Improving Efficiencies Through Better Technology

Tuesday 8 April 3:45-5pm

Hilton New York

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VP Industry Technology

Key Trends in the Industry

- Industry Trends:
  - Huge volume from refi boom
    - This is pushing the use of automated decisioning systems to new limits – primarily AUS
  - We continue to see consolidation both technically and operationally

Key Trends in the Industry

- Technology Trends:
  - Web service architecture becoming prevalent
    - Led by: Microsoft .NET, IBM, Sun Java
  - XML being used in almost every sector for almost everything
  - We continue to march towards eMortgages

Trend: A Common Web Services Architecture is Evolving

- Provides more sustainable (i.e. cheaper) software
- Allows end-user companies to achieve the software and infrastructure payback they require
- Provides foundation for a *service-oriented architecture*

Achieving Sustainable Business Benefits through a Common Web Service Framework

In this post-dot-com era, end user companies are expecting more liquidity and longevity of their assets.

To achieve the ROI, Cost Reduction and Service Expansion benefits expected; the widespread deployment of standards-based Web services is essential.

Translation: The drive to web-services starts bottom-up, with the software and vendors

Trend: XML is here to stay

- Core business value-add #1:
  - Your software interfaces can expand and contract without breaking anything
- Core business value-add #2:
  - XML software costs next to nothing and is omnipresent
    - MS Office 11 (now in beta) – all XML!
    - XHTML provides way to read and display data in browser
- MISMO provides the common business language for our vertical

Web services + XML =

- Faster interface build-out
  - Takes you 6 weeks instead of 6 months to start using new software or a new vendor
  - Easier to switch if you are not satisfied
- Vendors (like GHR and First American) offer multiple services through websites
  - No deployment, no application to install => thin or superthin client (i.e. runs in your browser)
  - New modules, services, and functionalities added overnight

Trend: eMortgages

- Legal Framework: E-SIGN Legislation
- A Range of Definitions Exists:
  - Paperless: All Documents in Electronic Form and Electronically Signed
  - Hybrid: Some Documents Signed Electronically, Some Traditionally Signed
  - Paper eMortgage: Originated Electronically, Traditionally Signed

MISMO's SMART Doc

- Business Viewpoint: an Electronic Representation of a Paper Document that:
  - Maintains Integrity and Security
  - Addresses Legal Concerns
  - Uses Non-proprietary Technology
  - Allows Data to be Processed by Systems
- Technology Implementation: an XML File

Security through digital certs

- Common need for digital certificates
  - A digital certificate is like a secure network identification of who you are. It is can be used as a digital signature for digitally signing files
  - A digital signature is not a holographic signature (a common misunderstanding in the industry)
  - The three functions of standardized certificates are:
    - Authentication – telling if someone is who they say they are
    - Encryption – securing files as you send them across the net
    - Verification – checking if the contents of a file have changed

The most desired function of Digital Signatures?

- Verification!
  - You will be able to receive “tapes” or other data sets over the web/Internet that your machines can check for validity
  - The use of a digital signature combined with a file match, can verify if any SMART document has changed from the time it was sent to the time you received it
  - Therefore, you know that pool data is correct, you know this loan data is accurate, you can hedge without flying or shipping loan files around for checking – Faster deals, increased efficiency, more volume

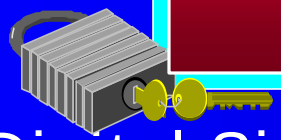
SMART Doc 1.0 Visualization

(Original Proof of Concept)

Header section

Data & map section – Standardized names and definitions – Maps view into data

View section - What the borrower sees and signs



<DocType>note</DocType>

<BorrowerFirstName>Gabe

</BorrowerFirstName>

Note:

I, Gabe promise to pay a lot of money

Digital Signature makes it tamperproof

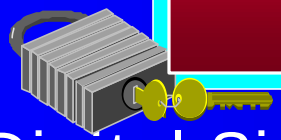
Another SMART Doc

(Think: eLetter of Intent)

Header section

Data & map section – Standardized names and definitions – Maps view into data

View section - What the trader sees and signs



<DocType>poolsale</DocType>

<PurchaseLenderName>WAMU

</PurchaseLenderName>

Sale:

We, WAMU intend to Purchase these Loans: #1, #2…

Digital Signature makes it tamperproof

State of eMortgages

- They are real, but adoption is slow
- Are eMortgage systems live/in production? Yes.
- How many eMortgages are closed? Over 100, but many may be refi'd out already ☺
- What are lenders doing? One step at a time, *crawl-walk-run*, based on ROI – electronic lien releases highlighted at Tech Show

The Future

- More Tech Consolidation – Superhubs
  - Hubs will continue to collapse to fewer in number and grow larger in size
- XML will become ubiquitous, even if all you use is MSOffice
- eMortgages are here to stay – it is a question of *when*, not *if* – hybrids will be first, paper will stay too
  - This leads to new opportunity and increased volumes in the secondary market
- Security will be more important then ever

Apply the Future to Secondary

- You will log into a couple of websites for all services needed: rates, diligence, auction, locking
- Dealmaking will be done on-line – ESIGN allows for online signatures – at least *intent* can be established in short term
- Common business terms already make reading reports, loan performance, and data easier then ever – e.g. you know “loan amount” ALWAYS includes MI