



# Tomorrow's Technology Today: MISMO's eMortgage Perspective

**MBA Technology Conference**

March 10, 2003

Disney World Dolphin, Orlando, FL

# Agenda

- Overview – eMortgage Workgroup
- SMART Doc – Andrew Dubinsky
- Lender's Perspective – John Beeskow
- Freddie Mac Update – Jim Johnson
- Fannie Mae Update – Mark Oliphant
- Conclusions
- Questions

# Introductions

- Andrew Dubinsky
  - President and CEO, Encomia
- John Beeskow
  - VP and Director of Technical Compliance, Flagstar Bank
- Jim Johnson
  - VP Electronic Business, Freddie Mac
- Mark Oliphant
  - Principal, eBusiness Solutions, Fannie Mae
- Harry Gardner
  - Director of Industry Standards, MBA



# Overview – eMortgage Workgroup

Harry Gardner

Director of Industry Standards

MBAA

# Background

- Formed in January 2001
- Reports to MBA Residential Technology Steering Committee (“ResTech”) and MISMO Governance
- Meets at MISMO Trimester meetings and at interim eMortgage Workgroup face-to-face meetings, plus regular conference calls

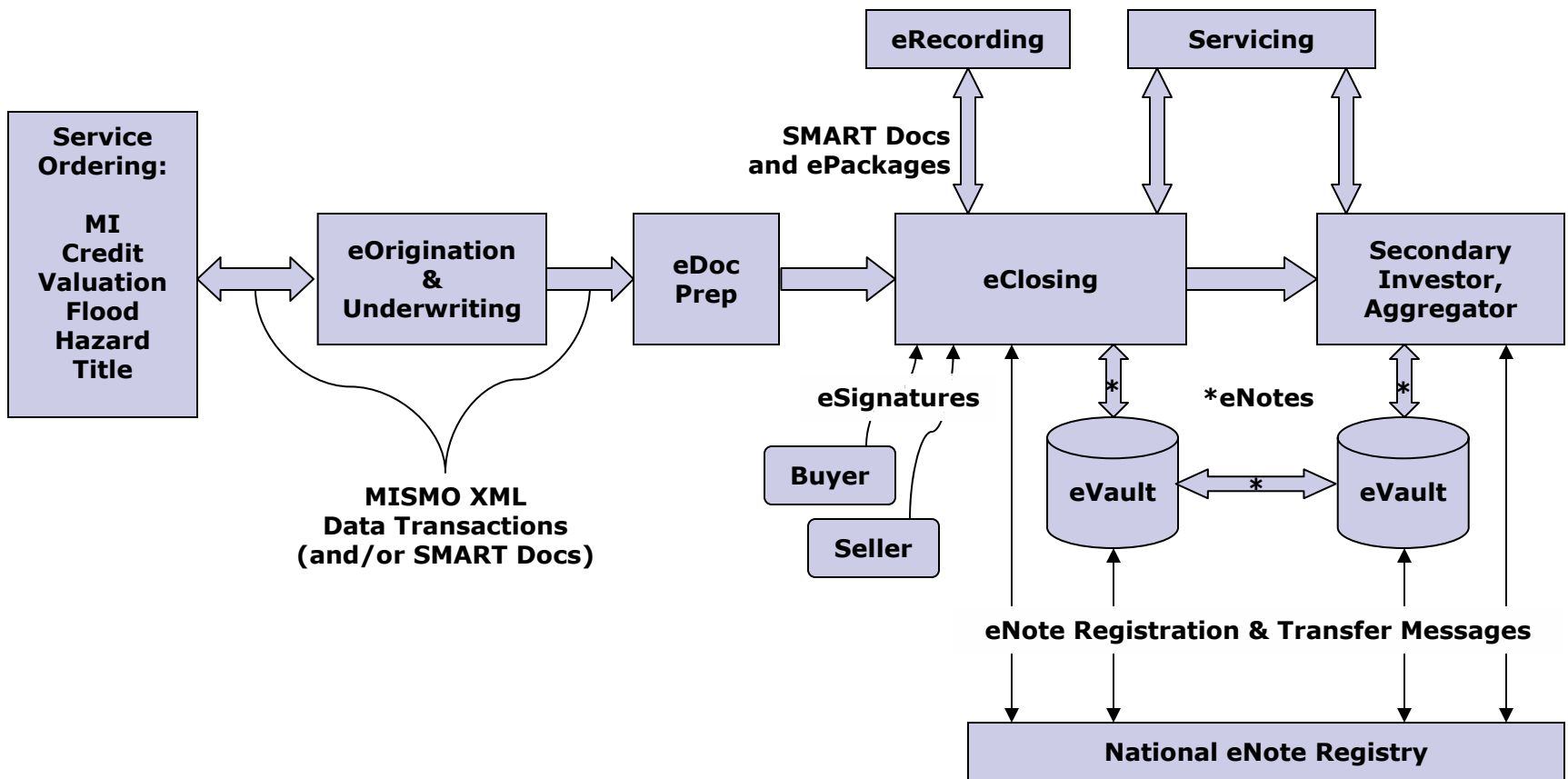
# Goals

- Build upon and extend current MISMO mortgage data standards
  - Reuse industry-standard datasets developed by process-area workgroups
- Develop recommendations and guidelines for fully electronic mortgage processing
  - Cost savings (reduce re-keying, manually verifying data)
  - Increased efficiency and liquidity in mortgage marketplace

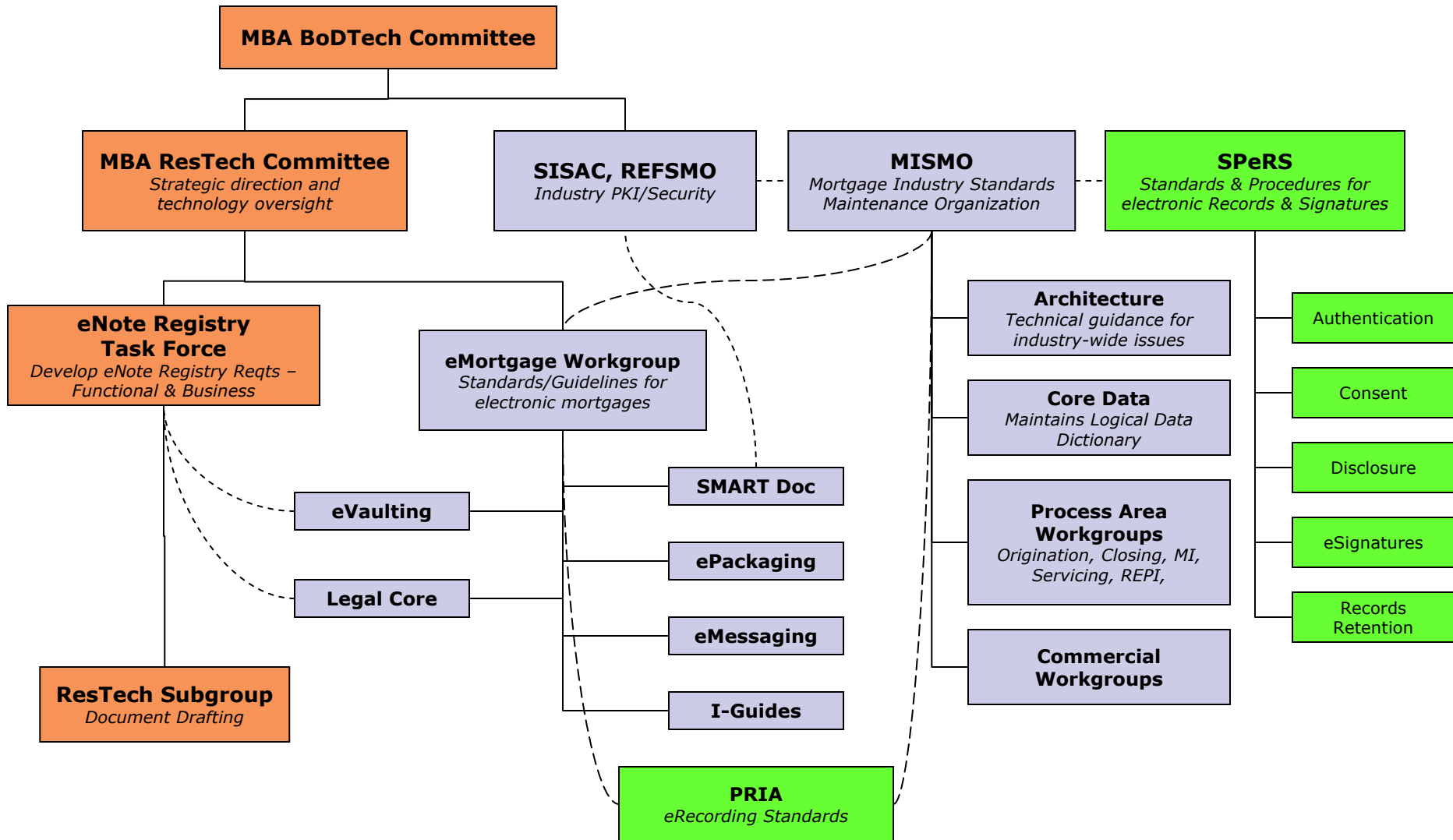
# What is an eMortgage?

- Truly paperless mortgage with electronic signatures – not imaged paper!
- Data + document view – ability to recreate exactly what the consumer digitally signed

# eMortgage Process Flow



# MBA Committees, MISMO, and Partner Standards Organizations Relationships, and Responsibilities



# Where Are We Now?

- Guidelines and Recommendations Version 1.0 released in January
  - Want industry feedback, support
- Implementation support infrastructure for industry under development
- “Applied SMART Docs”
  - Closing Doc set
  - Data DTD structure to support Closing, SMART Doc, and eRecording DTDs
- eVaulting, eMessaging moving forward
- eNote Registry requirements released for industry comment by MBA ResTech committee

# What's Happening in Industry?

- Industry is moving forward in all areas
- Lenders, Investors, Recordors working to implement pilots
- Doc Prep vendors working on SMART Doc technology, adoption issues
- Doc Custodians looking at eVaulting, eCustodial services for their business models



# SMART Docs

Andrew Dubinsky  
President & CEO  
Encomia

# XML + XHTML = [ Love | Hate ]

- Depends on point of view
- Namespaces are important
- Includes PDF / Image and maybe SVG
- X technologies are a work in progress

# Late bound data

- Yea! Data is all string type
- Darn! Data is all string type
- Schema really needs a nearly complete data map.
- Don't count on post-processing data to be perfect.

# Data vs. Transaction

- MISMO chose a more data centric model.
- Yea! MISMO does not specify business rules.
- Darn! MISMO does not specify business rules.
- In brief, use the custom section & submit for revision.

# Design Principles

- MISMO (and eMortgages) built on a global first, then local concept.
- All nodes common to any two WG are common to all WG (with few exceptions)
- You may see eMortgage nodes in many other WG. Understand contextual usage between WG.
- Drill down concept of data points.

# “There is no spoon”

- Not all MISMO eMortgage use cases have been implemented.
- Some data points do not exist. Some do not map as ‘expected’
- Remember: It’s your standard too! Be generous and help out.
- It’s still a HUGE improvement.

# Web apps are [ great | junk ]

- Yea! It runs in a browser.
- Darn! It runs in a browser.
- Real time request / response.



# eMortgages: A Lender Perspective

**John Beeskow**

Vice President – Director of Technical  
Compliance and Data Security

**Flagstar Bank**



“Mortgages are complicated.”

Service Lender Flood Insurance  
Title Company Wholesalers County Records  
Realtor Closing Agents House Insurance  
Secondary Investors  
- John Beeskow  
Attorneys Document Prep. Company  
Originators Courier Buyer Mortgage Insurance  
Seller Document Custodian Notary Credit

**“eMortgages can be even more complicated.”**

Service Lender Flood Insurance Vaulting  
Note Registry Wholesalers County Records  
Title Company House Insurance  
Realtor Secondary Investors  
eSign Closing Agents  
SMART Docs Attorneys Digital Certificates  
Originators eRecording Mortgage Insurance  
Courier Buyer Credit  
ePackaging Document Custodian Notary  
Seller eMessaging



# eMortgage Lessons

- Keep It Simple
- Small Steps

# Limit the Number of Variables

- The fewer the participants the fewer the variables
  - Flagstar Example:
    - Refinances
    - Flagstar Retail Originations – Two Offices – 2 Loan Officers
    - 30 or 15 Yr. Fixed
    - Michigan Only
    - Oakland County
    - 2 Closing Agents
    - Flagstar LOS-generated documents

# Control as Much as You Can

- The more you can control the easier the process
  - Flagstar Example:
    - Retail Refinances
      - Loan Officer chooses closing agent
      - Documents generated by our systems
      - We can communicate with the borrower about the process

# Analyze your Workflow

- Replicate current process
  - Calms anxiety
  - Reduces fear
  - Eases adoption internally
- Automate where possible
  - Take advantage of easy automation
    - e.g. Electronic transfer of documents
- Take advantage of what “e” provides
  - Demonstrate multi-win situation
    - e.g. Reduced post-closing checks
- Question Everything



# Small Steps

- You wouldn't run a marathon without running around the block first, so why would you try to do a full blown eMortgage without doing the little things first?

# Pieces to a Puzzle

- Start off small and build momentum
  - eRecording
    - Flagstar Example:
      - Lien Releases
  - SMART Docs
    - Start by printing and signing with ink
  - Other Business eSign
    - Expense reports, stock requisitions, personnel transactions



# Freddie Mac Update

James Johnson

Vice President

eMortgage Program Management

# Freddie Mac and eMortgages

- Noted American Author, Speaker and Trainer Dr. David Waitley once said, *“There are two primary choices in life: to accept conditions as they exist, or accept the responsibility for changing them.”*



# Freddie Mac and eMortgages

- We are dedicated to lowering costs and simplifying the mortgage process for our customers and consumers.
- We believe that the advent of fully electronic mortgage transactions hold great promise in contributing to that goal.

# What We've Done

- We have been engaged in the evolution of e-mortgage concepts for a decade through the development of both legal and business requirements
- We purchased our first electronic mortgage in 2000
- We published the first GSE specifications for purchase electronic mortgages in 2001, through a collaborative effort with the industry



# Setting a Solid Foundation

- Ensure ESIGN and UETA standards are addressed as part of our program requirements for eMortgages
- Develop and implement sound controls to address the risks of new processes and technology
- Support the development of an open architecture infrastructure for deployment of eMortgage solutions and tools



# Ensuring the Foundation is Solid

- We're collaborating with industry participants to implement consistent and reliable processes, standards and controls to facilitate the evolution and acceptance of eMortgages to ensure the foundation is solid

# MISMO...A Great Team Effort

- We are engaged in ongoing efforts with MISMO to develop technical standards and requirements for eMortgages
  - SMART Document Specification
  - ePackaging Guidelines
  - eMessaging Methodology

# It's a Team Effort...eNote Registry

- Working with MBA's eNote Registry Task Force, managed by the Residential Technology Committee, to develop requirements for a National eNote Registry to:
  - Contribute to the drafting of National Registry requirements
  - Support an expedited implementation of the National Registry to facilitate standardization of eMortgage registration and trading transactions

# It's a Team Effort...SPeRS

- Working with Standards and Procedures for Electronic Records and Signatures workgroup to:
  - Develop technology-neutral guidelines for presenting, signing, managing and delivering electronic records and signatures in business and consumer transactions
  - Collaborate across financial, insurance and real estate finance industries



# It's a Team Effort... Fannie/ Freddie Uniform Instruments

- Working with Fannie Mae to develop uniform language for eMortgage notes that will facilitate GSE purchases



# Building on the Foundation

- As the foundation of uniformity is set by these efforts, together we can build reliable, effective eMortgage asset management processes
- Freddie Mac remains committed to fostering the evolution of eMortgage capabilities and providing the market with programs to sell eMortgages into the secondary market



# The Future of eMortgages

Key factors in market adoption of electronic mortgages include:

- Establishment and adoption of industry-wide uniform standards and capabilities by the primary and secondary markets
- The ability of local jurisdictions to handle electronic mortgage transactions



# The Future of eMortgages

- Updated specifications and requirements for the sale of eMortgages to Freddie Mac
- New tools and capabilities to facilitate the sale of eMortgages to Freddie Mac



# The Future of eMortgages

- Working together we can accept the responsibility for change and embrace the promise technology offers to the mortgage industry
- The future of eMortgages has never been brighter!



# Fannie Mae Update

Mark Oliphant

Principal, eBusiness Solutions

# Standards/Business Alignment

- eMortgages Will Streamline the Mortgage Process
- How to Bridge the Gap Between Today's Processes and Tomorrow's Vision?
- Standards are Key
  - A Common Language is Required – eMortgages are Standardized at the Outset

# Fannie Mae Announcement 02-08

Published June 2002

- Requirements and Procedures for Lender Delivery of eMortgages to Fannie Mae
  - The eNote Clause
  - SMART Doc Format
  - Electronic Signatures
  - eNote Registration
  - eMortgage Delivery
- MISMO eMortgage Standards Alignment



# Next Steps

- Implement the National eNote Registry
- Finalize and Stabilize the Standards
- Develop Solutions to Bridge the Gap from Paper to eMortgages



# Moving Forward

# Moving Forward

## ■ Short-term

- Implementation support for SMART Docs
- eNote Registry Requirements: 30-day Industry Comment Period opened today
- eVault Messaging development
- Industry publicity, marketing, ROI effort

## ■ Long-term

- SMART Doc Sample implementations – “the rest of the docs”
- More I-Guides
- Security Framework
- Support infrastructure for evolutionary standards

# Conclusions

- eMortgages are here!
- Security and standardization are key issues
- Industry is moving forward
- Get involved to help pioneer the changes in this industry (r)evolution!
  - Join the listservs, participate on conference calls
- Next MISMO Trimester Meeting: May 5 - 9, Phila.
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- Harry Gardner  
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Questions?