

Who's Got The File?

Mortgage technologists in the industry often have major debates about the file structure of a loan file, its ownership, and where the “file of record” is stored at various points in the loan process. While the average mortgage originator is likely blind to these issues, their future will largely be impacted by the outcome.

The problem today is that various companies often claim ownership of the borrower information at various stages of the loan process. This creates a mired of issues when trying to automate the industry. For example, what happens when a loan processor enters the wrong zip code for the subject property and days later it's corrected? As the industry migrates to moving information in the background between all parties of a loan transaction, this becomes a major issue. Several days into the loan process, the title company, appraisal company, wholesaler, automated underwriting system vendor, flood insurance company and others could have a wrong zip code for this loan. Understanding that literally, hundreds of data elements are now being moved between various parties with the new transaction networks, it's easy to see how this issue is growing in significance.

Ideally, a precedent needs to be set that dictates who owns the loan file and at what stages. Thus, if the mortgage company that originates the loan is the file owner of record, the loan processor can correct the zip code and expect that all the other systems will be updated appropriately. The forthcoming connectivity solutions will insure such information is moved seamlessly and in the background between the various back office solutions. On the other hand, if the title company perceives they “own the file” and they correct the zip code, then they expect the other systems would be updated including the loan origination system (LOS) of the mortgage originator. A title company might argue they should be the owner of record for property information and thus, should be responsible for all property data. This logic also allows the title company to exert a more powerful influence in the origination process which increases their value. As the industry continues to become automated, every participant in the process is struggling to insure their position and that their value remains strong.

I propose that the mortgage origination company is the owner of record until such time the loan is transferred to another mortgage institution, which could be a wholesaler, lender or loan servicer. All other parties in the transaction should build their systems to move data to and from the owner of record. Each party can certainly update information back into the LOS as any data that vendor provides is updated. For example, we know today that when a credit report is ordered, the LOS is automatically updated with the debts and liabilities. This fits perfectly into our model but there are many other vendor types that have yet to adopt this process such

as the title companies.

So who holds the loan file of record at each stage is important, it's also important who owns the data. Obviously, there are many large consumer companies that would love to access the richest database of consumer information that ever exists. The loan application has more data collected on the consumer than any other process a consumer goes through. This data is invaluable for consumer marketing organizations who would love to know details like the amount of debt a borrower has, the age of their cars, the size of their stock holdings, their income, etc. Currently, it's pretty clear that the mortgage origination company owns this data. However, if the title company receives a copy of the loan application, may they also mine this data and potentially sell it? In the case of the appraiser, it appears they own the data they create along with the data provided by the mortgage company. There are already many companies attempting to aggregate the appraisal data for profit. Does the mortgage company also own this data? What about the borrower who paid for it? If a wholesaler is involved, do they have a right to all the data in the LOS of the mortgage originator or just the data they request? Can even the flood insurance company use the data? There are many unanswered questions though one aspect is clear, the value of the data that the mortgage origination company holds, is immense and invaluable.

Finally, we have to look at how this data is stored. Fortunately, this issue is becoming simpler as the industry rallies around both the XML format and the MISMO formats. XML appears to be cemented in and has widespread support already. MISMO still has some hurdles to gain widespread adoption though progress is solid. In order to easily move all this data between all these disparate parties, we must all agree on how the data will be stored.

Where the data is stored, who owns the data and how it's stored, is quickly elevating in importance in our newly automated industry. Mortgage technologists have their hands full in trying to determine the rules by which we will all work in the future. As a mortgage originator, you should be intently aware how this plays out. Its outcome will help determine the value you add to the process along with what parts of the process you own.