

## Actualizing Success: Understanding the Redesigned URLA

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Welcome to Actualizing Success. In this podcast series our in-house advisors discuss today's finance and technology topics with an emphasis on solutions that embrace tomorrow.

Matt Seu: Today's podcast is with Denise Rivoal of Fannie Mae and Tom Sitzler of Actualize Consulting. And today we'll be talking about the culmination of the GSC's five-year effort to redesign the form 1003 residential loan application also known as URLA. And the creation of the corresponding data standard for the loan application, as we would refer to as a MISMO 3-4 file. We'll also get into a little bit of a conversation towards the end about how Actualize participated in this and, and what you can do if you need help and support. So, I'm Tom and Denise, thanks for joining us today. Let's just start off with Denise, you could just tell us a little bit about yourself and the project. That would be great. And then we'll talk to Tom.

Denise Rivoal: Sounds good. I'm Denise Rivoal. I'm a manager in Fannie Mae, single family digital products division. And I've been focused on the implementation and development of the redesigned URLA and corresponding data set. I have over 20 years of experience in driving complex, large scale strategic projects from concept to implementation.

Matt Seu: And, Tom, we know you here at Actualize, but the world doesn't sit down. Do you want to just tell us a little bit about yourself? Sure. Thanks,

Tom Sitzler: Sure. Thanks, Matt. I'm Tom Sitzler and I'm a senior manager at Actualize Consulting. I've been with the company for about 11 years now and I have over 30 years' experience in single family and multifamily, origination, underwriting servicing system development. And I've been working with Denise on redesigning form 1003.

Denise Rivoal: So why don't I just give a high-level overview of the initiative. It's part of the uniform mortgage data program, which was established by the GSC's Fannie Mae and Freddie Mac at the direction of the Federal Housing Finance Agency back in 2010. And the program is focused on improving the data quality and the loan manufacturing process. Through the adoption of data standards, such as the uniform loan delivery data project, and the uniform closing data set. actualize has provided assistance on both of these projects as well. There are three components that make up the redesign loan application initiative. The first is the redesigned form 1003 or URLA. The form had not changed in over 20 years, and the GSA has updated it to make it easier for a borrower to complete the loan application and includes information that is more relevant and useful to lenders. It was first published in August of 2016, and the final updated version was published in January of this year. The form includes updates from the GSC's as well as other government agencies. The second component is the uniform loan application data set mapping document that provides a cross reference for every field on the redesigned form to an equivalent data point in the MISMO three dot for reference model. And the third component is the DU spec for Fannie Mae's automated underwriting system, which is desktop underwriter. Each GSE published an updated specification that is based upon the MISMO 3.4 data standard. The du spec contains the technical requirements for how to create a new loan application submission file based on the redesign form. The spec includes the information from the form and Fannie Mae specific data requirements, including the conditionality, as well as all the details

that are needed from an underwriting and implementation perspective. All organizations that are integrated to D you will need to update their loan application submission files based upon the d u spec. As you may know, do you currently support the MISMO 231 and the three two flat file these versions will no longer be supported by Fannie Mae when these specifications are retired in 2022. With this initiative, Fannie Mae is not prescribing how lenders and vendors collect information for a loan, lenders should continue to collect the data they need for a loan application in any way that suits their processes and brings value to their customer experience. And as it is today, the form is not part of the loan application submission file to d U. However, it must continue to be in the loan file for any post purchase or QC review.

Matt Seu: Hey, Denise, just wanted to check in you know, it's been such a long project and I know there were some fits and starts but finally got over the finish line. How's it been going? I think we went live a week ago. Can you just give us a little bit of an update on that?

Denise Rivoal: Sure, Matt. As you may know, it was a week ago on March one was the mandate when all lenders are required to submit their loan application submission files to D use production environment based on the updated specification and use the redesigned form for all new loan applications received on or after March one, the rollout has been going surprisingly well. Considering this is such a significant change to the industry.

Matt Seu: And what are a few things for lenders to keep in mind?

Denise Rivoal: A few things for lenders to remember is any loan application that was started prior to March one can continue to use the legacy form and legacy file format. Any loan that starts on or after March one must use the redesigned form and the MISMO three dot for loan application submission files. The GSC's do not have any requirements for how a lender determines the loan application start date. However, the expectation is that the lender will be consistent with how they determine and define the start to accommodate those loans that are started in a legacy format prior to March one, but not submitted to do you by that date. Do you will not return an out-of-scope message on new loans submitted in the legacy format until May one of 2021. We anticipate that the industry will submit these applications started in the legacy format to DU by May one effective may one, any new loan submitted using legacy format will no longer be accepted and will receive an out of scope recommendation on loan file submitted to DU using legacy formats with the case file create date on our after May one March one of 2022 is the retirement date when the legacy form, and legacy loan application submission files, regardless of when they were started will no longer be accepted. The implementation timeline is available on Fannie Mae's URL, a web page.

Matt Seu: Wow, that was a lot. And I know that things have been going pretty smoothly. But I know that there's some folks that are still having a little bit of trouble getting over the finish line and working long hours. So, you know, what would you recommend if there are lenders or vendors that are still having trouble with their implementation?

Denise Rivoal: Sure, if folks are having trouble, I think the first line of defense is they should be contacting their vendor. First. The GSCs can help the vendor through their transition, but lenders really need to contact their vendor first. If you have a specific question about DU production, you should call the DU helpline and that's the 1- 802 Fannie or if they have questions about how to complete the form, they can use our ULAB mailbox, which is you lad you la dee at Fannie mae.com. Even though we have already started implementing the redesigned form, there are a few things that lenders should be

focusing on for their implementation. Review the updated instructions that we have on our web page with your front office to ensure they have a clear understanding of what the expectation is of every field on the form. Everyone should be in the process of updating all your documentation, your policies, your procedures, your processes, and ensure your loan officers have been trained so they understand what the expectation is and that they are ready to support the new form and data. You need to be working closely with your technology solution providers to test the implementation of your updated loan origination system to ensure that the mapping is correct. We would invite you to regularly check our URL, a web page for any updates to FAQs, and other supporting documents. We periodically update the information based upon the feedback and questions that we receive.

Matt Seu: Thanks for the nice all-important information there. But I guess let's go back to the beginning. And then we started talking about URLA a really long time ago. Why did Fannie get involved in this to begin with? And you know, from the beginning and to where we are now, what do you view as the key benefits to the new application and file format?

Denise Rivoal: There are many benefits for doing this project, I think starting from a lender's perspective. The first is, it's more relevant since it features new and updated information reflecting both GSE and other government agency policy and industry changes. We've removed information that's no longer used to qualify the borrower, such as automobile make and year and borrowers years of school. It's easier to use. There's a flexible form design that acknowledges that not all loan applications are the same. It displays information in an easier to read and complete format. And it includes standard terms and definitions to promote a common understanding. A lender comment was they actually found the format to be readable, usable and easier to review. And they really liked the single borrower application format that really reduces the chance of missing or inaccurate information. From a borrower perspective, it was easier for the borrower to complete and review, we conducted usability across the country. And the ease-of-use scores that came from the usability testing, were twice that of the legacy form. The form improves form navigation, and it clearly shows the borrower the information that's used to qualify alone. It simplifies the loan application process. Since it separates the borrower provided information from the lender provided information. It was easier for the borrowers to complete the form with minimal lender intervention. And the fact that there's a one borrower focus, it grants greater privacy when you have multiple borrowers, since each borrower has their own form to complete. And a comment from the borrower testing was that they made fewer mistakes. And they were surprised that it took less time to complete the form than they expected.

Matt Seu: You know, and that's all-good news. from both sides. I was just curious, though. What are some of the specific changes that occurred in comparing the old application to the new URLA?

Denise Rivoal: The redesigned URLA lay is made up of five components borrower information, lender loan information, continuation sheet, additional borrower information, and unmarried borrower denim. Every loan will include the borrower information and the lender loan information component. The other components are used as needed. Depending on the borrower's and the format chosen. The continuation sheet is used for state specific information disclosures or when additional space is needed. The additional borrower is used if there's a second borrower, and they combine their financial information on one form, there is no longer a borrower and co borrower, every borrower is treated equally. lenders have the option to use the unmarried addendum if the borrower selects unmarried under the marital status and the borrower information component to collect additional details which may be necessary to assess the impact of state law on property rights, or the credit worthiness of the borrower. The redesigned form is also available in five languages Spanish, Korean, Vietnamese, Tiglao and traditional

Chinese. And these forms are available on our website to serve as a translation aid for borrowers who are not proficient in English. Some key features of the form are the one borrower form design. When you take a look at it, you'll see the form no longer has the double columns and as I mentioned, each borrower has their own form, whether it's the borrower or additional borrower. When you look at the form, you'll see it has a similar look and feel as the loan estimate and closing disclosure. To identify the form as a mortgage document, we hired the same forms design firm, that was used to create the loan estimate and closing disclosure and instructions on the form for the most likely choices for asset liability and income types are included on the form to eliminate nonstandard responses to help the borrower understand what information is expected.

Tom Sitzler: Matt, the GSE is also added several completely new sections on the redesign form as well in section for the three sections, they cover our other new mortgage loan on the property you are buying or financing. This captures subordinate liens on the subject property that are concurrently being financed with your first mortgage. There's also a rental income on the property on a purchase, which is basically for when you have a purchase transaction. This captures the expected monthly rental income on the subject property makes it easier for borrowers to capture rental income. There's also a new section on 4d gifts grants you have been given or received for this loan. It's a separate section to identify gifts and grants and includes a list of possible sources and the ability to denote whether the gift the grants already been deposit or not deposit into their checking accounts. Many sections don't have a new indicator called does not apply to checkbox for borrowers note that this section does not apply to their applications so that the lender knows a section was intentionally left blank. And if there's more than one borrower and is convenient for borrowers have share liabilities and assets as needs mentioned earlier and additional bar form can be used to avoid the need for providing duplicate information or filling out to complete borrower forms. each additional borrower must complete their own section, which is the borrower information section one declaration session which is far section five Military Information demographic information in loan originator information. The additional bar indicates that his or her assets, liabilities, real estate loan or property information and acknowledges their own signature on the borrower form by completing these sections. Some of the form differences between the old form and a new form is, as Denise mentioned, are easier to read. These are entering information as larger font or whitespace. We have better instructions. And there's clarity on multiple borrower's additional contact information with the key now putting your cell phone and your email in the form. So, it's gotten much better.

Matt Seu: Seems like it's much more with the times in terms of what borrowers are looking like and the complex nature of lending over the last several years. What you know, at the end of the day, I mean, there was a ton of work put into this and we did just launch but are there any lessons learned that either of you can share for the audience?

Denise Rivoal: Sure. One recommendation is to reach out to the ULAD team, we are ready to you know support industry and clarify any questions that you might need help with. And we would encourage you to, you know, keep asking questions, you know, we are here to help. Another recommendation is to obtain the MISMO 3.4 format documentation early on in the process to understand the requirements. There are new and modified fields that may impact numerous vendor interfaces and downstream systems. So allow enough time to address any unforeseen impacts. And as you probably know very well, the form is used by multiple lines of business, not just origination. So, you it's important to work through the engagement to understand the impacts through the entire loan lifecycle and all your or origination service providers whether that's EMI appraisal, flood title, document providers, your trading partners and investors, everyone needs to be ready to use the redesigned form together along with the data.

Matt Seu: Thanks for nice, you know, just a few things that I wanted to note about Actualize as well as and I think it was alluded to, but we've been we've been involved in the creation of all of this from the very beginning as well as partners with Fannie Mae, as well as our work as industry volunteers within MISMO So, so we've got we've got a lot of expertise on it. And you know, if there are any, any folks out there that have taken a look at everything Denise and Tom have talked about, and they still need help, we certainly can help you with your mortgage data and MISMO efforts. And specifically, on your URLA and you lad and just a plug in as well. I mean, you can take a look at our website and read about what we do in the MISMO space, but also our product transform x, which is the smartness node MISMO translator has the ability for folks to communicate back and forth between their systems, and MISMO very specifically can read in and, and create the new data set. So, you know, just in closing, one more time, so that people have heard, loud and clear. You know, what are the Fannie supporting resources and where can they be found?

Denise Rivoal: Sure, the technical resources are located on the Fannie Mae technology integration web page. The DU specification leveraging leverages the MISMO 3.4 met reference model. And the spec has the technical requirements for how to create a loan application submission file based on the redesigned form. It contains the conditionality, cardinality implementation notes, and other business information for implementing the redesigned form in DU. The DU spec along with other supporting information, including the implementation guide and test case suite can be found on the technology integration web page. And there is a link to the technology integration web page from the URLA a web page, so you should have no trouble finding it. As a reminder, if you use a vendor loan origination system, you should contact your vendor first. If you have any issues in production, if they cannot help and you are still having production issues with DU, you should contact your regular customer service number for DU, which again is 1-800-Fannie. This group has the procedures for escalating any issues if needed. And I'll wrap up today's update with the contact information once again for the Fannie Mae you lead team, please contact us anytime. We are available at our mailbox, which is ULAD at Fannie Mae.com or access the Fannie Mae URLA web page, we continue to provide ongoing support and collaboration with industry. There are several ways for folks to collaborate with the GSC's a one of the ways is to join our joint GSE advisory group. If this sounds like something you'd be interested in joining, simply write an email to our ULAD mailbox. And as a reminder, we update our joint and Fannie Mae supporting documents based upon your feedback. So, I would invite you to regularly check our materials. And last but not least, we'd love having opportunities to present updates to add industry events. So, I want to thank the actualized team again for giving us the opportunity to be part of today's podcast,

Matt Seu: Denise Of course and we want to thank you as well and Tom, this was really interesting information.

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