

MISMO & 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

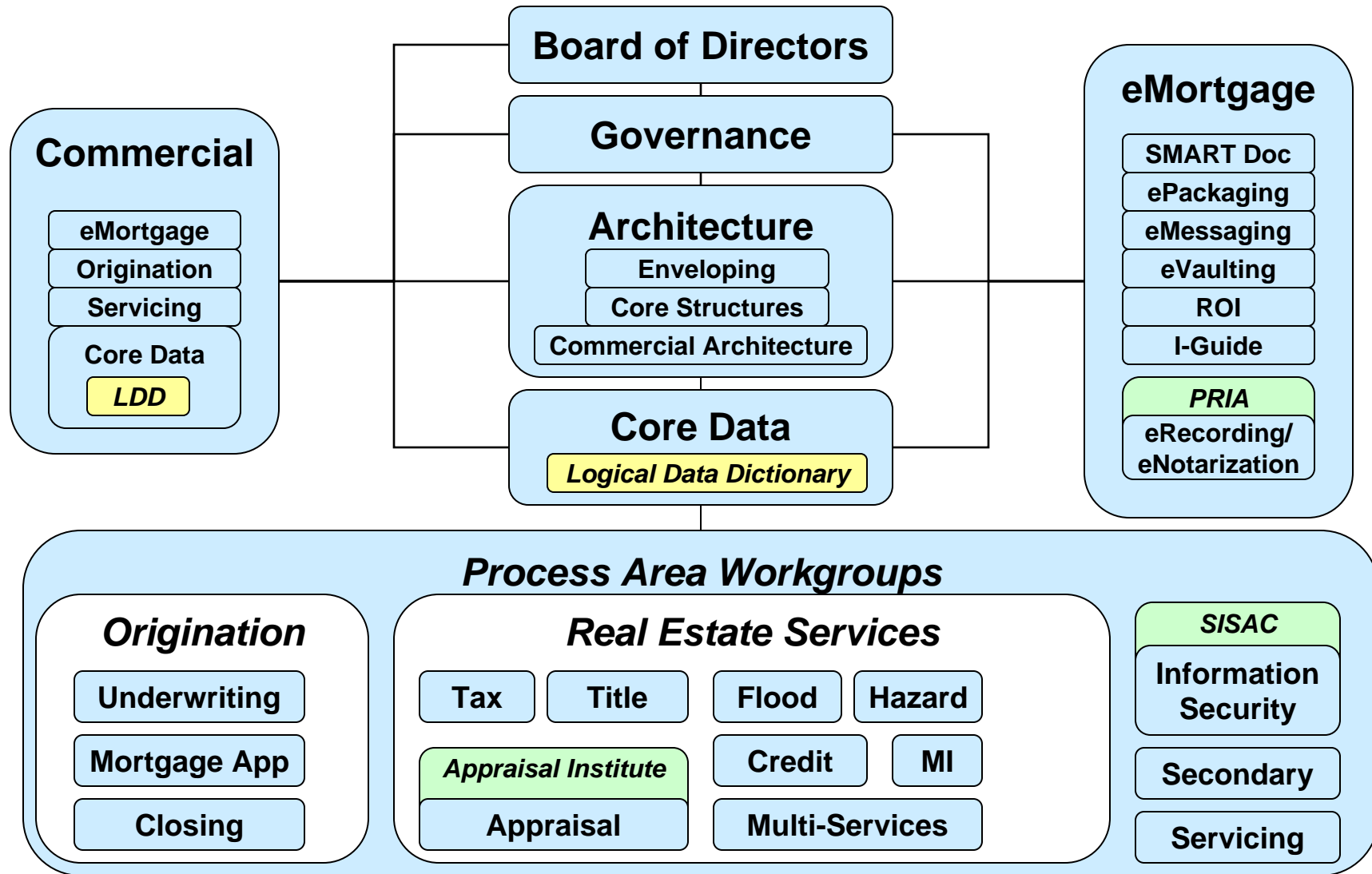
Business Benefits of MISMO Standards

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

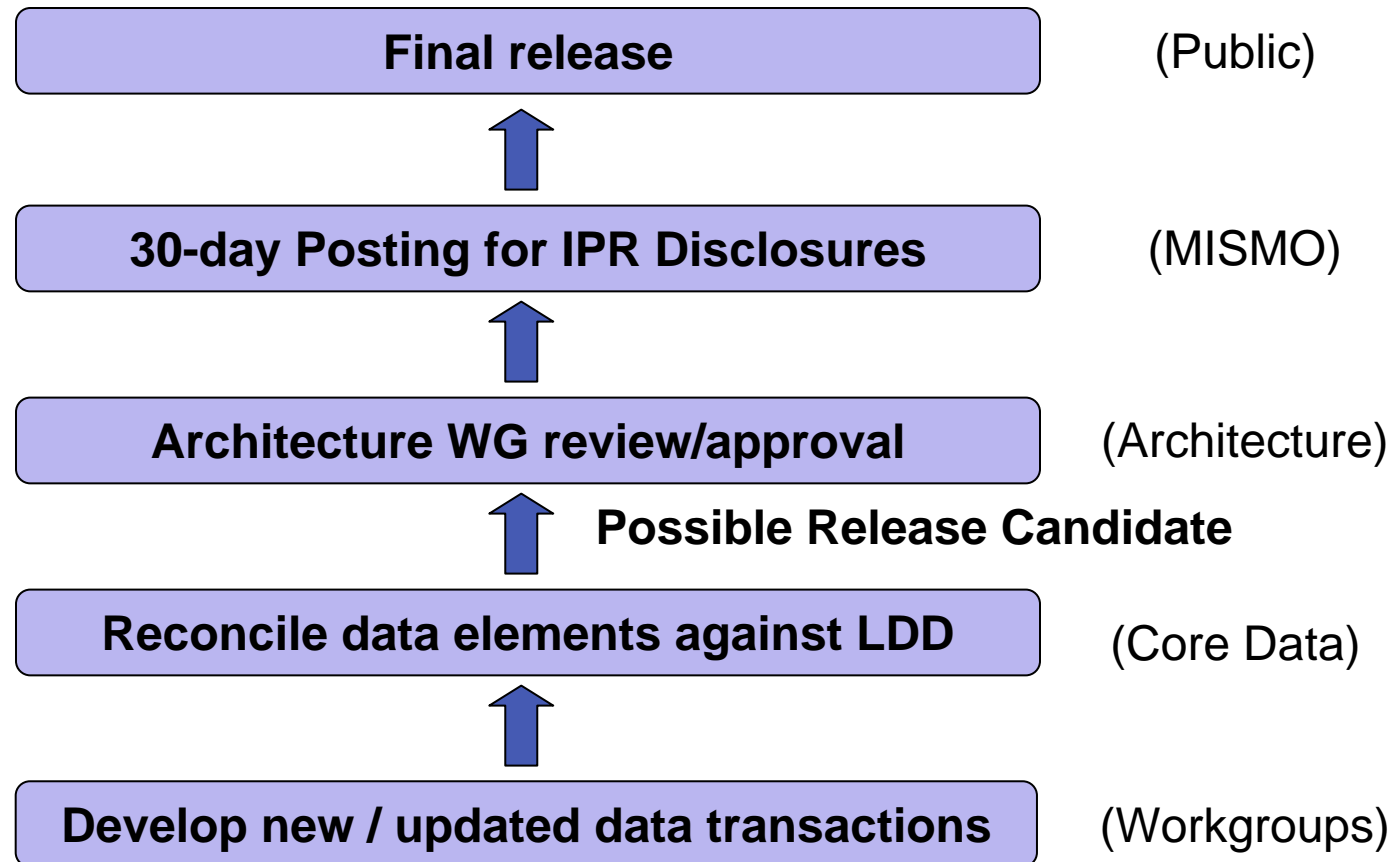
Cost Benefit of MISMO Standards

- 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

MISMO Organization



MISMO Standards Process



Standards Evolution

**MISMO 1.0:
Loan-centric
DTDs**

**MISMO 2.0:
Modularized,
ELE* -> DTDs**

**SMART Doc;
eMortgage
Specifications**

**MISMO 3.0:
Schema**

1999

2000

2001

2002

2003

2004

2005

*DTD was ready;
Schema not final*

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

*MBA Time &
Motion Study*

** ELEs are building blocks for transactions*

Legal Issues Affecting MISMO

- Data compliance: HMDA
- Data security and integrity: GLB and Sarbanes-Oxley
- Legal compliance: ESIGN and UETA
- Terrorism compliance: PATRIOT Act
- Intellectual Property: IPR
- Organizational: 501(c)6, ByLaws, P&P's

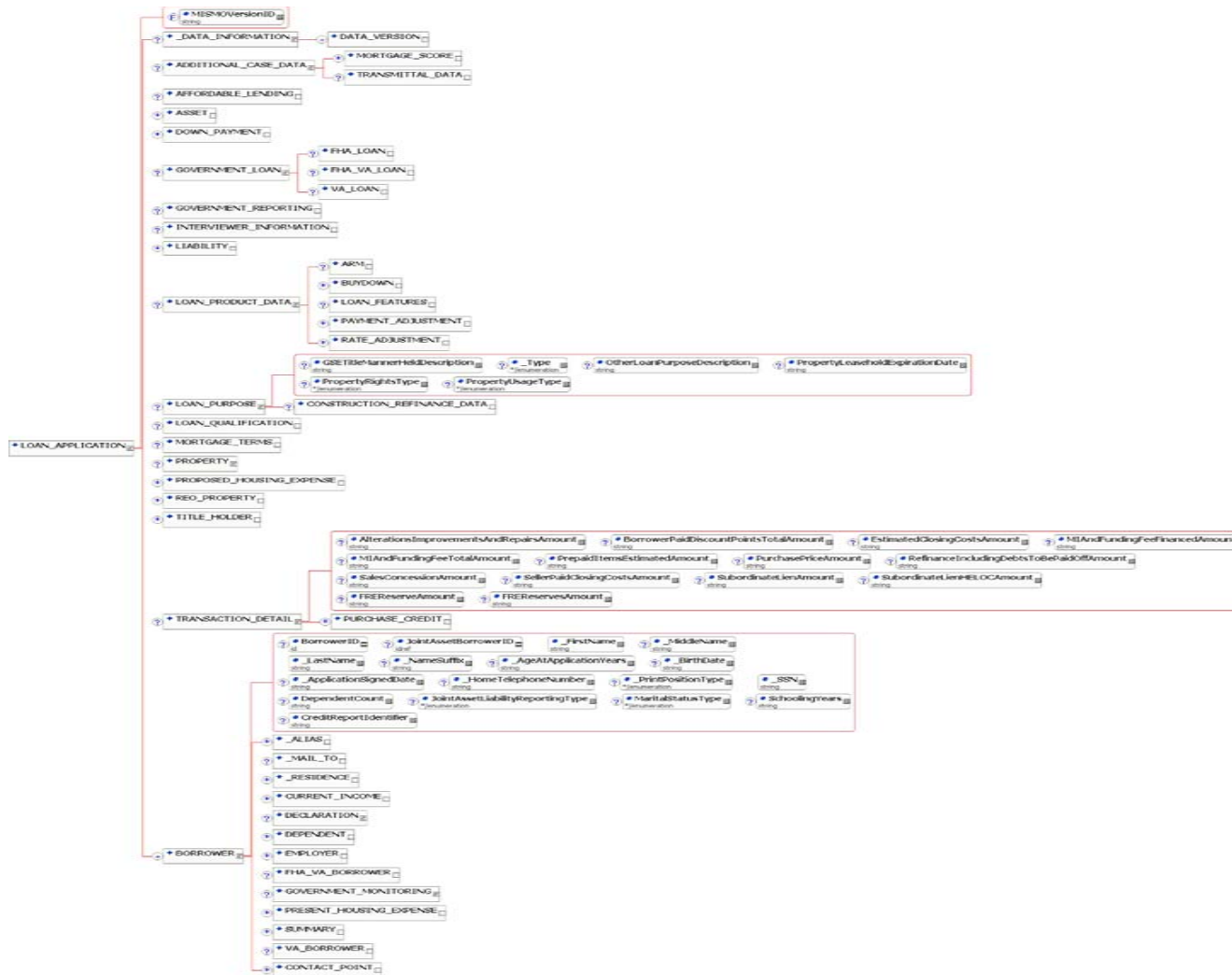
MISMO News

- MISMO finalized and rolled out its IPR policy
- MISMO is now a 501(c)6 wholly-owned subsidiary of MBA
- Architecture Workgroup developing schema-based architecture for Release 3.0 and beyond
 - Allows Namespaces – easier to add custom data elements
 - Co-versioned with Commercial MISMO's inaugural release

MISMO Specifications Update

- Deliverables
 - Design guidelines and related documentation
 - Logical Data Dictionary
 - XML DTDs or Schema for structure
- 2004 Highlights
 - AUS and Origination 2.3.1 – HMDA, PATRIOT Act
 - Secondary Product and Price, Loan Delivery
 - Property and Appraisal still in process (>2 yrs!)
- PRIA v 1.1

What MISMO Looks Like



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, ...)
 - BridgeSpan, encomia, BCE Emergis, MERS
- Consultants
 - CC Pace, TPG, BearingPoint...
- Forms, Doc Preps
 - VMP, DesertDocs...
- Startup companies learning the business

eCommerce in the Mortgage Industry

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

All leading toward true/full eMortgages...

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

Improved Quality

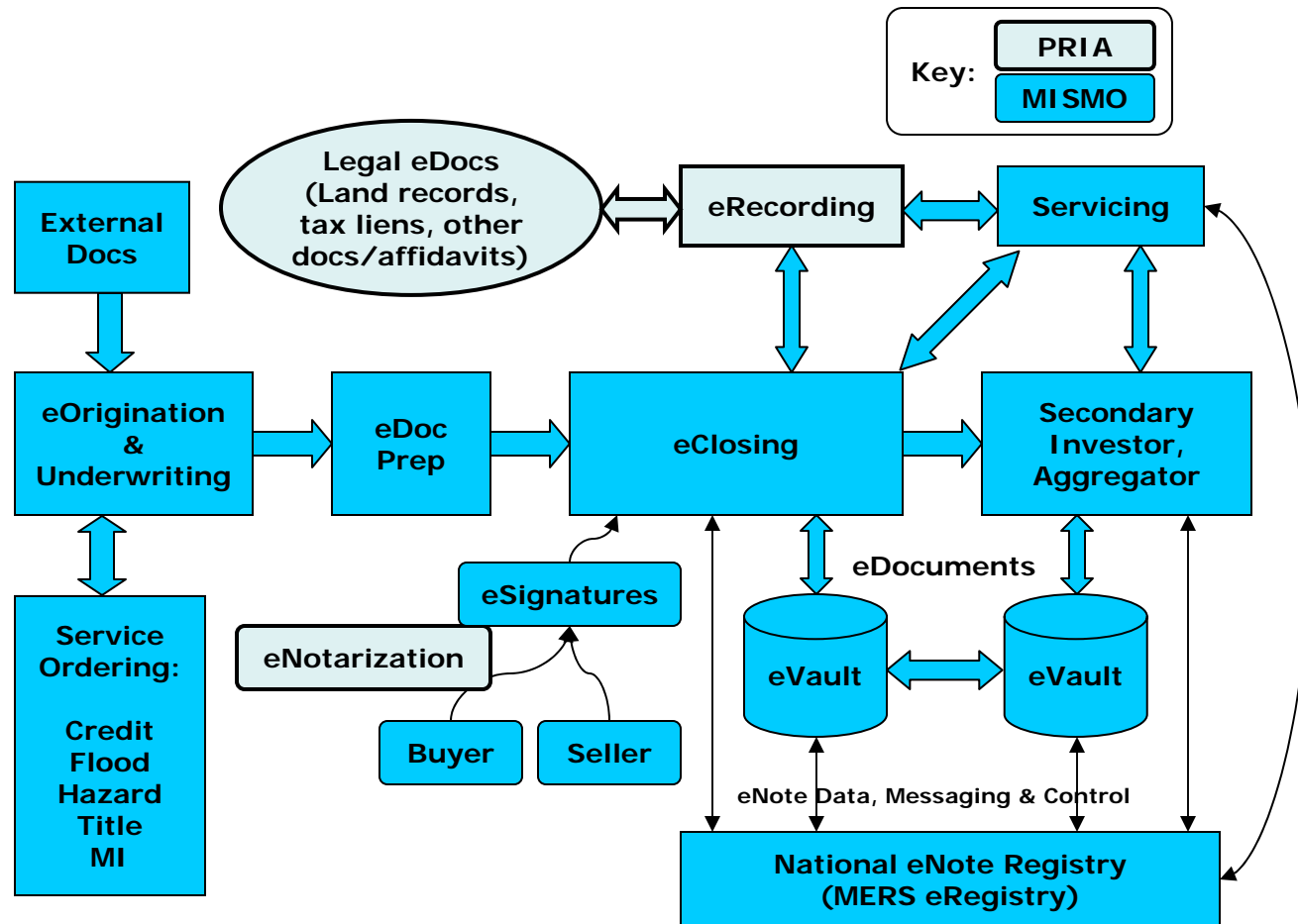
- **DATA quality**
 - Documents can update new systems automatically (SMART Documents store extractable data)
 - Data re-keying mistakes reduced or eliminated
- **DOCUMENT quality**
 - Documents match system of record (modification to documents controlled by lender)
 - Electronic signature processes 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 originally authored by Kim Weaver, BCE Emergis)*

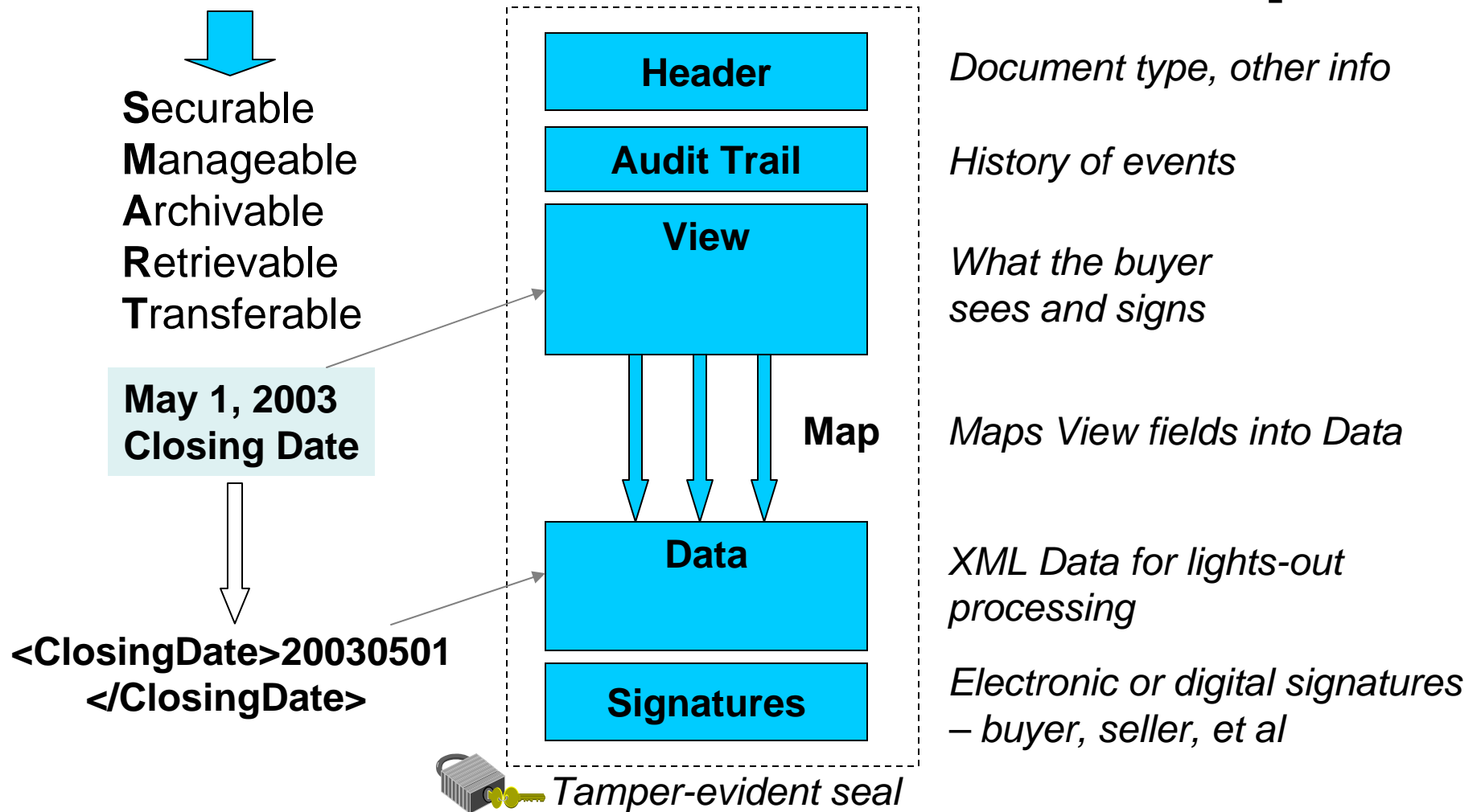
Pieces of the eMortgage Process

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 Docs)</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>
eVaulting	<i>Storage and management of electronic documents</i>

eMortgage Process Flow



SMART Document Concept



Closing Documents

(MISMO Closing DTD Version 2.3.1)

Legal:

Promissory Note
Security Instrument
Assignments
ESIGN Disclosures and Consent

Federal Truth In Lending:

Truth In Lending Disclosure
Itemization of Amount Financed
Right to Cancel

RESPA:

Notice of Assignment, Sale, or Transfer of
Servicing Rights
RESPA Servicing Disclosure
Initial Escrow Account Statement
HUD-1

HOEPA / PMI:

PMI Disclosures – Fixed, ARM, Amortization Schedule

ECOA:

Fair Lending Notice
Right to Copy of Appraisal

Broker / Lender / Investor Specific:

Closing Instructions
Payment Letter
Affidavit of Occupancy
Signature/Name Affidavit
E/O Compliance Agreement
Borrower's Certification and Authorization
Hazard Insurance Authorization, Reqs and Disclosure
Tax Information and Collection
Notice of Flood Hazard Area
Flood Insurance Notification / Authorization
Request for Copy of Tax Form (4506)
Request for Tax ID & Certification

eMortgage Progress

- eMortgage Guidelines & Specifications
 - SMART Doc, ePackaging, eMessaging, eVaulting
 - January 2003
- SMART Doc Implementation Guide
 - January 2004
- National eNote Registry (MERS eRegistry)
 - Phase I production operation: April 2004
 - Uses ePackaging & eMessaging standards
- SMART Doc forms data mapping
 - MISMO Closing DTD – now includes eRecording data
 - Note, HUD-1 complete
 - More to come – from Closing Docs list

Current Efforts

- SMART Doc enhancements
 - Alternative VIEW technologies (SVG, PDF)
 - eNotarization support
 - Forms data mapping (1003/65, Title, Deed, etc)
 - Expanded I-Guide
- eVaulting I-Guide
 - Guidance to industry
- ePackaging enhancements
 - Standards for compression
- eMortgage ROI evaluation, study
 - Underway, difficult to get lender participation

Industry Movement

- MERS eRegistry in production operation
- Fannie Mae says they are “open for business” for eNote delivery
- Freddie Mac committed to supporting eNotes, but not ready for “mass” delivery yet
- Vendors rolling out eDocument and eClosing solutions
- Steady growth in counties supporting eRecording
- Lenders moving forward with pilots and limited production operation
 - Navy Federal CU – eClosing, eDelivery, eLien releases
 - 1st Advantage / Document Processing Systems / Chicago Title – first eNote registered on MERS eRegistry

Conclusions

- Basic MISMO standards can provide significant cost savings
- eMortgages build on that for compelling value proposition
- eMortgage pieces are falling into place
- SMART Docs lock VIEW and DATA together, with great advantages
- eRecording & eNotarization standards are out and growing
 - More counties becoming eRecording enabled
 - Need national eNotarization standards badly
- MERS eRegistry provides legal infrastructure for eNote control and transfer

Questions?

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