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**WHAT THE MORTGAGE INDUSTRY WILL LOOK  
LIKE WITH A NEW SHERIFF IN TOWN**

# A data makeover: How agency delivery requirements impact the industry's future

*Uniform data sets provide clarity for lenders, GSEs*



It's been nearly eight years since the housing market collapsed, but the mortgage industry is on the path to building a foundation for long-term success. Part of this success can be attributed to how the government-sponsored enterprises rebuilt the foundation on data.

The process to create a common approach, protocol and dataset for the capture of electronic appraisal and other loan delivery data has yielded tangible results, setting the stage for similar initiatives over the coming years – ultimately creating a new normal for the mortgage lifecycle.

What does this mean for mortgage lenders and how they operate?

At the very least, bankers need to be prepared to adopt policy changes and technology processes to adhere to new procedures for data delivery. Implementation will not come without work, of course, but the upside should be significant.

At best, lenders who embrace the path that continues to unfold and take on the challenge of a “data makeover” stand to gain significant operational efficiencies and improve their overall market position.

By improving the accuracy and consistency of the data concerning the borrower, the loan and the property, the industry will provide more certainty to the GSEs regarding a loan's eligibility for sale in the secondary market. By leveraging technological advances, the industry will continue the process of building a sustainable future for the mortgage finance system.

The process for building broader industry adoption is well underway. While lenders are now required to use the new web-based Electronic Appraisal Delivery (EAD) portal for Federal Housing Administration loans, early adoption has been strong.

Although EAD is not part of the Uniform Mortgage Data Program (UMDP) and its three uniform components (UAD, UCDP and ULDD), the FHA mandate of this portal comes on the heels of the GSEs' successful implementation of the Uniform Collateral Data Portal (UCDP) launched in 2012. Since that time more than 6,000 companies have registered and 34 million appraisals have been delivered.

Chuck Rumfola, senior vice president of strategic initiatives at Veros Real Estate Solutions, points out that the GSEs had very specific desired outcomes when embarking on the UAD and UCDP initiatives.

“They wanted to improve appraisal quality. By doing that, the GSEs could address the severity of credit losses, one of the drivers that led to conservatorship,” Rumfola said.

This is just one part of the GSEs' overall vision; other applications are set for launch as well. Announced last December, the Uniform Closing Dataset (UCD) is designed to provide a common industry standard for future loan deliveries to Fannie Mae and Freddie Mac as part of the Consumer Financial Protection Bureau's closing disclosure.

With the collection service set to begin shortly, lenders should be considering how to update their operations to accommodate this change. The GSEs have announced that by late 2017, the use of the UCD collection system will be mandatory.

Additionally, both agencies are finalizing the redesign of the Uniform Residential Loan Application and developing a corresponding standardized dataset, the Uniform Loan Application Dataset (ULAD). Implementation timelines are still forthcoming.

This adoption of commonly understood datasets and formats, Rumfola adds, represents a shift in thinking from the past.

“The focus on standardized data, coupled with technology to collect the data, means lenders are living in a trust-but-verify reality with their investors. While the rep and warrants business model still exists, the UMDP data collected by the GSEs enabled a much-needed update to the policy.

“Additionally, the GSEs are providing more certainty for lenders. In doing so, it should result in an increased level of comfort in eliminating credit overlays and originating within the entire GSE credit box,” Rumfola said.

The critical question that should be on every lender's mind now is how to get up and running with the next data-centric initiative, UCD. ■