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Don't Fear Data Uniformity and Transparency, Embrace It

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Wednesday, August 24, 2011
 By Ruth Lee

LETTER TO THE EDITOR:

Like what you see? Click here to sign up for the Mortgage Technology weekly newsletter to get the latest Feature stories, news headlines and statistics on the mortgage technology industry.

The article, "After UCDP Launch, Questions Remain," that appeared in the July edition of *Mortgage Technology* relayed a concern for "what are Fannie Mae and Freddie Mac going to do with the data once they begin collecting it?" At issue, it appears, is whether the GSEs will profit or impede the competitiveness of the industry, (e.g. appraisal data vendors) by gathering data related to appraisals.

While appraisers may fear that technological progress will crowd out the industry's need and respect for their critical role, those fears are most likely baseless.

There is a cultural renaissance drifting across the industry. That renaissance will provide economies of scale and technological innovations that recast the assumptions of many market participants. I recall that several years ago, the industry mourned the loss of the "traditional" underwriter, as technologies from FICO to AUS replaced many of their responsibilities with automated functions. The industry learned in the aftermath of the collapse that innovations can and should provide support, but can never replace the fundamental expertise, common sense and perspective of a real life underwriter.

The same is true for appraisers and their aggregators.

Frankly, investors of every stripe are far less concerned about challenging the job security of individual participants of the mortgage supply chain than is feared. Rather, they are focused on ensuring that both they and their analysts have a very clear picture of the underlying credit and collateral quality of loans, whether bulked into an MBS or sliced into a CDO.

In the months before the collapse, investors assumed that they could rely on historical performance to assess risk and project profitability. Now the industry faces the reality that we need to telegraph information and data to the investors in real time—not hide it.

After the transformative RESPA reform effective in 2010 enforced a more uniform data set on borrower disclosures, deadlines now loom for the Uniform Mortgage Data Program, a projection of Fannie Mae's Loan Quality Initiative announced last summer.

UMDP extends mortgage banking data uniformity to the GSEs by way of:

- A Uniform Appraisal Dataset that defines all fields required for an appraisal submission for specific appraisal forms and standardizes definitions and responses for a key subset of fields to enhance data quality and promote consistency.
- A Uniform Collateral Data Portal for the electronic collection of appraisal data to minimize impact on lenders.
- A Uniform Loan Delivery Dataset that leverages the industry recognized MISMO Version 3.0 standard.

This information comes directly from Fannie's website.

Deadlines for UMDP implementation are September 1, 2011; December 1, 2011; and March 19, 2012, with each date triggering its key elements: appraisal compliance, expanded loan delivery data compliance and ULDD format automated data, respectively.

On a parallel track, now that the fine-tuned MISMO 3.1 has emerged, mortgage lending data management has made impressive progress toward a universal language. As a victory for data standardization and transparency, MISMO kept its eyes on the prize and has brought the hope of order from chaos.

Indisputably, our industry's infrastructure is beginning to accommodate the "new normal" of loan quality, data uniformity and transparency, and, their by-product, accountability. Whether you make your daily bread by lending or providing services and tools to lenders, relief, not anxiety, is the appropriate response.

We need to embrace the new clarity on data as one of many strides being made toward re-invigorating securitization by courting investor confidence.

Ruth Lee is executive vice president at Titan Lenders Corp. in Denver, Colo.

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