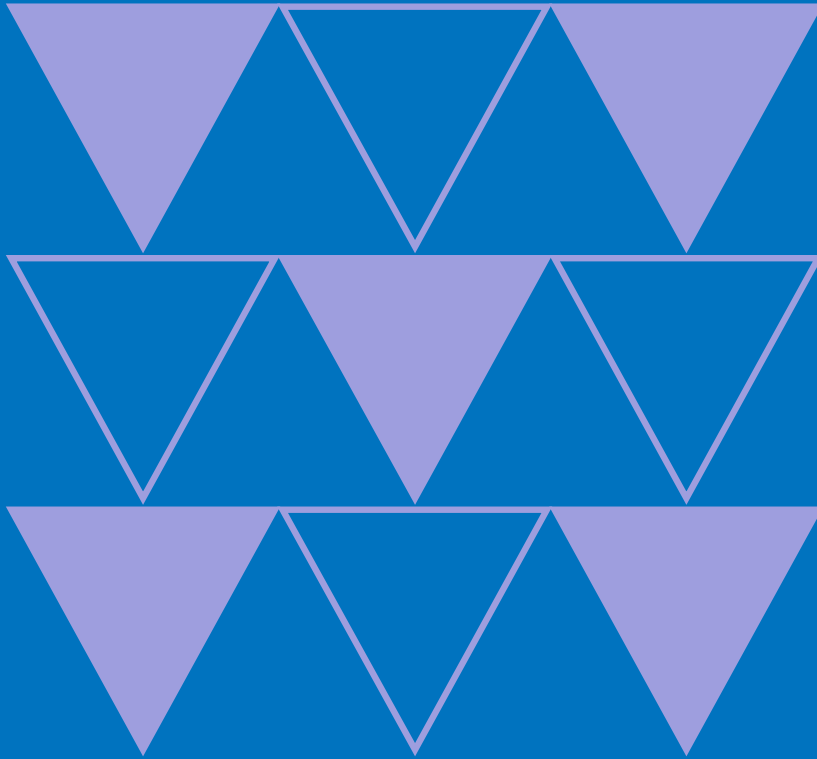


eMortgage Guide



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**Executive Summary
& Benefits**

**MISMO eMortgage
Workgroup**



eMortgage Guide: A guidance paper by the MISMO eMortgage Workgroup

Abstract

This MISMO[®] eMortgage Guide, published by MISMO[®], Inc., a wholly owned subsidiary of the Mortgage Bankers Association, is a mortgage industry reference tool, providing information on various aspects of eMortgage technology, business, processes, and supporting law.

* * * The information provided is educational in nature, providing general information about legal, financial, technological and other considerations associated with eMortgages. It is not intended as legal or other professional advice. You should consult an appropriate professional with any specific questions.

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1 Executive Summary

The mortgage industry continues to evolve to an electronic mortgage environment. Since 2001, the mortgage industry has been working cooperatively within the Mortgage Industry Standards Maintenance Organization, Inc. (MISMO) to define key processes, transactions, and XML data standards to exchange the mortgage data and documents electronically. This collaborative work led to the formation of a suite of eMortgage concepts and voluntary standards, described in this eMortgage Guide.

Today's origination process usually involves the electronic generation of loan documents, which are then printed on paper for borrowers to sign. The paper documents are then manually shipped back, typically imaged, indexed, stored in electronic document repositories, and exchanged after origination. The data that is exchanged electronically must be certified against the data on the paper documents. Thus, while imaging can provide significant benefits, manual processes and physical shipping are still required.

The eMortgage framework and standards take these processes to the next level, into a fully paperless environment. eMortgage documents are generated, transferred, signed, sealed, registered, and stored electronically, eliminating the need for printing, imaging, shipping, couriers, data re-entry, manual data certification, and other costly steps of today's mortgage processes. The data in these electronic documents can be verified and trusted, because the documents are digitally signed to reveal any tampering.

This guide provides an overview of the eMortgage landscape as it exists today, including:

- Benefits of eMortgages,
- Key industry standards and concepts,
- Underlying legal framework and concepts,
- General guidance for key processes, and
- Sources of additional information to get started.

The mortgage industry is slowly but steadily moving forward on eMortgage development and implementation because the resulting paperless processes will provide significant savings of time and money for business and ultimately for consumers. MISMO standards are critical to achieving eMortgage adoption across the industry. During the transition from paper to eMortgages, both individual loans and loan pools will be hybrid, using combinations of paper, imaging, and electronic documents. This guide provides a reference tool to help you move forward toward a true eMortgage environment.

2 Benefits

The MISMO standards and resulting eMortgage system implementations can benefit all participants in the mortgage lending environment including the borrower, real estate agent, mortgage broker, mortgage lender (retail, wholesale, correspondent, direct), loan servicer, investor, title company, service provider (document prep, title, flood, credit, fraud, appraisal), notary, county recorder, and others. As mortgage lenders develop and execute their corporate strategies, it is very important to understand that the business benefits available from eMortgage technology are being leveraged by many institutions today. The purpose of this section of the eMortgage Guide is to document the eMortgage benefits and to provide a general description of how those benefits are achieved.

Although the supporting MISMO standards and other technologies are equally significant, the electronic document (eDoc) concept is the key point for executives and managers in mortgage banking to grasp in order to leverage this pivotal eMortgage business opportunity. After the legal framework (ESIGN and UETA) for eMortgages was established in 2000, MISMO developed the technical specification required to create digital documents that could be legally exchanged across the industry to replace their paper counterparts. The digital document specifications based on MISMO eDoc concepts are being used today by technology vendors, lenders, and other parties throughout the mortgage industry.

The fundamental idea embodied by the eDoc concept is the encapsulation of the document data with a corresponding digital view of the document to replace the paper documents we know today. This secure digital object (the data combined with the document view) can then be managed, validated, and manipulated electronically. Once your process is improved using the data enabled eDocs, workflow systems can be configured to automatically validate the data, to review against business rules, and to execute the transaction logic necessary to complete mortgage banking processes electronically. (Please note that more detailed discussion of the eDoc concept is available in Section 5.2 of this eMortgage Guide.

Mortgage Electronic Registration Systems, Inc. (MERS) will be another key element of any eMortgage strategy. MERS is a mortgage industry utility that eliminates the need to prepare and record assignments of mortgages when trading mortgage loans. Borrowers name MERS as mortgagee and nominee for the lender on deeds of trust and mortgages that are recorded in the public land records. Lenders then register the loans on the MERS[®] System and electronically track changes in servicing and investor ownership rights over the life of the loan. MERS also operates the MERS[®] eRegistry which is the system of record for the mortgage industry to identify the current Controller (holder) and Location (custodian) of the Authoritative Copy of an electronic promissory note.

The MISMO eDoc concept, combined with MISMO data transaction standards, the MERS[®] eRegistry, and other eMortgage technologies, provide many benefits for every process we know today in mortgage banking. Key benefits to consider as your company begins to implement eMortgage technology are:

- Significant reductions in cycle time for all processes. With the reduction in cycle time, associated benefits can include higher customer satisfaction, lower costs, and higher quality from the mortgage processes. The magnitude of the possible eMortgage benefits cannot be matched by other, less-comprehensive technologies.

Benefits

- Increased data integrity as the data and document become one in the eDoc format. This data can be used throughout the process, eliminating unnecessary re-keying of loan data.
- Cost savings in system integration. Using the MISMO data standards greatly reduces development time and maintenance of proprietary system-to-system interfaces.
- Reduced risk – quality control and regulatory checks can now be performed electronically, throughout the life of the loan. This electronic integration of compliance throughout the mortgage banking process (not as its own silo) may virtually eliminate the need for such functions as the post-closing audit.
- Increased value of eMortgage assets, as investors also accrue the benefits described above, when they receive electronic delivery of product.

As examples of how you can use eMortgage technology today, let's consider the opportunities presented below to use the MISMO eMortgage standards in your origination and servicing processes.

Opportunity	Benefits
eCompliance	Replaces manual quality control and compliance checks with automated checks throughout the process, which will improve loan quality and shorten cycle times.
eDisclosure	Eliminates manual preparation and shipping of application and initial disclosure packages to/from the borrower(s).
eNote	Eliminates shipping, manual data reentry, manual data certification, and imaging of the investor collateral packages. With intelligent workflow, the eNote also enables a significant reduction in the closing and funding cycles.
eClosing	Eliminates the manual presentation of closings and shortens cycle time of overall closing processes; data is shared by all in the service supply chain, which eliminates redundant data entry and errors.
eDelivery	Reduces document management overhead, shortens cycle times, and improves overall process efficiencies with secure electronic delivery of mortgage-related documents.
eRecording	Improves the real estate recording process, reduces overall cycle time for all participants and reduces the costs for both county recorders and their customers.
eServicing	Lowers costs and improves customer service for all business partners as companies begin to leverage the MISMO standards to move Investor Reporting, Delinquency Reporting, and other traditional servicing tasks to a collaborative Internet environment.

In conclusion, extensive benefits and cost savings may be achieved by moving to the eMortgage environment. These benefits and cost savings can be attained incrementally as we evolve from paper to hybrid to a fully electronic and paperless mortgage environment. Each business has the opportunity to re-examine its processes to take advantage of efficiencies permitted by the MISMO eMortgage standards. The MISMO eMortgage Workgroup has published an eMortgage Cost Benefits White Paper and interactive cost-benefit analysis worksheet template on www.mismo.org, to allow you to calculate your own potential eMortgage ROI.