



The Jury Is In: MISMO Is a Win

IT WAS 10 YEARS AGO THAT I AUTHORED an article that upset many. It was titled, “The Impending Failure of the X12 Format.” At the time, the industry was enamored with the X12 standards, which were later replaced by the MISMO® standard.

My article pointed out all the problems of the X12 standard and declared that it wouldn’t work. Many worked very hard on that standard, and everyone’s heart was in the right place. Still, it just wasn’t going to work for our industry for a variety of reasons.

This column, while 10 years later, is a follow-up that considers the various issues and how they were addressed by MISMO. Not that MISMO is perfect, as there are some aspects that create issues for technologists. It’s important that mortgage companies and mortgage technology firms objectively understand the pros and cons of MISMO.

In the X12 format each document would define the fields, but there could be similar fields—such as a borrower’s name—used on many documents. The problem would be that the name field could be defined several different ways, and thus be different for the various documents. One document could require one field for the entire name and another document could require three fields for a borrower’s name.

MISMO mostly solved this issue by first defining all the data elements in a data dictionary and then ensuring they were consistent across the many documents. This data dictionary was defined by industry veterans and is not governed by a foreign body.

A second issue was the convoluted process required by the X12 committee and standards-approval process. It was a great illustration of what’s meant by the term bureaucracy. In addition, X12 was national in scope among all industries and not specific to our industry.

MISMO streamlined the standards process and helped speed the process

along. In our industry, the data requirements are constantly shifting, making it crucial to adopt changes rapidly. I might argue that MISMO could move even faster, but the job is getting done.

A third issue was how the data were stored. The X12 storage format was just archaic. Extensible markup language (XML) is far better for working with the Internet and today’s technologies. It also

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allows for collaboration among interested parties helping define the data dictionaries. Clearly, many in the industry need to opine on how they feel the data should be defined. It’s the industry technologists who are in the know, and their input is crucial.

In the previous attempt at creating standards, this process wasn’t in place—X12 was originally built to support the car companies and their electronic data interchange-based (EDI-based) invoices. The X12 was even cumbersome for moving data, as it was bulky and prone to errors. XML, on the other hand, was designed for moving data.

A fourth issue was that the X12 format was used to transmit data back and

forth between separate parties. While MISMO is mostly used this way, it has a huge advantage in that the data can actually be stored efficiently in the MISMO format. Some loan origination systems today actually use the MISMO format for storing their data natively. While some software developers may choose to not use the MISMO format for storing all the data on hard drives, at least they have a choice.

Imagine that if every piece of software in the mortgage production environment used MISMO standards for all of their storage, a company could add and remove the software programs at will without concern for data migration and conversion.

A fifth issue with X12 was that different parties used fields differently. Even if two firms agreed to use X12, their staff would often interpret the standards so differently that sessions had to be held to work out the differences. MISMO has mostly gotten around this issue by forcing participants to agree about exactly how each data element is used and how it will look.

So if everything is so rosy, what’s to worry about? With any standard, there are going to be issues that we must consider.

One issue is that in the case of data dictionaries centered around services, the data are actually the product. For example, when data are returned in a MISMO-standard format for credit reports, all the vendors look pretty much the same. Credit-reporting companies have a strong desire to differentiate themselves from their competition. To a certain extent, MISMO can create a commoditization of the credit-reporting process. Still, the credit-reporting companies have found other ways to differentiate themselves, so the industry is adapting.

Another issue that would occur with any standard is when one company needs additional data elements for its

own use. It's not uncommon for a company to require special-use data elements. However, the company might add fields by mistake that are actually already in the data dictionary, or add fields that should have been put through the MISMO process so they become standard.

If the company decides to just add special fields on its own, then any other company that needs this information must customize its systems to use the new fields. Later on, if these special fields are added to the standard, you have two firms that are out of compliance.

Finally, mistakes are always prevalent. Problems have come up where one vendor doesn't implement the standard properly or makes a half-hearted attempt to use them. Sometimes a vendor takes shortcuts instead of taking the time to ensure it is adhering to the standards.

Any standards body has very limited ability to force proper usage. In the world of high development costs and quick deadlines, sometimes developers will opt for a quick-and-dirty solution to solve today's problem quickly. Longer term, though, it costs us all more. More recently, MISMO has taken steps to solve this problem by creating a compliance program that certifies compliance. Only those vendors that can prove proper usage of the standards can obtain compliance certification.

I had a chat with Keven Smith, president of Mortgage Builder Software Inc., Southfield, Michigan. I asked him about his frustrations related to the current state of standards initiatives in mortgage technology. He quickly explained that many of the software vendors that have loan servicing software are not MISMO-compliant—so he has to write a different interface to each one of them. He added that with the other interfaces such as credit reports, he only had to write one interface that was MISMO-compliant.

This was music to my ears. When I ran Contour Software, I spent years writing dozens of different interfaces for credit reports—so it was amazing to know that Smith only had to write one. Clearly, these "frustrations" with MISMO only had to do with when it wasn't being used.

I asked Smith again about any actual

frustrations, and he said there is one vendor that had added a lot of its own fields to one of the data sets, requiring his firm to make customizations. So again, the frustration had to do with how a MISMO standard wasn't being used properly. Overall, it was a great endorsement of MISMO.

Today, any software developer working in our industry has to be keenly aware of MISMO and understand the pros and cons of the standard. There might be times when it doesn't make sense to use MISMO, but I think those are few and far between.

Short term, MISMO could be more expensive versus other options. Developers need to strive to use these standards properly and make the needed investments. One thing is for certain: MISMO

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is here to stay, and unlike with X12, I can't see any new standard forthcoming.

I wish I could take some of the credit for creating MISMO, but I can't. I had nothing to do with it. I just sat back and watched it roll out, withholding my opinion as to its future.

For a long time during the mid-1990s, I stood alone in criticizing X12, and took a lot of heat for it. Eventually its demise played out, however, which paved the way for a far better solution. My hat goes off to the cadre of hard-working technologists who make up the MISMO team—it's been a job well done. It feels good to say that the jury is now in, and it's a clear victory for MISMO.

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