Future Trends

Do You Know MISMO?

MISMO provides the opportunity to collaborate with others from across the industry to solve business issues.

By Roger Gudobba

Every business today is a technology business. The challenge is finding ways to manage the growth of information technology and to turn its disruptive potential to your advantage. There is no question in my mind that legacy systems and the mortgage industry's tendency to be slow to adopt new technology are the biggest challenges facing mortgage players, especially the mega-lenders. Multiple systems and isolated, standalone data repositories create myriad problems on all fronts, from compliance traceability to cross selling hamstrung by inconsistent or conflicting data values that camouflage opportunity.

While MISMO®, the Mortgage Industry Standards Maintenance Organization, was established at the close of the last century, it can be argued that it's never been more important than it is right now. If you or your organization is *not* intimately involved with MISMO, you need to be in order to survive. If you or your business is actively participates in MISMO, please bear with me for a moment.

The mortgage industry operates in a well-regulated environment. If we look at the diagram, data is integral to the interactions in the industry. The right side starts with the regulatory agencies. Regulators define many of the policies and are increasingly defining how the industry communicates. This is also true for the housing agencies and the GSEs, where rules and program parameters have the look and feel of regulations. MISMO is increasingly the standard employed by regulators, housing agencies, and the GSEs to govern information exchanges. Even more telling, agencies like the CFPB have made it clear that their examination and data exchange tools will rely on and conform to the MISMO standard.

Is it really '*all about the data*'? Absolutely! The MISMO definition (data dictionary) and the structure (reference model) are the foundation that allows a definitive and validated information exchange to take place. The bottom of the diagram illustrates how vendors can leverage MISMO to deliver financial transactions in a standard format. The left hand demonstrates the benefits to the lending community, reducing the number of integrations through the use of the MISMO standard. All sides focus on the data and on the benefit of the consumer.

The MISMO workgroups that developed the standards: Architecture, eMortgage, and Core Data to name a few, along with the service transactions like appraisals, credit, mortgage insurance, etc., are managed by companies that volunteer time and money to support the cause. Similar to charitable organizations, their goal is to create a better environment for all of us. Many individuals have spent countless hours over the last fifteen years to bring us to where we are today. They are to be commended.

Using the MISMO Reference Model allows us to exchange transactions with the **capability to analyze and** validate the information.

However, MISMO is not just about setting standards, it is the engine that will propel the mortgage industry in new destinations. At MISMO, business and technology folks from all corners of the industry—lenders, vendors, consultants, and government related entities—come together to solve business issues. Our process is not only open to new thoughts and ideas, it encourages collaboration. Such collaboration of industry participants ensures we get a broad view of the issues, including potential challenges and solutions.

What MISMO needs most at this time is the involvement of more business analysts and lenders to drive adoption. Sometimes we can be so close to the trees, we can't see the forest. This is a call to arms to the industry to get more involved.

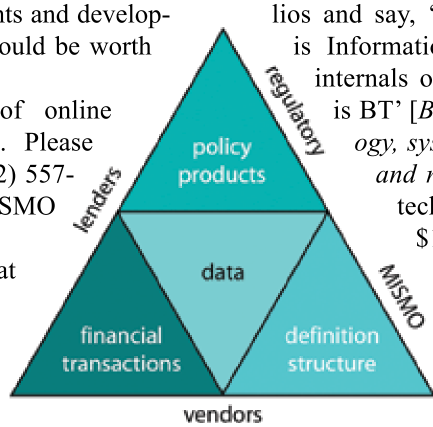
So what can you do? Three times a year, MISMO has Summit meetings, typically in January, June, and September, and I encourage you to attend. The first couple of days are devoted to business and current topical challenges. The various workgroups meet over the next couple of days and have monthly conference calls in between Summits. A significant amount of time has been spent over the last 18 months on the CFPB's TILA/RESPA Integrated Disclosures (TRID), analyzing the requirements and developing data mappings. That alone would be worth the price of admission.

MISMO offers a number of online educational workshops as well. Please visit www.mismo.org or call (202) 557-2880 and ask to speak to the MISMO Manager.

But there is a broader point that I'm trying to make. Lenders today need to realize the importance of technology. It is no longer possible to run a successful mortgage lending company without technology. And I don't mean Excel Spreadsheets either. The mortgage industry has become more complex, and with the changes coming in August of this year and beyond, that trend is only going to continue.

So, if you are a mortgage lender hoping to actually be profitable, what do you do? Do you move forward and be proactive about technology and process innovation or do you close shop? That may seem like a very simplistic way of looking at things, but that's really what it boils down to. The role of technology in mortgage lending is changing and every mortgage lender has to realize that and change with the industry. Start by asking yourself:

What is the role of technology today? In a recent article in the Wall Street Journal, George Colony, chairman and chief executive of Forrester Research, stated, "I've been around for eons in this business and the Chief Information Officer (CIO) has had a number of challenges. [What's happening now] is not a technology change. This isn't going from mainframe to mini-computers or mini-computers to PCs or PCs to client servers. That was all internal stuff. We're in what we call *The Age of the Customer* where the customer is now using technology to price precisely, to be able to critique your products precisely and publicly."



Is MISMO an example of business technology that will help organizations do **a better job serving its** customers.

What impacts your technology budget today? George Colony goes on to say, "CIOs should very knowingly look at their companies' portfolios and say, 'OK, how much of my portfolio is Information Technology (IT)' to run the internals of your company and 'how much is BT' [*Business Technology], the technology, systems and processes to win, serve and retain customers*… If you look at tech spending in the U.S., it's about $1.1 trillion in the year 2015. Of that number, about $780 billion is IT and $250 billion is going to be BT. So it's about a 75/25 split. It really depends on what your industry you're in. If you're in the food industry you're going to have a much higher IT. If you're in retail, you're going to have a much bigger BT."

So what is the technology spending ratio for the financial industry? I would venture that in the past, most of the spending was dedicated to internal systems and the constant struggle to balance between normal maintenance and new requirements affecting technology infrastructure. But all the current industry focus on the consumer is putting pressure on the outward-facing systems and the industry's capability to support the new mobile environment.

I will leave you some final thoughts from George Colony. "When they [customers] need you, if you are there for them, they will love you. If you are not there for them, they will doubt you. If you are not there for them a second time, they will drop you."❖

Roger Gudobba has over 25 years of mortgage experience. He is CEO at PROGRESS in Lending and Chief Strategy Officer at technology vendor Compliance Systems. Roger is an advocate of data standardization and a more data-driven approach to mortgage. Roger can be reached via e-mail at rgudobba@compliancesystems.com.