When Fannie Mae and Freddie Mac announced the timeline for implementing the Uniform Closing Dataset (UCD) standard, it was just the latest milestone in the march toward making the fully electronic mortgage, or e-mortgage, the norm in the industry.

The Government Sponsored Enterprises (GSEs) announced this past June that, as of second-quarter 2017, they would no longer buy loans that fail to conform to the UCD standard. Further, the GSEs indicated that lenders would be expected to start using the UCD in 2016, mere months after the effective date of TRID — the new Truth in Lending Act and Real Estate Settlement Procedures Act Integrated Disclosure, which mandates enhanced consumer disclosure.

TRID was designed on the premise that data should be easily and quickly shared between participants in a mortgage transaction. One of the keys to the successful, efficient implementation of TRID is the ability to capture, store and exchange loan and fee information as digital data.

The GSEs jointly developed the UCD as part of the Uniform Mortgage Data Program and published the UCD specifications earlier this year. The UCD is the latest in a series of data standards established by the GSEs, each focusing on a different part of the mortgage-loan process. The standards are part of an effort to create uniform data specifications for the industry, a necessary step on the road to making e-mortgages commonplace.

### The silo effect

Fifteen years ago, establishing standards for data in mortgage transactions seemed to be something of a theoretical exercise. Loan information existed as data only within system silos used by originators and their partners to perform specific functions within the mortgage workflow.

When loan information needed to be passed to another party handling a different part of the loan process, the default was to create a print-formatted document. These documents were relatively easy to exchange, especially within a single location — just print or copy the document or share the paper file. If a document had to be delivered to an outside party, it was usually sent via the mail, a courier service, or a secure electronic-document delivery service.

The downside was that the loan data was locked in a static document. Sure, it was readable, but it was difficult, if not impossible to migrate the data in digital form from one system to another without human intervention.

### The push forward

The GSEs’ new UCD and previously adopted data specifications are one more step toward overcoming the silo effect and static-

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**Data Standardization Leads to an E-mortgage Future**

Digital-era pressures are pushing the mortgage industry away from the paper chase

By Andy Crisenbery

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document problem in the industry. Those specifications are based on a model developed by an industry-controlled group called MISMO — the Mortgage Industry Standards Maintenance Organization.

One of the earlier tipping points in the ongoing move toward a fully digital mortgage process came in 2011, when the GSEs released the Uniform Appraisal Dataset (UAD). At the time, Fannie and Freddie announced that they would only consider loans for purchase if the appraisals were submitted electronically and conformed to the UAD standard.

Facing the possibility of losing the GSEs as a secondary market for loans, mortgage originators turned to technology vendors for a solution. Vendors that didn't already support MISMO's model for appraisals developed solutions to comply with it or developed applications that transformed appraisal data into a MISMO-compliant file. This cycle was repeated the following year when the GSEs announced the Uniform Loan Delivery Dataset standard and is in motion again with the UCD.

Along with the standardized-data push from the GSEs, the Consumer Financial Protection Bureau has declared e-closings as the next big thing in their “Know Before You Owe” initiative and is urging lenders to get on board. This means that those in the industry who haven’t already done so are now under great pressure to conform to the most recent MISMO standards.

Mortgage originators can continue to use manual processes to exchange loan information with their service providers, but it is highly inefficient and prone to errors caused by manual data entry or timing. If the originator doesn’t have the most current fee information from the settlement-service provider when the closing-disclosure information is created and sent to the consumer, there could be costly compliance problems.

The new standard

Up until now, much of the focus has been on data and data standards. And it is important for the future of e-mortgages that all of the parties have a common understanding of each of the thousands of fields defined in the MISMO reference model.

But the compliance challenge today and into the future is about collaboration — the passing and sharing of data among the various parties to the mortgage loan. Compliance relies on the right person or system having timely access to accurate data. This is especially true with the workflow changes brought about by the TRID consumer disclosure rules.

Beyond compliance issues, consumers expect to get accurate information quickly without paying a premium. Lenders that can’t deliver will get left behind. With so many diverse data sources, standardization and system-to-system integration will enable mortgage originators and their customers to access the data they need instantly, without manual intervention.

The MISMO reference model and the data specifications derived from it all help to make that possible, but it is still up to technology vendors to help make the transition happen and to lead the industry ever closer to a future where e-mortgages are the standard.