



## MISMO update: The standardization of e-remittance

*Version 3.1 of the MISMO standards includes several beneficial updates for title professionals, but none bigger than the standard for e-remittance.*

Rewind the clock to Jan. 1, 2010. The new HUD-1 implementation was officially made mandatory, and there was a mad scramble throughout the industry to get up to speed. The post-deadline issues were especially burdensome on title agents because they were called upon to be the experts of the process. The New Year's celebration for the title industry was short lived.

January 2011, by contrast, should introduce technology standards that will make life in title a little easier and more efficient. At press time, the Mortgage Industry Standards Maintenance Organization (MISMO) was close to finalizing its latest standards update — version 3.1 — and technology experts believe some of the new software standards should benefit the title industry, most notably by including more complete data reporting and a uniform e-remittance standard.

### Version 3.1

MISMO is a technology standards development body for the residential and commercial real estate finance industries that involves technology leaders from all related industry segments. Richard Sochor, vice president and chief technology officer for TSS Software Corp., said version 3.0, which debuted this year, was a big step to an industry-wide integration of MISMO standards.

"They did a lot of consolidation within the standard itself. Prior to version 3.0, everything was fragmented," he said. "In MISMO, there's a listing for each activity in the mortgage process, and what they've done, prior to 3.0, they almost all stood as separate entities, or separate standards. They weren't cohesive between each standard. In 3.0, they made a standardized data dictionary."

In the soon to be released version 3.1, the MISMO format standardizes all of the RESPA changes from Jan 1., something that was not fully accomplished in time for the 3.0 version that was released in the spring.

"We had to remap the whole HUD, so a big chunk of the title portion of the MISMO changes in the new format is the GFE (good faith estimate) changes," said Leslie Wyatt, business analyst and product manager for LPS SoftPro. "We not only had to revisit all of the existing fields and determine which ones were staying or going, but all of the new fields and basically the entire third page of the HUD. That's one of the biggest parts of the 3.1 version."

### E-remittance

Remitting electronically is not a new concept, and the benefits of e-remittance are obvious. Underwriters, generally, will receive and send payment faster; it saves time and manpower; and it can limit mistakes that occur when running reports manually.

"It can be done daily, weekly, monthly — it's a huge impact on the industry. It's much quicker and more streamlined to be able to pull that information directly from the software," Wyatt said. "The title companies are going to know: here's exactly what we issued; here's our portion; here's your portion."

"Why wouldn't [agents] want to click three buttons and remit electronically rather than run monthly reports and cross reference it with policy numbers? There's just a lot of room for error. There's really no downside for a title company to remit electronically." At SoftPro, Wyatt said they're always getting requests to put personalized e-remittance codes into their software. But the process is disjointed because the standards differ across the industry, especially where it counts, with the major underwriters.

That is where version 3.1 of the MISMO standards comes in. Even though MISMO was created as a way to standardize the electronic mortgage origination process, version 3.1 will include a standard for e-remittance.

Wyatt said that's a byproduct of the growth of MISMO: As more segments of the industry buy in to the idea of widespread standardization, the more likely it is that the coverage area of the standards will be expanded.

According to Jennifer Dumas, senior vice president of product development for PropertyInfo Corp., a wholly owned subsidiary of Stewart Title Co., The American Land Title Association (ALTA) Technology Committee determined the standard to be a priority and initiated the idea of linking it in with the MISMO standards.

"We felt the timing was right to come together as an industry to help drive costs down and increase productivity for both agents and underwriters as it related to reporting," Dumas said.

Dumas said an accepted industry standard for e-remittance will remove the manual labor or high costs related to developing software export, import and translation routines on both sides to get the data in the format needed by the underwriter. It will also remove the cost of software development for the production software providers



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to keep up with the requirements and field updates from all of the underwriters.

“Since all underwriters now have the same standard, it makes it easy for an agent to report electronically to each of their underwriters,” Dumas said. “They do not have to remember how each of their underwriters need to have the data. Some agents spend hours manipulating the data from their production systems to get the data in the correct format. Once their production system has adopted the new standard, then reporting will be a piece of cake regardless of the underwriter they are reporting to electronically.”

And on the underwriter side, Dumas said the standard will increase the number of agencies reporting electronically, which will reduce the cost of managing and updating their own systems.

“Having the standard and a direct integration cuts out manual labor and allows for better accuracy of data,” she said. “The agent can report more timely with less manual manipulation of the file and the underwriter can get the data they need quicker and also without the costly means to get the data into their underwriter systems.”

SigniaDocs’ vice president of e-mortgage technology, Charles Epperson, who also serves on ALTA’s technology committee and is chair of the title workgroup for MISMO, estimated by mid-January, the standards would be approved and close to adoption by a majority of the major underwriters who all were involved in the formation of the standard.

“We, from the title workgroup, feel that this e-remittance standard is a driving force to move to version 3.0 because a company that’s implementing these standards has to devote dollars to new developments,” Epperson said. “So if it’s just converting the same standard to the new one, which was what we did in version 3.0, there wasn’t a huge push for implementing it. Now with the e-remittance, we’re seeing a lot more activity [and commitment from underwriters.]”

Epperson said the second phase MISMO is working on is the response from the underwriter in providing the invoice.

### Other updates

Wyatt said the updates in version 3.1 could be the catalyst for a wider MISMO implementation across the industry.

“Last year, we had a lot of people hesitant to go to 3.0 because 3.1 was coming out,” she said. “So with 3.1, there’s no anticipated updating or changes, hopefully for quite some time, so it can really be a uniform way for different parts of the industry to talk to one another.”

The most disappointing fact about MISMO since its inception more than a decade ago is that the separate sectors of the industry remain disjointed in their adoption. It is hoped that version 3.1 will make a bigger dent across all industry sectors and then further influence late adopters, finally approaching the widespread implementation that was first envisioned when MISMO was formed. For example, Freddie Mac and Fannie Mae released a requirement under the Uniform Mortgage Data Program for appraisal and other loan data to be sent using version 3.0 specifications.

“They’re saying that we’re looking for people to adopt the standard,” Wyatt said. “And we think [version 3.1] is a better change. It certainly organizes the data a lot better. It certainly allows for title agents to quickly get title information but have access to all the rest of the information very easily.”

The updated version of MISMO also has enhanced data security features. Epperson said inputted data in previous versions left the information in a “raw” format, whereas, in this version, each data entry point is encrypted.

“So you not only have [encryption] where it contains information about the borrower, but you can add a lock on one of the items like a Social Security number,” he said.

Another feature Epperson touted is “extensibility.” Essentially, this feature allows extended explanation or qualifying, descriptive language in certain fields in order to personalize the data for a particular client or underwriter.

Epperson noted that this is a benefit when e-remitting.

“What type of transaction code is it? What tax code is it? What policy code is it? I can send the same data standard and send it to Stewart, Fidelity, First American, etc., without having to change my system for each one of them. We’re able to add to the transaction code a reference of whose codes we’re using so that if I accidentally send a file meant for one underwriter to another, and they try to import it in their system, and they say the codes are invalid, they can look at the data file and know why.”

Epperson said this feature could also have applications for reporting in the National Association of Insurance Commissioners’ (NAIC) data call. Using extensibility in this way may be as close as MISMO gets to tackling tax codes because “the list was too extensive and it changes depending on state, and sometimes depending on which county you are in,” Epperson said. “That was all just too much to implement into the MISMO standards.

So we left the transcode as something that could be defined, and you certainly could reference the NAIC transcodes there.”

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