



HOUSING
RESEARCH

Mortgage Industry Data Standards

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Recommendation on Framework for Mortgage Industry Data Standards

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Abstract

This report summarizes CMHC's recommended governance framework for Mortgage Industry Data Standards. This framework is a 'built in Canada' model developed by development staff with oversight from industry volunteers. Further, firms of different roles within the industry should evenly hold the leadership of the organization. We developed this framework following a number of workshops that clarified many of the features of the framework. A key question to which the workshops did not answer was the funding of the organization. Given the contentious nature of the question, we are proposing a flat-rate membership fee that the organization should revisit in the future. CMHC will create the necessary documentation and draft standards as a starting point for the development of data standards. CMHC will identify firms that have an interest in taking a leadership role, either to serve on the board or other key positions or as volunteer experts for other tasks. Ultimately, industry leadership is required moving forward to realize all the benefits to which standards can realize.



1. Introduction



The issue

Currently in Canada, data for the mortgage industry are not standardized, nor is there a mechanism for industry collaboration to create these standards. The result is that relevant stakeholders incur needless risks from data misinterpretation as well as financial and time costs. This stems from the need to remit data in multiple formats, ensure compatibility with business partners and interpret inconsistent data from partners. The industry requires a mechanism to create and implement standards that have widespread support among all key stakeholders.

Previous report

In the fall of 2020, Canada Mortgage and Housing Corporation (CMHC) published an initial report: [Mortgage Data Standards: Technology, business and policy joining forces to advance the industry](https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/mortgage-industry-data-standards)¹. We discussed how implementing mortgage data standards can substantially improve functionality and stability in an ever-changing technology environment. Options for a solution vary depending on roles and responsibilities, prioritization process, how the organization is funded, and international alignment in developing and managing the standards.

Current report

In October 2020, CMHC hosted a series of virtual workshops in collaboration with KPMG. Participants included more than 42 key industry stakeholders: large banks, medium and small lenders, technology firms, title insurers, credit rating agencies, Fintechs, mortgage insurers, mortgage brokers and industry associations. The goal was to capture their opinions and preferences on how to create and implement a Canadian framework for mortgage data standards. In this report, we present the key findings from the workshop and explore options. We also recommend an option most likely to be effective and broadly accepted.

The workshop themes

Industry workshops explored how to enable the industry and regulatory bodies to collaborate in the creation of data standards. The main discussion revolved around four themes that would set the foundation of a governance framework:

- How should a Canadian data standard be **developed and implemented**? ([See 2.1.2.](#))
- What **organizational structure** would lead to more efficient decision making? ([See 2.1.](#))
- What **funding structure** makes the most sense to all participants? ([See 2.2.](#))
- What is the **overall direction** that needs to be taken by the standards organization? ([See 2.2.](#))

Based on input from the workshops, we offer below the findings and recommendations for an overall data standards framework. Key goals were to ensure industry-wide perspectives are included and to propose structures for moving standards through an appropriate process.

¹ <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/mortgage-industry-data-standards>

Key Features of Mortgage Data Standards

Data standards are an agreed-upon set of data elements, definitions and relationships created to facilitate the exchange of data.

Key benefits

With broad adoption of the standards, there is a wide array of benefits for every industry participant. In particular, broad adoption will allow participants to:

- enhance innovations in an increasingly digitized era;
- unlock more advanced analytics by increasing the quality and consistency of data, thereby allowing for more publicly available data and more informed decision making;
- increase operational efficiencies by decreasing errors and keeping costs low; and
- facilitate mortgage funding options, more specifically in the uninsured space.

Use by industry

Relevant industry stakeholders agree to use the standards at their own pace, balancing the constraints of internal change management with overall cross-industry collaboration. Various countries have shown proven success, most notably:

- The US (Mortgage Industry Standards Maintenance Organization (MISMO))
- Australia (Lending Industry XML Initiative (LIXI))



2. Exploring a data standards framework: Findings and options

2.1. Data standards organization: A recommended organizational structure

We present an overview of the organization (figure 1) followed by details on the roles and responsibilities (table 1).

Figure 1: Data standards organization - A recommended organizational structure

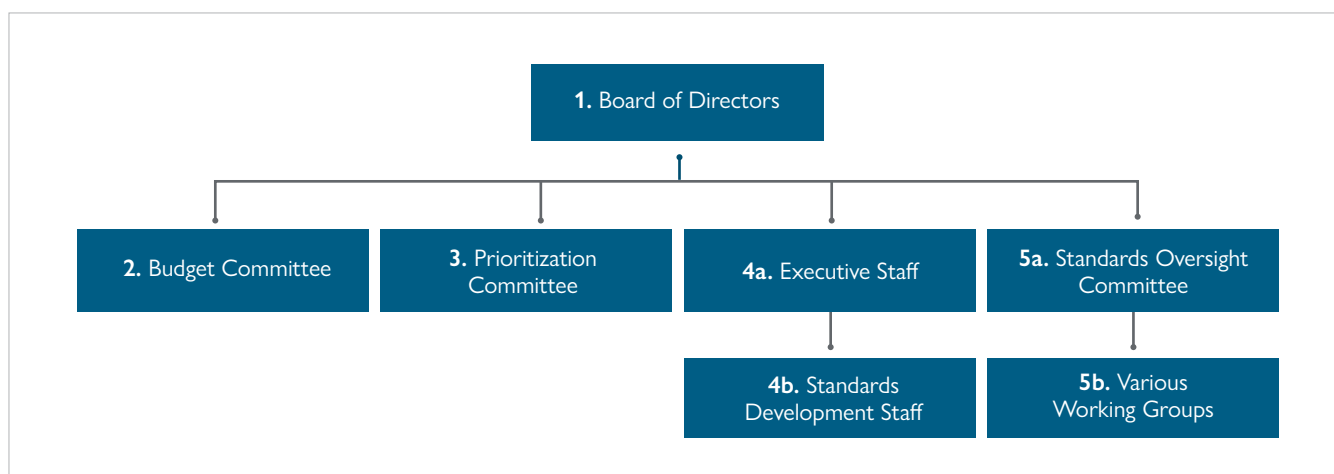


Table 1: Data standards organization: Recommended roles and responsibilities

Roles	Responsibilities
1. Board of directors / governing council	<p>Options include:</p> <ul style="list-style-type: none">a) a board of directors, for an independent standards organization; orb) a governing council, for a new function within an existing organization. <p>Responsible for the overall strategic direction of the organization. Members should represent the range of roles within the mortgage lifecycle: large lenders, small lenders, brokers, technology providers, title insurers, and mortgage loan insurers, among others.</p>
2. Budget committee	<p>Comprises select members of the board of directors. Responsible for overseeing expenditures (staffing and other), membership fees and other revenues for the organization.</p>
3. Prioritization committee	<p>Comprises select members of the board of directors. Responsible for prioritizing change requests from members. Assigns work to an existing working group. As needed, creates new working groups, including calling for volunteers and selecting a chair.</p>

4a. Executive staff	<p>Responsible for many administrative and support functions, including to:</p> <ul style="list-style-type: none"> • provide administrative support to working groups and board committees; • oversee the creation and delivery of training and educational material; • organize the logistics of the organization (maintain the website, plan events, develop communications, etc.); and • establish and maintain relationships with the Standards Council of Canada and international standards organizations. <p>Staff are full-time and paid through membership fees.</p>
4b. Standards development staff	<p>Responsible for assisting working groups in the creation of the data standards, including to:</p> <ul style="list-style-type: none"> • identify equivalent international standards for working groups; • provide recommendations to the standards oversight committee regarding architectural and information management considerations; and • support working groups in developing new standards. <p>Staff are full-time and paid through membership fees. Some functions may be outsourced when appropriate.</p>
5a. Standards oversight committee	<p>Members include chairs of all working groups and individuals appointed by the board of directors. Responsible for discussing topics relevant to multiple working groups. Also responsible for various aspects of data standards:</p> <ul style="list-style-type: none"> • Evaluate recommendations from a working group and consider implications from an architectural and information management perspective. • Approve changes to standards and release updated standards.
5b. Working groups	<p>Member organizations volunteer members to the working group of their choice. Each working group is responsible for a specific component of data standards. Roles will be to ensure alignment with business practices, regulation, validate quality, completeness and applicability of standards developed by the Standards Development Staff.</p>

2.1.1. Existing or new organization?

Participants discussed governance body options for data standards in Canada. They considered which ones have the necessary components (figure 1) to operate immediately.

Option 1: Existing organization — new or modified function

Participants expressed interest in this, but did not reach an agreement on any particular organization. They mentioned some organizations as potentially able to add data standards governance to their functions. CMHC will further explore the interest these organizations may have in taking on this function as well as their capability to do so.

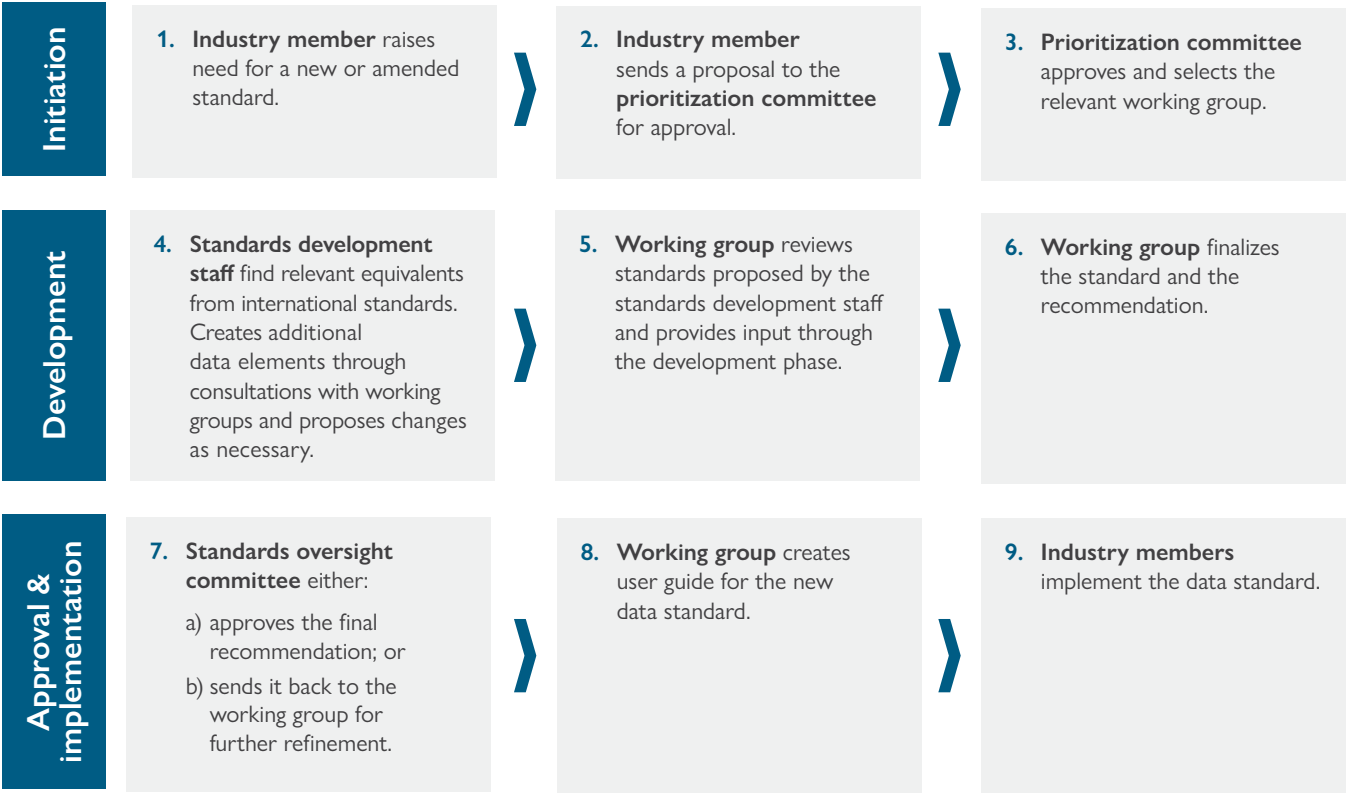
Option 2: New organization

Establishing a new entity remains the most likely outcome. Consequently, the content below reflects this assumption.

2.1.2. Workflow options for setting standards

Figure 2 outlines some workflow options for the process of creating a data standard, from initiation to implementation.

Figure 2: Setting a new data standard: Workflow options



2.2. Data standards framework: Recommended key features

Since most workshop discussions reached a consensus, we were able to identify key features for a successful framework. These assume the context of an independent organization. Figure 3 gives an overview of these features. Table 2 offers a description of each feature.

Figure 3: Key features of the proposed data standards framework













<p>A. Participation</p>  <p>Strong willingness to participate and to contribute volunteers.</p>	<p>B. Canada-Specific</p>  <p>A Canada-specific standard that leverages existing international standards.</p>	<p>C. Development</p>  <p>Firms focus on standards most relevant to them, on a volunteer basis.</p>
<p>D. Support to members</p>  <p>Data standards organization consults broadly with, and supports, industry participants.</p>	<p>E. Broad representation</p>  <p>Strong need for broad representation of all players in the industry.</p>	<p>F. Funding</p>  <p>Flat rate fee on launch; discuss tiered system later.</p>

Table 2: Key features of the proposed data standards framework

Key Features	Description
<p>A Participation</p>  <p>Strong willingness to participate and to contribute volunteers.</p>	<p>To facilitate active involvement and participation from the industry, our proposed framework tends toward a participative approach, both for the overall direction and the development. The industry contributes volunteers to the board of directors, standards oversight committee, working groups, and budget and prioritization committees. To help firms include this contribution in their corporate planning process, the standards organization should provide a clear work plan to their members.</p>
<p>B Canada-specific</p>  <p>A Canada-specific standard that leverages existing international standards.</p>	<p>The framework is founded on a “built-in-Canada-for-Canada” approach, because of the unique requirements of the Canadian housing finance system. In addition, a Canada-specific standards organization would ensure full control of the standards and their priorities by the Canadian industry.</p> <p>That said, there are many reasons to leverage the existing MISMO standard as a starting point to accelerate the creation of data standards in Canada:</p> <ul style="list-style-type: none"> • It has been broadly adopted in the US. • The reference model is quite mature. • Similarities exist between the Canadian and American housing finance markets. • A collaborative relationship with MISMO would help provide consistency across the North American market.

Key Features	Description
<p>C Development</p>  <p>Firms focus on standards most relevant to them, on a volunteer basis.</p>	<p>Firms were clear about wanting to selectively contribute to the aspects of the standards most relevant to them. For example, firms that operate in the securitization space desired to only contribute to the data elements relevant to that space. To support this, the governance structure includes working groups for setting standards.</p>
<p>D Support to members</p>  <p>Data standards organization consults broadly with, and supports, industry participants.</p>	<ul style="list-style-type: none"> • Industry members volunteer their input for the development of standards. • Staff from the data standards organization support the overall process (e.g., version control, reporting).
<p>E Broad representation</p>  <p>Strong need for broad representation of all players in the industry.</p>	<p>For successful adoption of the data standards, there is a need for broad representation from all involved.</p> <ul style="list-style-type: none"> • The data standards organization includes representation on the board of directors and committees from many firm types. (See table 1: Data standards organization: Recommended roles and responsibilities.) • Industry volunteers participate in the working groups to ensure full representation of the housing finance system. Regulators participate in the decision and prioritization processes as other members.
<p>F Funding</p>  <p>Flat-rate fee on launch; discuss tiered system later</p>	<p>Participants discussed two funding options:</p> <ul style="list-style-type: none"> • Flat-rate fees for all members. Given the contentious nature of this question, we consider this the most promising option, at least on the initial launch. Fees should not be overly cumbersome to small players. Following implementation, members will need to further discuss the best option, particularly if the funding proves inadequate for the needs of the standards organization. • Tiered fees, where larger institutions pay a larger share, were also considered.

3. Next steps: Draft foundational framework material and solicit leadership



Need for foundational materials

All options mentioned above require foundational materials to accelerate the creation and adoption of standards. As an immediate next step, CMHC will develop some of these materials for industry members to discuss, including:

- Data standards — Technical starting points, including a draft data dictionary.
- Educational materials — User guides to support firms' adoption of data standards.
- Governance — Draft guiding principles of governance for the data standards.

Need for industry leadership

The key to the success of data standards relies upon the industry's resolve to drive this initiative forward. Because data standards are implemented voluntarily, there is a need for strong leadership from all involved. CMHC will identify individuals from firms that have an interest in taking a leadership role. These individuals could either to serve on the board, in other key positions or as volunteer experts for other tasks.

For Further Reading

Full report: *Establishing Mortgage Data Standards in Canada: Report from Workshops*

https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/publications_3/cmhc---mortgage-data-standard---workshops-summary-final.pdf

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