Guidance
    - » eMortgage Guidelines & Recommendations
    - » Implementation Guides
    - » eMortgage Guide
    - » eMortgage Closing Guide
    - » eMortgage Vaulting Guide
    - » eClosing Cost Benefit Analysis
    - » eSigned PDF® Guidelines
    - » Electronic Vault Regulatory Reference Guide
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# Industry Movement

- MERS® eRegistry in production operation
    - » MERS announced 1000th Loan Registered October 2006
  - Fannie Mae updated their eMortgage delivery requirements to line up with MISMO, June 2005
  - Freddie Mac published eMortgage Handbook, Dec 2005
  - Vendors continue to roll out eDocument and eClosing solutions
  - Steady growth in counties supporting eRecording
  - Lenders moving forward with pilots, some in production
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# Conclusions

- Basic MISMO standards can provide significant cost savings
  - eMortgages build on that for compelling value proposition
  - eMortgage pieces continue to fall into place
  - SMART Doc® electronic forms lock VIEW and DATA together, with great (legal) advantages
  - eRecording & eNotarization standards are out and growing
    - » More counties becoming eRecording enabled
    - » Some states adopting eNotarization standards and statutes
  - MERS® eRegistry provides legal infrastructure for eNote control and transfer
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# Thank You

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