What's up with XML?

XML (Extensible Markup Language) has received a lot of press over the last year. Certainly, all the top names of the industry stand behind the use of XML within our industry. They include Fannie Mae, Freddie Mac, MBA and most top lenders and industry service providers. The praise has also been non-stop by a wide following of industry technologists. So is XML all that it's cracked up to be?

I must first admit that I've been asked by many NOT to write this article. The reason being is that I wrote an article about five years ago when the MBA sponsored X.12 standards were all the rage. My article was critical of X.12 and explained all the reasons for it's ultimate failure for the vast majority of the transactions it was designed for. It was the first article that stood against the dozens of articles that were strongly in favor of X.12. While I think the article said what many felt, I initially faced a barrage of criticism. It wasn't my desire to reduce industry support for it - a lot of individuals put years of hard work into the X.12 standards. Still, when it became clear that X.12 wasn't going to succeed many referenced the article for all the reasons why. Some fear a similar article on XML could doom its very strong following and hurt industry-wide adoption. For these reasons I've been reluctant to write this and have delayed publishing anything on XML. So here it goes.

XML is touted as a standard that our entire industry can use to communicate between all the parties. Imagine a common language that everyone uses. XML is powerful and clearly a much better solution than X.12 ever was. It can contain images and other attachments. It's also easily expanded and well adopted for the Internet. XML was created by Microsoft to allow data to be exchanged over the Internet – by all accounts, it's powerful and well designed.

Here's where the problems lie. First, it's fairly difficult for programmers to build the needed software. Simpler formats can be much faster for building an E-commerce interface between a lender and a supplier. Often, two companies that want to communicate electronically will opt for the easy way out. This means using simpler data formats or a solution that on the short term will get them by.

A second problem is related to standardizing data. A significant problem is that many companies in the industry have needs for special data elements that may not be part of the standard. XML is great in that it allows for expanded data segments but this doesn't mean that everyone uses the same expanded data elements the same way. Various flavors can be used which then means

standards become non-standard. Vendors also have their own needs that sometimes preclude using a standard. Further, some vendors may actually want a non-standard use of XML in order to differentiate themselves from their competition – they may want added features and data their competition doesn't offer. It's hoped that developers will stay with the standard portion and use the data extension features of XML for their proprietary needs.

Despite these issues, XML has many advantages that X.12 never offered. XML is far more powerful and is designed for the Internet. X.12 was created when the Internet didn't exist. Another major difference is that with X.12, all changes had to go through the ANSI governing body. This process took years and had to go through numerous committees in order to see a change made to a standard. Often, any needed changes wouldn't be done in time before the latest technology had gone mainstream. Thus programmers were forced to develop their own solutions. With XML, the MBA has chosen a small group called MISMO (www.mismo.org) to oversee development and any changes. This group moves far faster than the governing bodies used for the X.12 standards.

Perhaps the most significant advantage has to do with the industry moving to the paperless loan. XML will be instrumental in this development and gives us all the power we need. Eventually, we'll see centralized storage of loan documents for all to access. Most likely, these will be in an XML format. Industry suppliers will retrieve and post documents to an electronic folder and will do so using the XML format.

I envision that unlike X.12, the industry will see widespread use of XML. However, it won't be used for all E-Commerce solutions. There are many other solutions that serve the needs of the transactions at hand. They are simpler, quicker to develop and meet the needs of the communicating parties. For example, both Genesis and Contour have developed proprietary solutions that allow their software to post any loan data to any web site with just a couple of hours of programming work. Such solutions work for the majority of today's E-Commerce needs and are extremely easy to implement. Still, as we move to the more advanced solutions, XML will become the preferred solution. Unlike X.12, XML will see increasing usage in the years to come and hopefully, we'll all enjoy some wonderful applications.

For all this, we owe a lot of thanks to individuals who have donated much of their time to help create these standards for the industry. Just a few of the dedicated people are David Barkley, Lisa Bolelli, Roger Gudobba, Todd Luhtanen, Dan McLaughlin, David Williams and there are many more.

One positive aspect of all the work done with X.12 is that it does provide the industry with individual data element standards. Having industry agreement on the definition of fields and how the data is held in each field was a help to the XML efforts. It's good to see that some of the hard work with X.12 didn't go to waste.