



Data Standards

The One Acronym Servicers Really Need To Know

Using a single data standard for information exchange at the data, document and pool levels is the answer for servicers.

By Kim Weaver



In the servicing world, we have a lot of acronyms to remember, but one is increasingly prominent - MISMO. Otherwise known as the Mortgage Industry Standards and Maintenance Organization, managed by the Mortgage Bankers Association, MISMO publishes a volunteer-driven data standard that has been adopted throughout all areas of the industry. The data

standard is written in extensible mark-up language (XML), which has become the standard language used for information exchange between computer systems. It is a remarkably elegant language in both its simplicity in categorizing information, and its ability to be read and understood by both humans and computer systems.

The MISMO data standard was recently updated to version 3.3, including expansions to support the Ginnie Mae Pool Delivery Dataset and the government-sponsored enterprise (GSE) Uniform Mortgage Servicing Dataset (UMSD) initiative. The Ginnie Mae standard was published June 30 and will have an implementation period between December 2015 and June 2016. The UMSD project scope has been broadened by the Federal Housing Finance Agency (FHFA) and is now known as the Servicing Data and Technology Initiative (SDTI). SDTI has multiple components being reviewed for future implementation, including information about both performing and non-performing loan activities such as servicing transfers, investor reporting, default management and loss mitigation.

Version 3.3 was also updated to support several origination-focused initiatives, including the Consumer Financial Protection Bureau's Integrated Disclosures regulation, which is effective in August 2015. Although that may not seem to have any relation to servicing requirements, it provides an interesting example of how to manage documents in the servicing world.

The Integrated Disclosures rule replaces the existing Good Faith Estimate, initial and final Truth in Lending, and HUD-1 Settlement Statement for most types of residential property-secured loans with the new Loan Estimate and Closing Disclosure. However, these are not new forms only in terms of what information is included and how it appears on the forms. The information on the forms has also been mapped using the MISMO data standard for all of the data on the forms.

The use of MISMO in the Integrated Disclosures implementation demonstrates how the MISMO data standard can be used to simplify data exchange between systems, where the documents themselves can be the "envelope" containing the data fields as system-parseable data. Another example of this approach is the format for property appraisals, adopted throughout the industry as part of the GSE Uniform Appraisal Dataset/Uniform Collateral Data Portal, where both the PDF of the appraisal and all of the data from the appraisal (along with other meta-data) are stored in a single electronic format that both humans and systems can read.

We are used to exchanging data in large volumes for investor reporting and other servicing obligations in the form of individual data fields. However, allowing the document to be the "data envelope" is possible because the MISMO data standard is so much more than a listing of industry agreed-upon data field labels. In addition to an extensive data reference model (including data field naming conventions, enumerated values and formatting the data), the MISMO standard includes technical instructions for managing collections of data - whether at the transaction, document, loan or pool level.

In other words, MISMO provides a consistent method to label information at the most granular level (individual data fields), as well as at the broadest scope (groups of loans, inclusive of all information for each loan). In the middle of this hierarchy of levels of data are documents, which, of course, are the primary way information is exchanged at the transaction level. MISMO-formatted documents represent unique opportunities to efficiently exchange information internally and with external parties, including investors, insurers, service providers and borrowers, at the per-loan or per-field-service-transaction level.

Today, most of the documents we receive in servicing are in paper format and are then converted to images or exchanged as PDFs. This means staff time must be used to review the information on the documents, and those people then have to key that information into the servicing system to update it. Although computer-based optical character recognition has come a long way and can be used to automate some of this work, it still usually requires some level of manual review to finalize the data extracted from the document and confirm it is accurate.

Besides the work effort in updating the servicing system with information received via documents, there is also the need to efficiently track the exchange of documents, including audit trails of activity. The MISMO standard allows a document to be created in a human-friendly format, wrapped with a computer-friendly format - the best of both worlds.

The computer-friendly layer (also known as the XML layer) provides other benefits, by allowing servicers and their partners to add document meta-data, which is data about the document, including lifecycle events, audit trail history and other information that may not need to be on the document when it is viewed by a human.

The MISMO data model includes field labels and a consistent structure for organizing all of this document lifecycle meta-data in the XML layer of the MISMO-formatted document. In other words, you can track within the document as a self-contained package: when the document was created, who has reviewed it and who has updated it, including electronically signing it. You can also use digital signatures as “tamper-evident seals” to show that parts of or the entire document has not changed since it was created or last updated.

Although servicing and auxiliary systems often use proprietary data dictionaries, being able to translate data into the MISMO data format increases efficiency between a servicer and all of the business partners it exchanges data with, whether investors or field service providers. It can also be useful for exchanging data between internal systems, which is also shared with external systems.

Another aspect of the MISMO data standard is its document classification component - a list of document names that can be used. Similar to servicing systems, document repositories historically have servicer-specific, document-naming conventions. However, being able to translate your internal document names to a MISMO-standardized list of document names in an automated manner enables you to receive and transmit documents faster with your partners.

How can you ensure your company is leveraging these MISMO standards for internal efficiency and effective information exchange? How can you prepare for their upcoming additional implementations in servicing, such as the Ginnie Mae pool delivery modernization, and their eventual uses expected via the Common Securitization Platform project and the FHFA Servicing and Technology Initiative?

First, join the MISMO community (<http://www.mismo.org>), whether for learning purposes or for actively participating in the ongoing maintenance and expansion of the MISMO data standard. You don't have to be a technical wizard to contribute. Once you look at the XML language used for the MISMO data standard, you will see how human-friendly it truly is. You also don't need to memorize the entire standard; focus on the servicing areas you manage. Look for ways to use the standard internally as a preparatory step to using it with external business partners, such as translating your internal data exports into the MISMO standard.

Another way to prepare is to talk with your technology team, including internal staff and any technology partners you have, such as your servicing system and document repository providers. If you are sub-servicing (whether as a sub-servicing provider or using a sub-servicer), talk to your partners about this change in how servicing information will be exchanged in the relatively near future. Ask them what their MISMO participation is and what standards they support or are working toward, and tell them which MISMO-based initiatives are your priorities (besides regulatory-driven ones, of course).

Loan servicing has always been about managing recurring communication needs and specialty tasks in the lifecycle of servicing a loan. With the regulatory oversight requirements and internal efficiency needed to cost-effectively communicate with all stakeholders in the servicing world, using a single data standard - the MISMO data standard - for information exchange at the data, document and pool levels is the answer for servicers.

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