

**CREF07**

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## Liquidity, Innovation and Efficiency with MISMO

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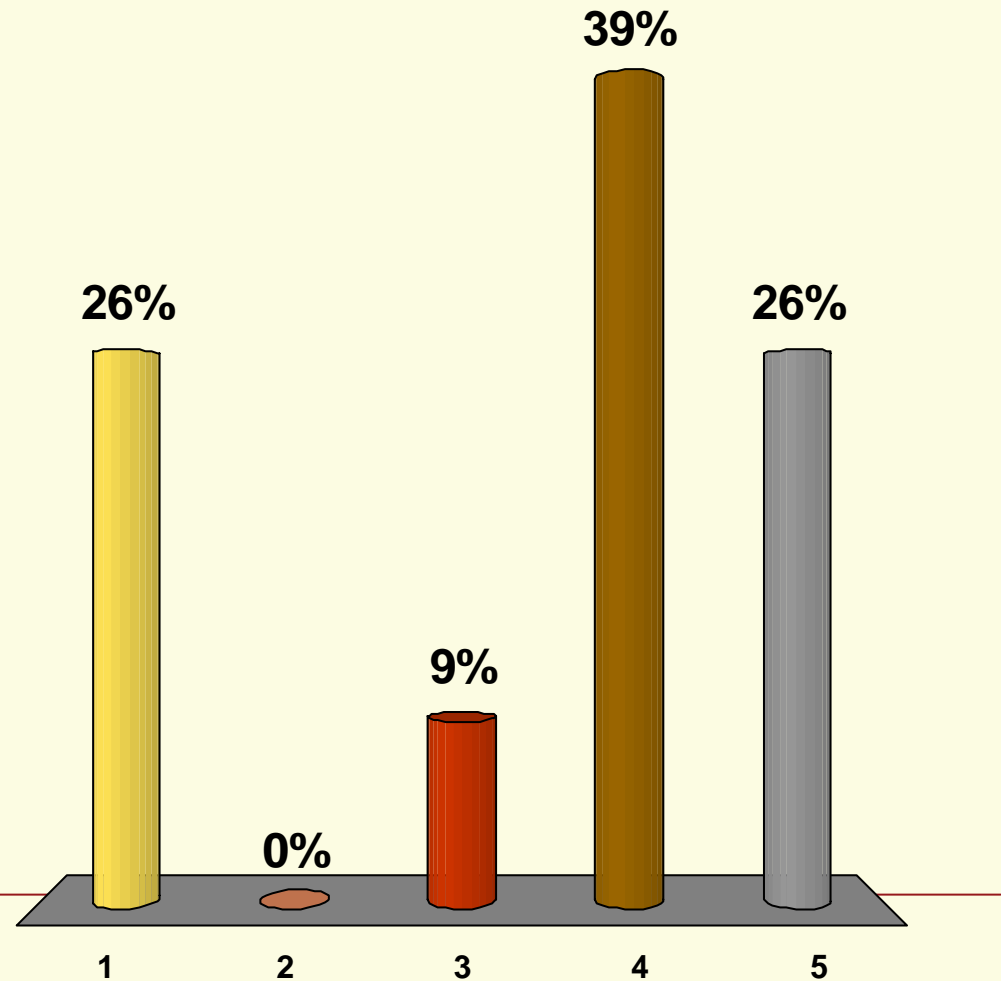
## Liquidity, Efficiency and Innovation with MISMO

- Today, we are going to cover some important material:
  - » A demonstration of how MISMO works
  - » An explanation of the structural concepts that drive the MISMO standards
  - » MISMO's roadmap for the future
- You will also have the opportunity to help play a role in shaping MISMO's priorities in 2007 and beyond
- But first...an important announcement



## Who is winning?

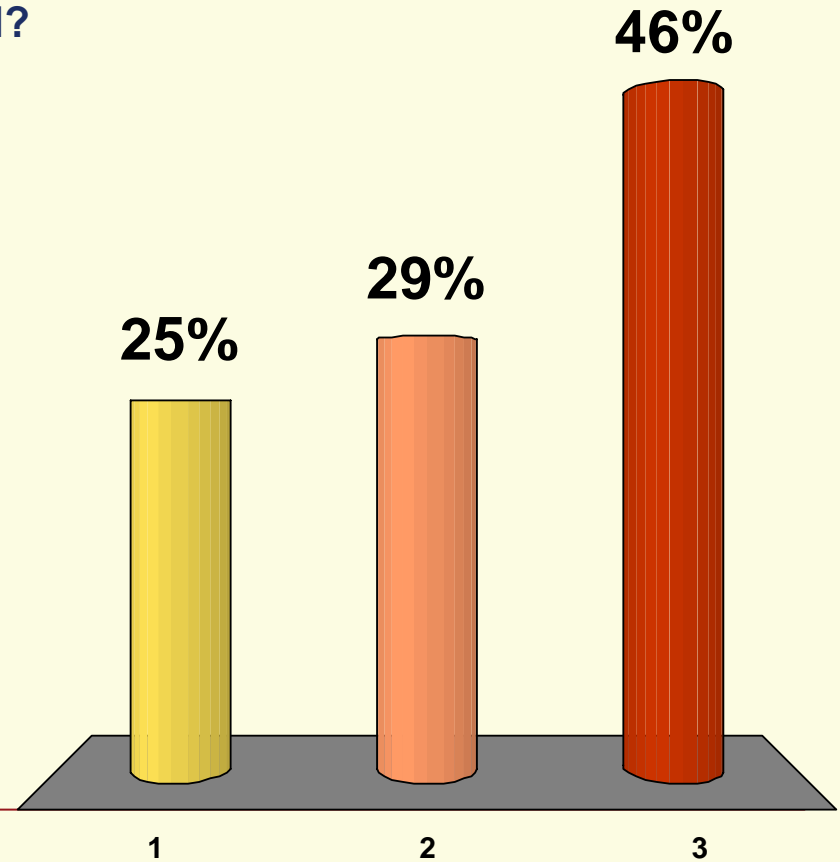
1. Paris Hilton
2. Anna Nicole smith
3. Rosie
4. The "Donald"
5. All of the above



## (AF) Audience Feedback – Reality Check

What was better during last night's Super Bowl?

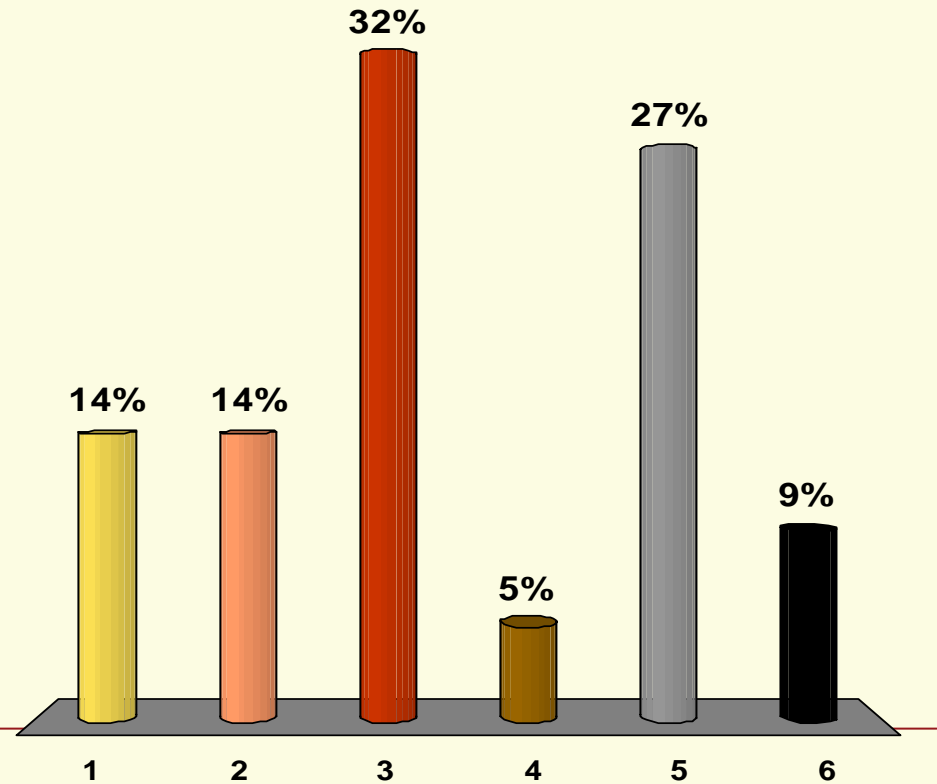
1. The game
2. The commercials
3. The B of A Party



## (AF) Audience Feedback – Market Segmentation

### My firm is:

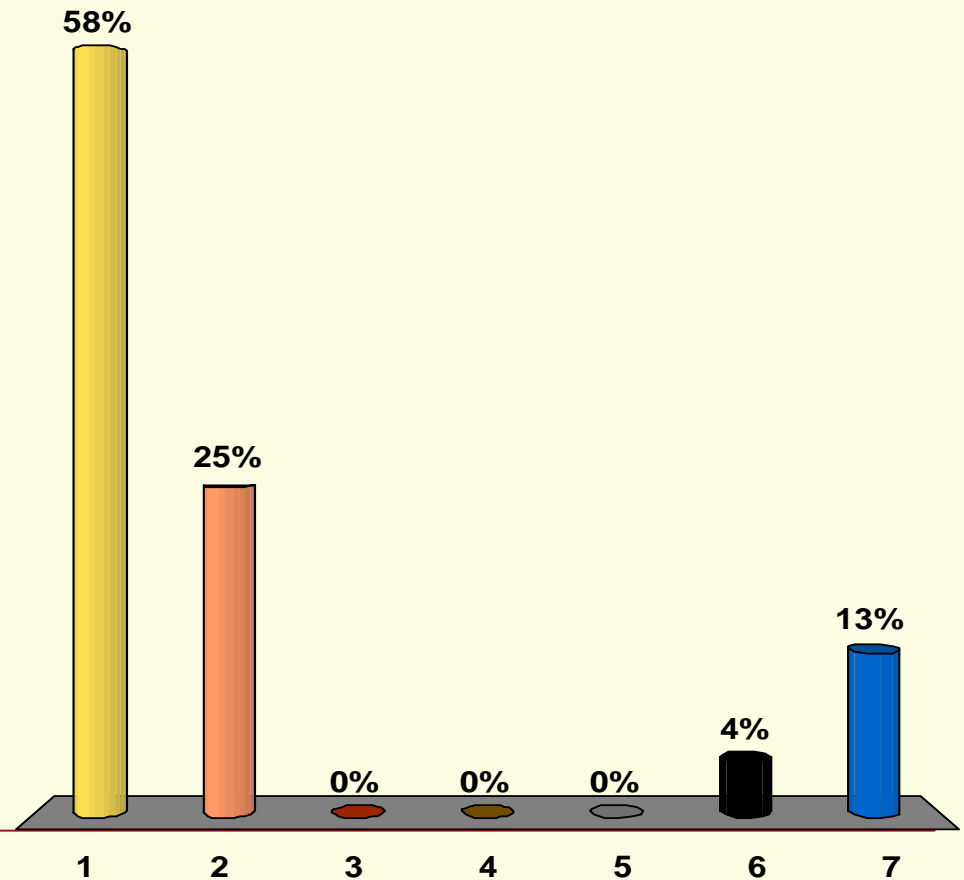
1. A mortgage banker or broker
2. A lending institution
3. A technology vendor/service provider
4. A loan servicing company
5. Other service provider
6. Other



## (AF) Audience Feedback – Role in Firm

### My role in my company is...

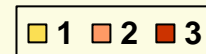
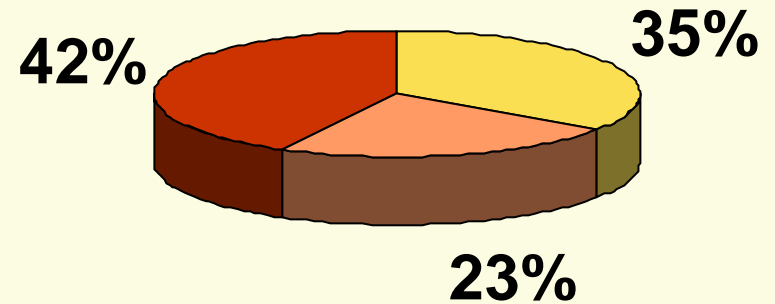
1. Executive
2. Technology staff/officer
3. Administrative
4. Loan production
5. Servicing
6. Sales
7. Other



## (AF) Audience Feedback – Reasons for Attending

I'm here to:

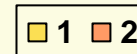
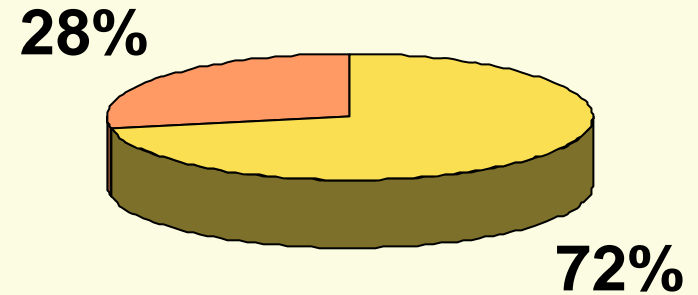
1. Find out what MISMO is all about
2. Find out how to start using the standards
3. Other



## (AF) Audience Feedback – XML Use

Does your firm use XML, either internally or externally, to simplify the exchange of information?

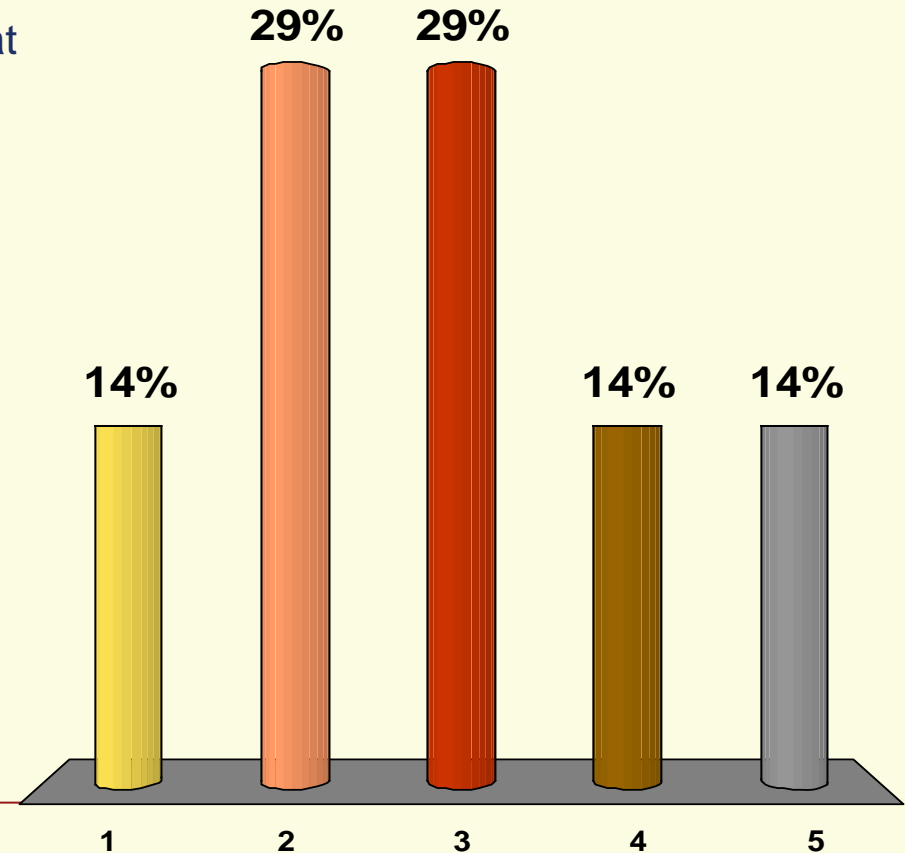
1. Yes
2. No



## (AF) Audience Feedback – XML Non Usage

### My firm is not using XML because:

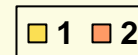
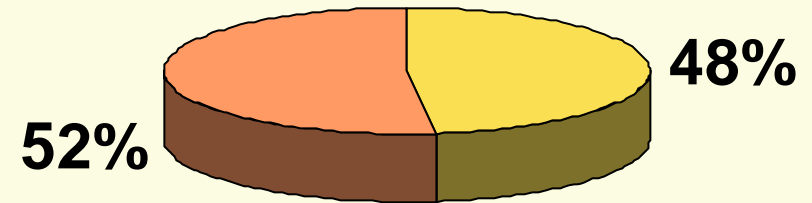
1. We are waiting for our vendor to provide that
2. We weren't aware of it
3. Don't know how
4. No one else we exchange data with uses it
5. Not worth the effort



## (AF) Audience Feedback – MISMO Participation

My firm participates in a MISMO Workgroup:

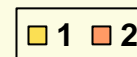
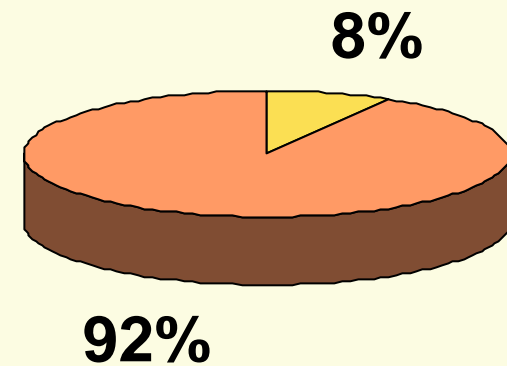
1. Yes
2. No



## (AF) Audience Feedback – MISMO Use

Has your firm implemented MISMO's first commercial standard?

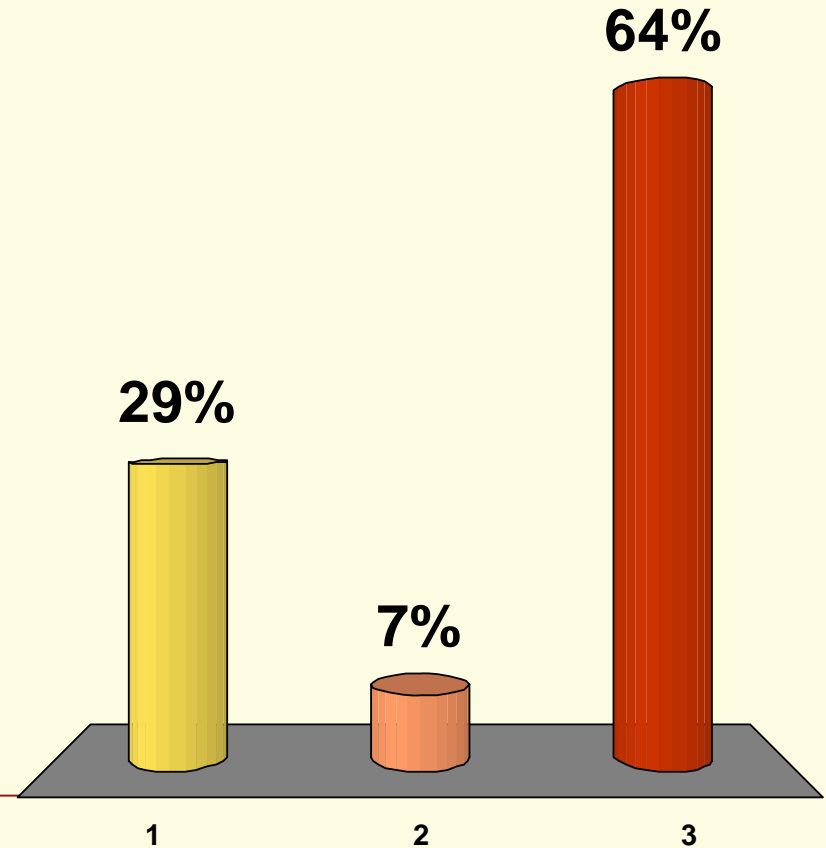
1. Yes
2. No



## (AF) Audience Feedback – MISMO Non Usage

### My firm uses XML but hasn't adopted MISMO. Why?

1. We weren't aware of it
2. We like our own XML better
3. The first MISMO standard does not meet my business need





## MISMO Demonstration

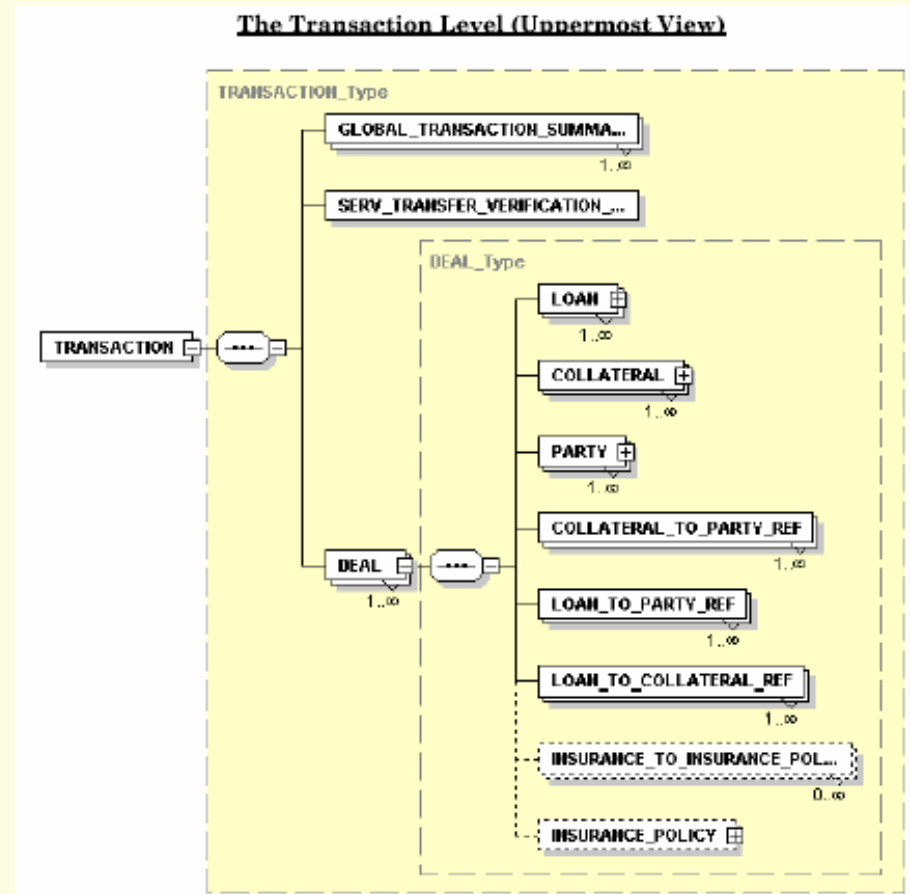


## What Makes MISMO Work?

- The core of any MISMO Commercial Standard is a scalable architecture built around a universal Commercial Reference Model
- Historical data transfer methods are typically non-relational and flat
  - » Think Excel spreadsheets or tab-delimited/comma-delimited files
  - » Each data transfer has its own unique structure and format
- MISMO's approach is to focus on the natural data relationships and develop all standards on this master data structure

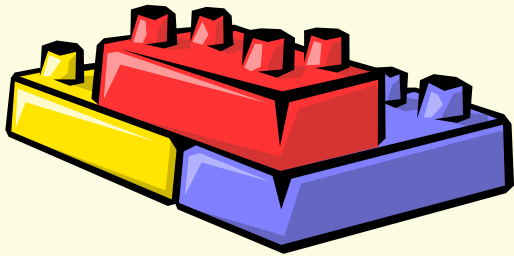
## The MISMO Commercial Reference Model

- A standardized way to represent complex relationships between data points
- Hierarchy of containers, each of which holds a set of related data points
- Highly normalized design
- Stabilized in 2004 and approved in January 2005
- Starting point for development of a standard
  - » i.e., which containers and data points from the complete LDM will be used for a specification



## Another Way To Consider The Reference Model





<b>Deal</b>
<b>Loan</b>
<b>Reserves</b>
<b>Property</b>
<b>Collateral</b>
<b>Taxes</b>
<b>Rent Rolls</b>
<b>Party</b>



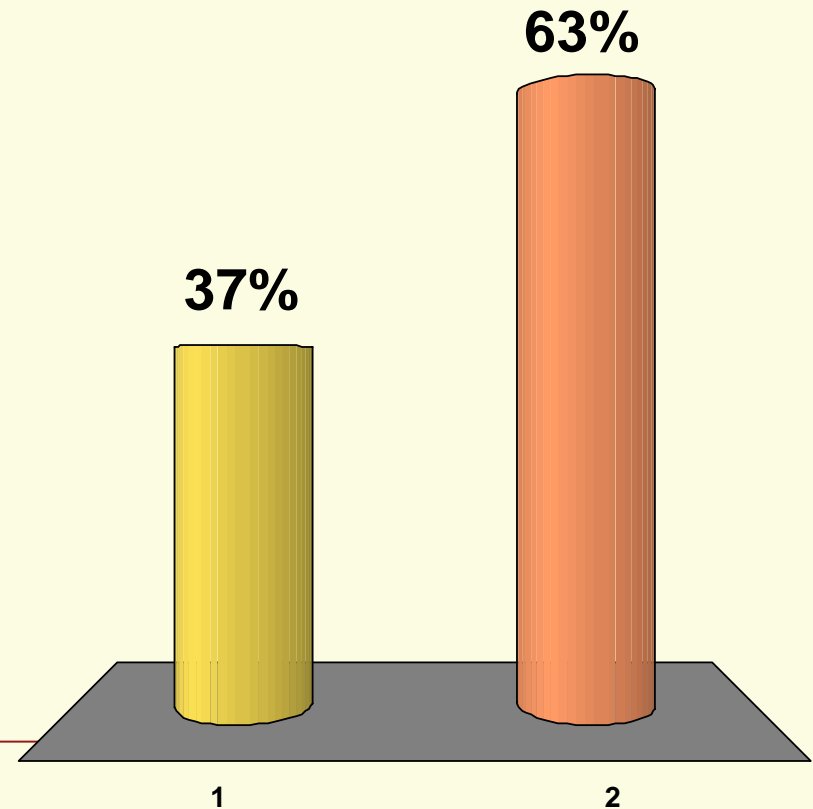
## MISMO's Strategic Plan for 2007 and Beyond

- At its core, MISMO is an industry utility
- Its standards will provide tremendous innovation opportunities for the industry
- So, what is MISMO's strategic vision?
  - » What are its goals?
  - » How will it reach those goals?
  - » What steps are required to provide the industry the necessary tools to implement and adopt MISMO and reap its benefits?

## (AF) Audience Feedback – Listening Comprehension

What is the primary emphasis of the quotation?

1. Efficiency gains from technology at the margins
2. Tectonic change from eMortgages



## How MISMO Operates

- MISMO is an industry-led and industry-driven effort
  - » It is literally a co-operative effort across the entire mortgage industry
- MISMO is a non-profit subsidiary corporation of MBA
  - » Led by a Board of Directors selected from the industry
- Commercial effort is led by the Commercial Steering Committee
  - » Composed of four elected leaders and the co-chairs of each Workgroup
- Commercial standards are developed by Workgroups
  - » Workgroups are focused on specific process areas (e.g., Servicing or Appraisals)
- Commercial standards are freely available for use at [www.mismo.org](http://www.mismo.org)



## Think of MISMO as a Large Office Park Development

### Timeline of Commercial Standards Development

- 2001 to 2004 – Approved the Design and Construction Plans
  - » Organizational Structure, Operating Policies, XML Architecture Guidelines
- 2004 to 2005 – Completed the first building
  - » Commercial Logical Data Model
  - » Servicing Transfer standard released February 2006
- 2006 to early 2007 – Completed the second building
  - » Four more standards to be released by Spring 2007
- 2007 to 2010 – Constructing the next buildings and tenant lease-up
  - » All Workgroups are engaged in developing standards
  - » Industry Adoption of the standards



## Leveraging Success – MISMO's Next Phase

- With the release of its first commercial standard last February, MISMO completed the first phase of data standardization for the commercial/multifamily mortgage industry
- The commercial leadership has initiated a plan for prioritizing and developing standards, promoting their adoption and training the industry on their use
- This plan has four core components
  - » Increasing the number of MISMO Commercial Standards
  - » Increasing the number of Participants across all Workgroups
  - » Increasing the adoption level of the Standards
  - » Streamlining the Organizational Structure and Development Process

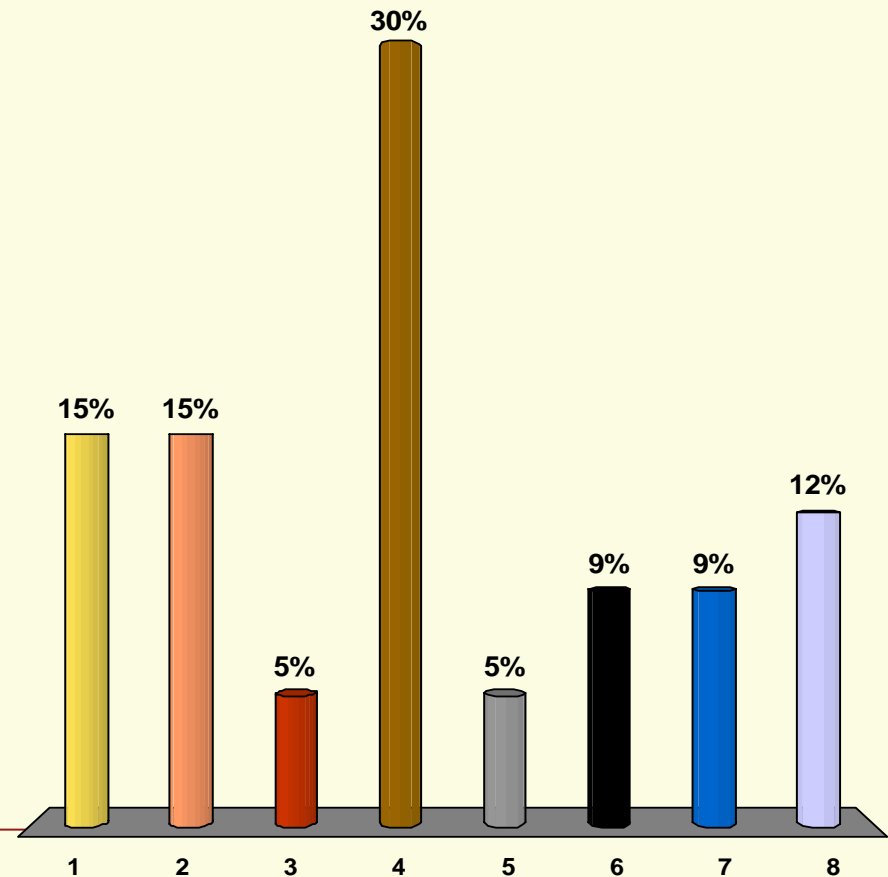
## Increasing the Number of Commercial Standards

- Standards Released
  - » Servicing Transfer 1.0
- Standards To Be Released in Early 2007
  - » Environmental Site Assessment (ESA) Summary
  - » Work Order Request Response
  - » Core Servicing Transfer
  - » Commercial Document Index
- Standards In Development or Planned
  - » Financial Statements
  - » Conversion of the CMSA IRP to XML Format
  - » Rent Rolls and Lease Abstracts
  - » Property Inspections
  - » Appraisals
  - » Insurance Data
  - » Enterprise-Level Metrics
  - » eMortgages for Commercial

## (AF) Audience Feedback – Prioritization of MISMO Standards

### MISMO should focus on standards for:

1. Submission of Annual/Quarterly Property Level Operating Statements
2. Preliminary Loan Analysis to Multiple Lenders' Underwriting/Credit Systems
3. Gathering of Lease Information for DCF Systems
4. Exchange of Documents for Loan Closings
5. Processing of Insurance Policy Information/Renewals
6. Boarding Loan Data into Servicing Systems
7. Tax Processing
8. Appraisal Information



## Increasing the Number of Participants

- Increasing the number of Participants is vitally important
  - » Without Participants, the Standards simply cannot be developed
- The majority of Workgroups are focused more on business process than technology
  - » Participation is free and open to all
  - » Most work is done via conference call, e-mail and online collaboration
  - » Each Workgroup has its own listserv
  - » To join a Listserv, go to [www.mismo.org/signup/mismo\\_listserve.aspx](http://www.mismo.org/signup/mismo_listserve.aspx)
- The Commercial Leadership has identified several steps to increase participation
  - » Recruiting from firms throughout all industry sectors
  - » Developing Training and Orientation Materials to bring new Participants “up to speed”
  - » Streamlining the internal processes used to build and approve the Standards

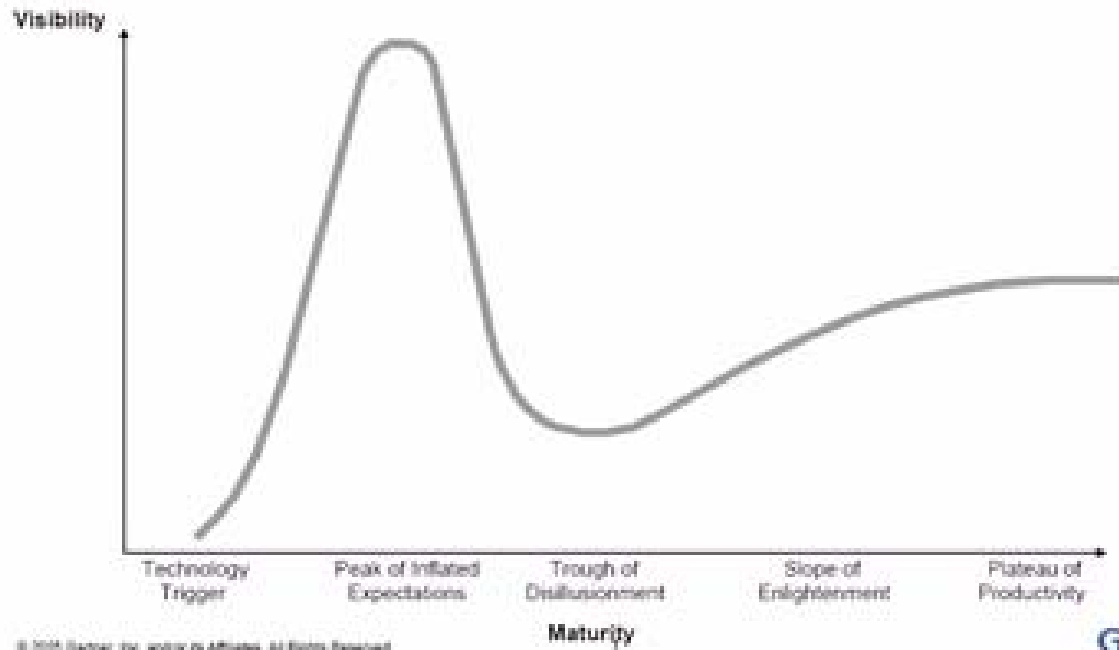
## Increasing the Adoption of MISMO's Standards

- Adoption – using the standards – is the ultimate goal of MISMO
  - » The Standards are not designed to “sit on a shelf”
  - » As more and more standards are released, barriers to adoption will fall away
- Getting firms to use the Standards requires three simultaneous efforts
  - » Education and Training for the broad industry
  - » Ensuring that servicing and origination systems can export and receive MISMO messages
  - » Working with external technology vendors like Microsoft and Adobe to ensure that they support the MISMO Standards
- Ultimately, adoption of MISMO Standards reflects their need in the market
  - » Development of Standards will be based on their market demand
  - » Standards will be designed to with “real world usage” in mind

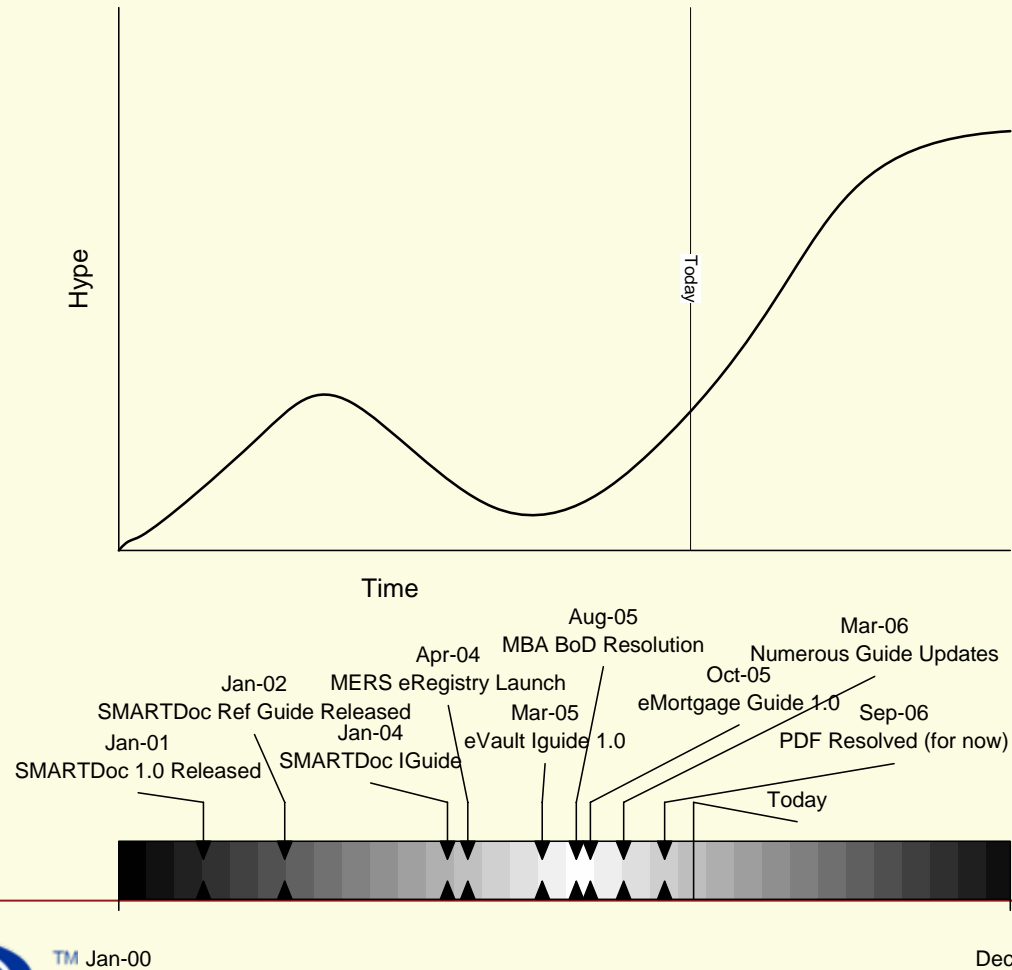


## Gartner's "Hype Cycle"

### The Hype Cycle



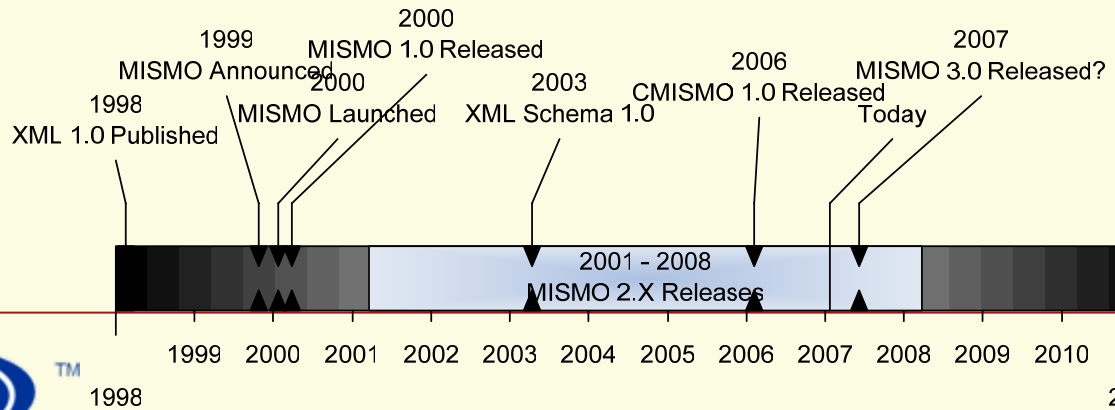
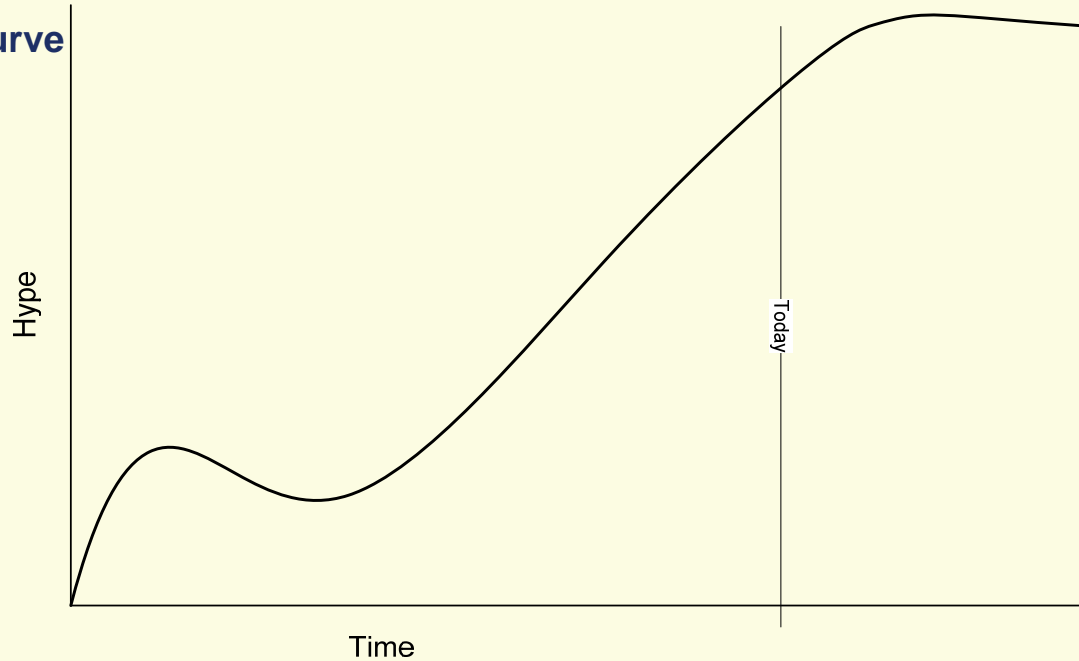
## eMortgage Hype Curve



TM Jan-00

Dec-10

## MISMO XML Hype Curve



1998

2010



## Questions and Answers