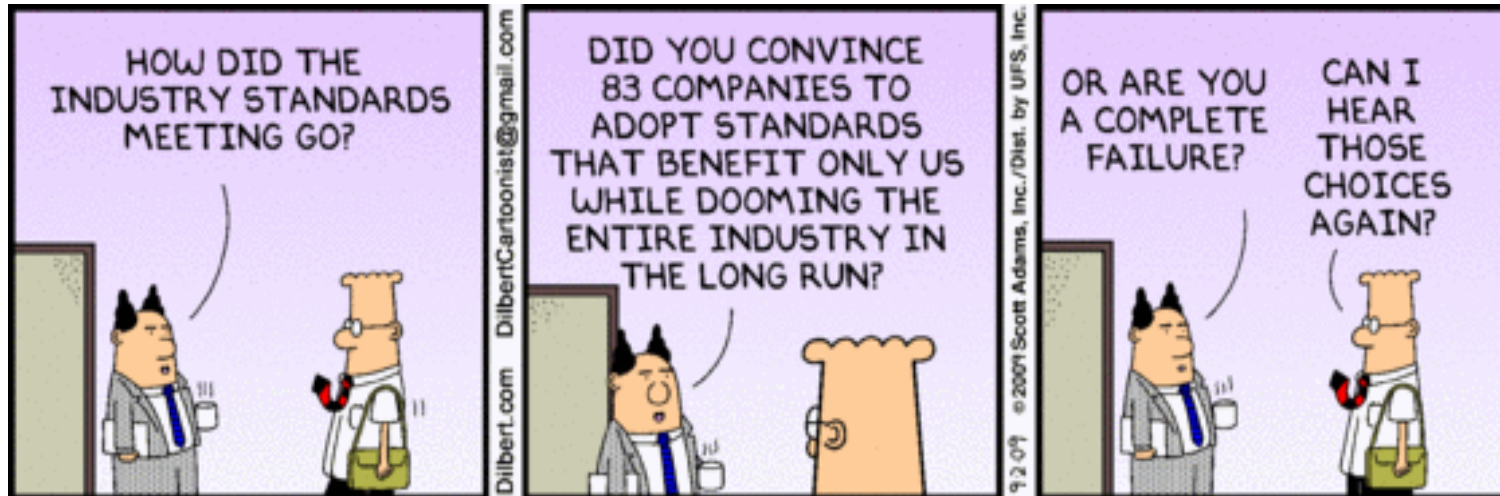


MBA's COMMERCIAL/MULTIFAMILY
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MAY 23-26, 2010 + NYC

Making MISMO Work for You
Opportunities & Challenges



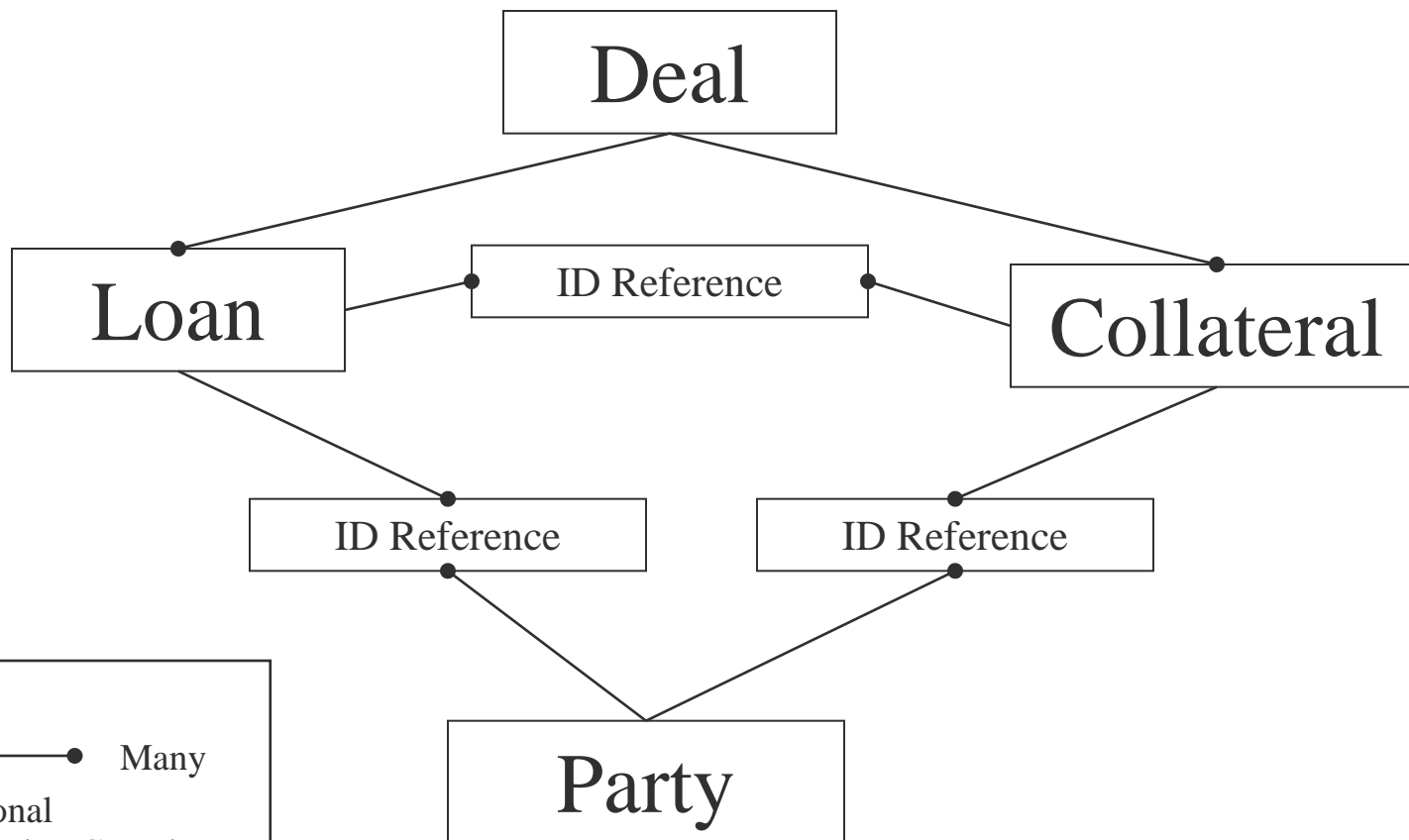


C-MISMO Standards

- The core of MISMO's Commercial standards is a scalable architecture built around a **Commercial Reference Model** and a **Logical Data Dictionary (LDD)**
- They provide the framework for consistent vocabulary, syntax, and structures across all commercial specifications
- The Reference Model provides a snapshot of the content for all of MISMO's commercial standards, and shows how all the pieces logically fit together



Commercial Reference Model



Key

One ———● Many

----- - Optional

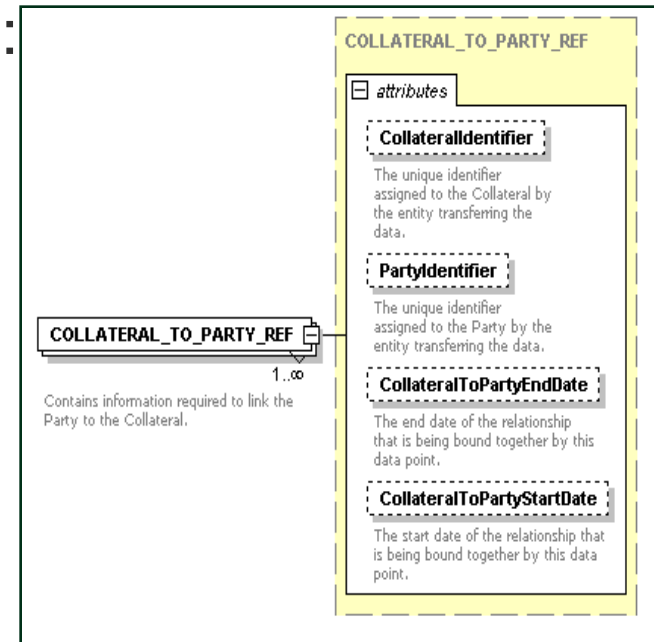
■ - Repeating Container



Commercial Reference Model

The Reference Model package includes:

- an XML schema file illustrating data relationships
- a full LDD in Microsoft® Excel format with the data fields, data types and definitions used in all commercial specifications



Current Commercial Standards

Property Condition Assessment (PCA) Synopsis 1.2

- site plans
- site photographs
- qualifications documentation
- regulatory research documentation
- tables detailing Immediate Repairs, Short-term Repairs and Replacement Reserves



Current Commercial Standards

Seismic Report Synopsis 1.2

- details of the characteristics of the site
- details of the characteristics of the building
- potential for nearby seismic events
- conclusions and recommendations



Current Commercial Standards

Work Order Request and Response (WORR) 2.0

- automated way to order a variety of due diligence reports, check on the order status of the reports, and determine the parameters of the lender or vendor's response
- bidding environment, allowing a back-and-forth dialogue between parties negotiating the order, checking on the status, and processing the results



Current Commercial Standards

Document Classification 2.0

- standardized methodology and nomenclature for identifying an embedded document by category and type
- relates information in the document to a particular loan, collateral, or party
- can be implemented for both “imaged” or “fully electronic” document systems
- enhances processing efficiency and adds value to electronic exchanges between business partners



Current Commercial Standards

Property Inspection 2.0

- based on the **MBA Commercial and Multifamily Property Inspection Form**
- MBA form resides in native Excel format and the MISMO standard maps the form fields to a “tagged” XML format to provide a fully electronic transmission that can be processed directly by automated systems
- capability to include embedded photographs, maps and rent rolls
- uses the Document Classification standard to leverage the capability to identify and transfer attached documents electronically



Current Commercial Standards

Commercial Servicing Transfer 1.0

- MISMO's first commercial standard, established framework for comprehensive Data Reference Model
- Facilitates transfer of servicing from originator-to-servicer and servicer-to-servicer
- Also beneficial for internal system database architecture and data transfers
- Reduces data conversion time
- Predetermined mapping to existing data enumerations



Current Commercial Standards

Rent Roll 2.0.1 and Operating Statement 2.0.1

- an alternative to the manual processing of financial statements, which is one of the single biggest “points of pain” in the commercial mortgage industry
- normalizes the data structure for critical property-level information
- allows valuation models to work
- provides enough information to value the underlying asset



Version 2.x architecture means:

- a shift to an element-centric schema which has greater flexibility and capability for data validation
- a single data model that integrates with the other standards in the MISMO data set
- the capability for greater security and encryption at the individual data field level



Property Inspection Standard

- MBA workgroup upgraded existing Excel workbook data elements
- Cooperated with MISMO to convert to XML
- All major players participated in the creation
- One-time technology investment will yield ongoing return
- Midland implementation
 - Receives majority of inspections in XML for direct uploading, including photos (>5,000 in 2009).
 - Major vendors have upgraded their data infrastructure, from website to transmission of XML, compatible with Excel
 - Smaller vendors can use Microsoft Infopath template to create XML file for transmission
 - MISMO Schema is embedded in Infopath template



Document Classification Standard

- Roughly 200 document index types
- Based on Loan, Collateral, Party containers
- Servicer maps images to existing internal document index values for importing
- Easy to provide to external vendors
- FTP sweep for ongoing transfer





WORR – Work Order Request & Response - is Commercial MISMO's standard for ordering due diligence reports

Financial reforms instituted by FIREA sought to assure lender 'safeness and soundness' (following the recession of the 1988-92):

- Reformed the way lenders ordered third party reports, particularly appraisals – conducted without undue influence by the parties involved in the real estate transaction. Comprehensive regulation through **USPAP** (Uniform Standards of Professional Appraisal Practice)
- 'Best Practices' have evolved with ASTM standards and **AAI** (All Appropriate Inquiry) for Environmental Site Assessments (**ASTM E1527–05**) and Property Condition Reports (**ASTM E2018-08**).





How does MISMO's WORR assure Regulatory Compliance with federal guidelines?

Fannie Mae, Freddie Mac and USPAP require that the appraiser *and* other third-party consultants be directly engaged by the lender for each loan, *not* the mortgage broker or the borrower (See USPAP 2010 & Agency Guidelines).

- This requirement extends to any 'federally related transaction', that is, to any financial institution either *federally regulated* or whose loans are *purchased or guaranteed by a government agency*. For example, under the Fannie Mae Multifamily DUS program, appraisals must be ordered by the DUS lender.
- The consultants for the other third party reports (Phase I **E**nvironmental **S**ite **A**ssessment , **P**roperty **C**ondition **R**eport and Seismic report) should also be engaged by the lender (see Fannie Mae Guide).
- A **WORR** system has the business *benefit* in that it **streamlines** the business process by **reducing staff time** devoted to the repetitive administrative ordering process and provides better **predictability for loan closing costs**.

The diagram below provides a schematic of the report ordering process that incorporates MISMO's WORR 2.0.



Report Ordering Objectives

Allow Lenders to efficiently order third-party reports and services

Build on existing lender-consultant relationships

Directly support lender's underwriting

Use an industry standard for vendor communication –
MISMO Work Order Request & Response 2.0

The diagram below provides a schematic of the report ordering process that incorporates MISMO's WORR 2.0.



Report Ordering Workflow



WORR 2.0 XML Schema





WORR Process Steps

- Step 1** - Lender [requests bids](#) on ESA, PCA, Appraisal or Servicing reports with a brief property description - address, property type, number of buildings, number tenants/units, property size (GBA), report types, valuation type (appraisal), availability of prior reports, preferred due date of reports.
- Step 2** – [Vendor bids](#) for the ESA and PCA with a 14 and 21-day delivery; one Vendor bids for the Appraisal with a 21 day delivery.
- Step 3** – Lender sends out [bid acceptances](#).
- Step 4** – Vendors [confirm that acceptances were received](#).
- Step 5** - Vendor of Appraisal report requests an [extension](#) of 7 days for the reports' delivery date because access to the property is not provided until 8 days after the Lender engages the appraiser.
- Step 6** – Lender [confirms extension](#) of 7 days to all vendors due to limited property access.
- Step 7** – Vendors [acknowledges receipt](#) of 7-day [extension](#).
- Step 8** – Vendors [notify](#) the Lender that [reports are complete](#) and were sent as of a [specific date](#).





WORR – Ordering Process

Jeff Howry – Real Analytics

COMMERCIAL/MULTIFAMILY
SERV/TECH 2010

Step 1A - Lender requests bids on ESA and PCA – Sample Data Fields from WORR Standard

Business Term	Container Name	Element Name	Enumerated Type Name	Data Type	Sample Data
Unique ID	DEAL	DealIdentifier		MISMOIdentifier	2009D0123
MISMO Version	TRANSACTION	MISMOVersionNumber		MISMOString	2.0
Lender's Purchase Order No.	WORR	PurchaseOrderIdentifier		MISMOIdentifier	091001
Property Name	REAL_PROPERTY	PropertyName		MISMOString	Town Center
Property Address	REAL_PROPERTY	StreetAddress		MISMOString	100 Main St
Property City	REAL_PROPERTY	City		MISMOString	Centralia
Property State	REAL_PROPERTY	State		MISMOString	Kansas
Property Zip	REAL_PROPERTY	Postal Code		MISMOString	66415-9735
Property Latitude	REAL_PROPERTY	Latitude		MISMONumeric	39.7247463
Property Longitude	REAL_PROPERTY	Longitude		MISMONumeric	-96.1246688
If Property Report is ESA					
ESA Report Identifier	PROPERTY_REPORT	PropertyReportIdentifier		MISMOIdentifier	091001ESA (Required)
ESA Report Type	PROPERTY_REPORT	PropertyReportType	PropertyReportTypeEnumerated		ESA
If Property Report is PCA:					
PCA Report Identifier	PROPERTY_REPORT	PropertyReportIdentifier		MISMOIdentifier	091001PCA (Required)
PCA Property Report	PROPERTY_REPORT	PropertyReportType		PropertyReportTypeEnumerated	PCA
PCA Loan Term	WORR	PCALoanTermValue		MismoValue	10
PCA Reserve Term	WORR	PCAReserveTermValue		MismoValue	12
PCA Reserve Inflation Rate	WORR	PCAIInflationPercent		MISMOPercent	3%





WORR – Ordering Process

Jeff Howry – Real Analytics

COMMERCIAL/MULTIFAMILY
SERV/TECH 2010

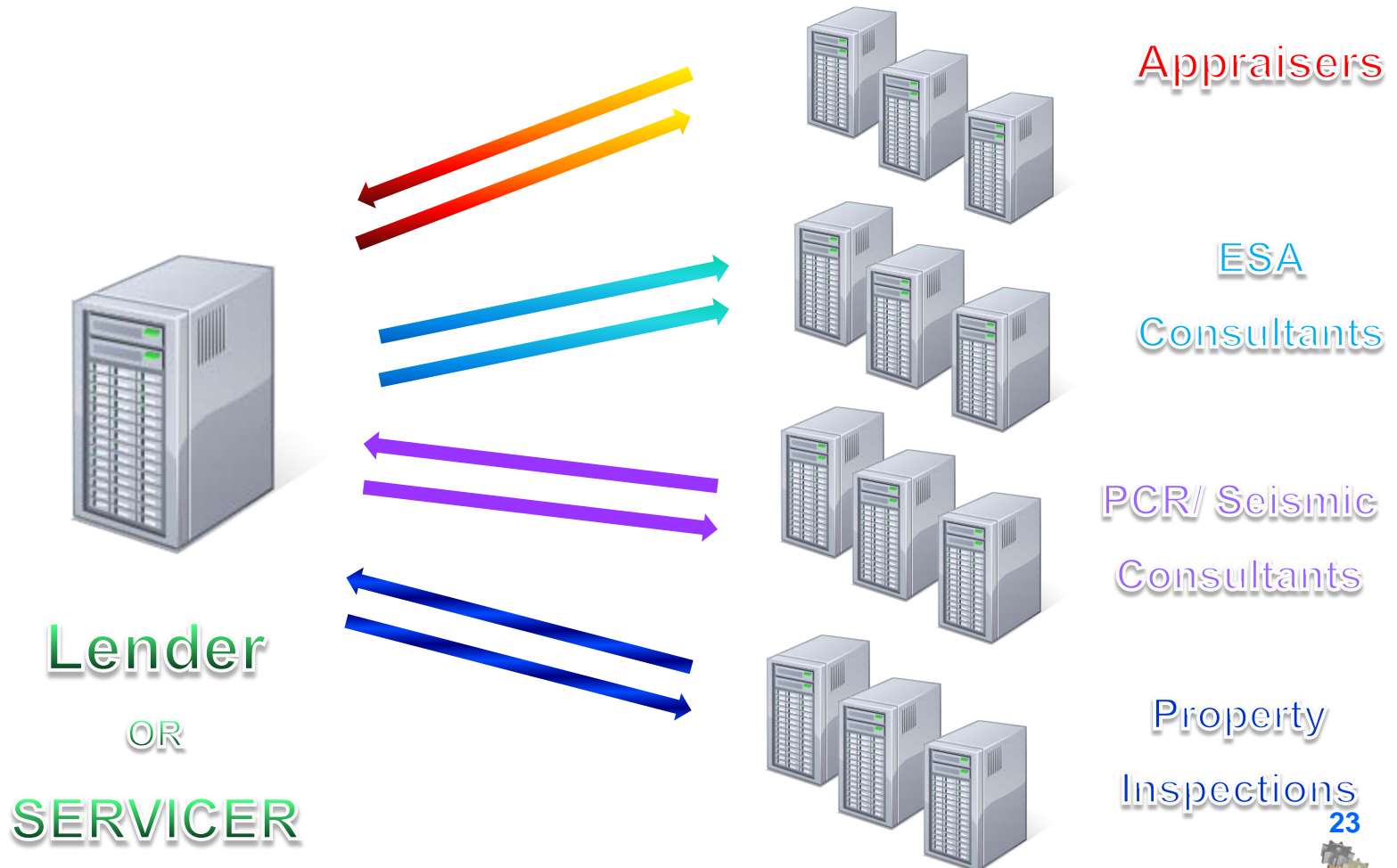
Step 1B - Lender requests bids on an Appraisal report Sample Data Fields from WORR Standard

Business Term	Container Name	Element Name	Enumerated Type Name	Data Type	Sample Data
Appraisal Report Identifier	PROPERTY_REPORT	PropertyReportIdentifier		MISMOIdentifier	091001VAL (Required)
Appraisal Report Type	PROPERTY_REPORT	PropertyReportType		PropertyReportTypeEnumerated	Self Contained
Appraisal Date of Valuation	WORR	AppraisalTimeofValueType		AppraisalTimeOfValueTypeEnumerated	Current
Real Property Interest Valued	WORR	AppraisalInterestType		AppraisalInterestTypeEnumerated	Fee Simple
Appraised Value Definition	WORR	AppraisalValueDefinition		MISMOString	Market Value
Gross Building Area	REAL_PROPERTY	GrossSquareFootage		MISMONumeric	80,000
Number of buildings	REAL_PROPERTY	NumberOfBuildingsCount		MISMONumeric	4
Number tenants	REAL_PROPERTY	NumberOfTenantsCount		MISMONumeric	12
Year Constructed	REAL_PROPERTY	Structure_Year_Built		MISMODateTime	1980
Availability of prior reports	WORR	AvailablePriorReportsType		YesNoNAPNAVTypeEnumerated	Yes
Prior Report Date	WORR	PriorReportDate		MISMODateTime	2007_4_1
Identifier for Prior Report	WORR	PriorReportIdentifier		MISMOIdentifier	AG2007_4_1
Days until report is delivered	WORR	TurnaroundTimeDays		MIMSONumeric	21
Bid Deadline	WORR	BidDeadlineDate		MISMODateTime	2009_11_15



WORR Implementation

Servers permit using “web services” between Lender or Servicer and Vendors



Case Study - Servicing Transfer Standard

- Case Study – Midland Implementation
 - Enhanced loan servicing system user interface to enable importing MISMO XML file
 - Partnered with multiple originators to provide data in MISMO format
 - Established FTP site to transmit data
 - Exports data out to MISMO XML schema
 - Beneficial for internal transfers between databases



SEC Proposed Regulations - Asset-Level Summary

Asset Data

Require asset-level information regarding each asset in the pool backing the securities. (e.g. **360** proposed data points for periodic reports for ABS backed by **residential** mortgages; **137** items for **commercial** mortgages)

Flow of Funds (Waterfall) Program

Require that issuers provide the flow of funds, or “waterfall”, in a program that can be downloaded with other security-related information.





Proposed SEC Schedule L	MISMO Solution
Table 1 – General Requirements - General Asset/Loan information (Asset ID, origination, amortization, underwriter), Current Loan Info (balance, payment, maturity, delinquency)	Residential MISMO LDD ver. 3.0 Commercial MISMO LDD ver. 2.0 PLUS Schemas
Table 2 – Residential Mortgage Requirements - Loan terms & loan type, loan modification, property information (occupancy, price valuation, LTV), borrower information (credit score, income, verification, mortgage insurance)	Residential MISMO LDD ver. 3.0
Table 3 – Commercial Mortgage Requirements - loan terms, ARM type, prepayment & amortization	Commercial MISMO LDD ver. 2.0
Table 11 – General Requirements - General asset information (Asset ID, payments, servicing fees, repurchases)	Residential MISMO LDD ver. 3.0 Commercial MISMO LDD ver. 2.0
Table 12 – Residential Mortgage Requirements – loan type and payment data, servicing info, loan modifications, loss recovery, foreclosure, charge off & collections details	Residential MISMO LDD ver. 3.0
Table 13 – Commercial Mortgage Requirements – loan terms, negative amortization, loss mitigation, loan modification terms, property-specific description data, income & expense info, building area, DSCRs, NOIs, 3 principal tenants	Commercial MISMO LDD ver. 2.0

SEC Data Requirement Challenges:

Proposed Data Fields are *not* equivalent to XML – lists of ‘required’ data cannot be directly converted to acceptable XML

- must relate to a schema
- must be ‘well formed’ and ‘extensible’ XML – follow rules for XML structures
- must use the Internet standard for XML data

[\(http://www.w3.org/standards/xml/\)](http://www.w3.org/standards/xml/)

SEC’s proposed data fields can be ‘**harmonized**’ with MISMO’s **Residential and Commercial schemas**, each of which have the necessary structure and associated Logical Data Dictionary (LDD) to accommodate the SEC’s data requirements for investors and meet the criteria for acceptable XML.



Flow of Funds

Proposed: Use Python, an open-source programming language, to structure a “flow of funds model” (waterfall).

Issue: the structure of such a funds “model” is not yet defined. Will more than one model be acceptable? (i.e. can different issuers of securities adopt different models?)

Issue: what additional burden will this place on servicers?



Overarching Issues

1. How to bring data collected at Origination or Underwriting forward into the ABS data file?
2. What additional responsibilities will Servicers have to collect, maintain and file loan-level data to the SEC's EDGAR website?

Stay tuned!



New Rating Agency Regulations

New Rating Agency Regulations – (Rule 17g-5):

- The rule requires issuers to maintain websites to share rating information with non-hired rating agencies
 1. Increase the number of ratings for structured finance
 2. Promote issuance of unsolicited ratings
 3. Reduce ability to obtain better than warranted ratings
- Creates opportunities to use MISMO standards for the documents and data the rating agency receive for CRE



New Rating Agency Regulations

New SEC and FDIC Securitization Rules:

- The proposed rule requires servicers and trustees to report structured finance surveillance data in XML
- The Bond Waterfall data is mandated to be standardized and “open source”.
- The required data set for CMBS has not been dictated but likely to be based on MISMO created CREFC IRP 6
- Like Rule 17g-5, the rules create opportunities for adoption of MISMO standards



Industry Collaboration

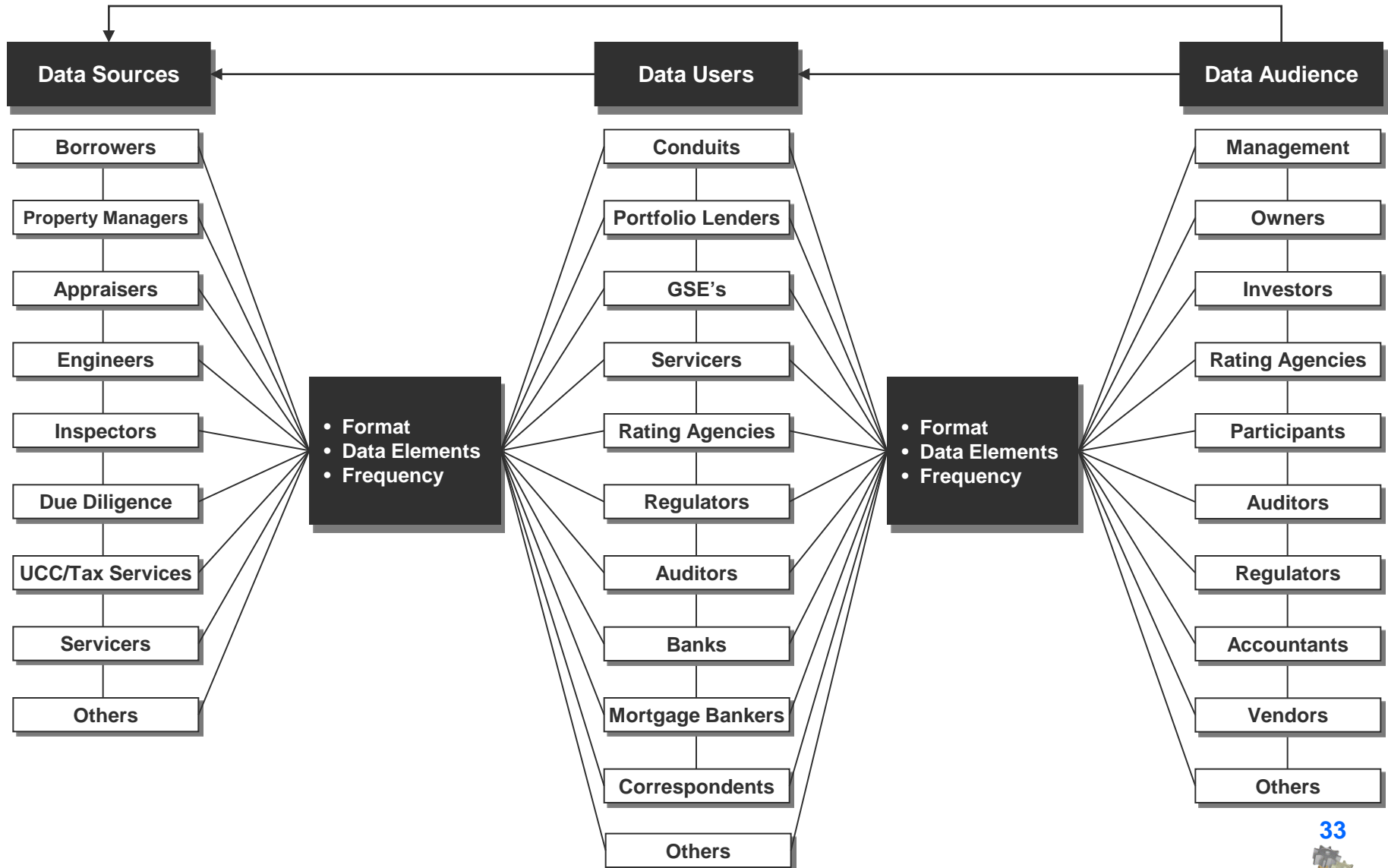
- MBA
 - Parent company of MISMO
 - Lobbying for Residential and Commercial
- CRE Finance Council
 - Expanding membership beyond CMBS
 - Ownership of IRP
- MISMO
 - Data standards to support industry
 - Separate residential and commercial governance





Data Players

Bob Vestewig – Gemsa Loan Services





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