BLOG POST

California DFPI to Implement the Mortgage Compliance Dataset

October 29, 2026
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By Sheila Oliver, Deputy Commissioner, California Department of Financial Innovation and Protection

The California Department of Financial Protection and Innovation (DFPI) is set to become a pioneer in implementing the new Mortgage Compliance Dataset (MCD) for residential mortgage origination compliance examinations.

The MCD streamlines the exams by providing a uniform file format for state and federal regulatory data exchange. The Mortgage Industry Standards Maintenance Organization (MISMO) coordinated its development with state regulators and industry for three years, and last year, the MCD became one of the first CSBS Catalyst initiatives. The standards will benefit regulators, industry, and consumers.

As a member of MISMO, DFPI has been committed to staying current with data standards and workstreams within MISMO development workgroups. DFPI also played a meaningful role in the development, adoption, and now implementation of the MCD by collaborating with industry, vendors, and CSBS.

DFPI views using compliance technology and standardized MCD-based data as imperative for mortgage origination examinations given the promise the MCD data standard offers both regulators and industry. Given the rising costs of conducting in-person examinations, the MCD and associated processes offer a realistic means of increasing the efficacy and efficiency of exams by using a risk-based approach to file selection, directing examiners to areas of potential compliance issues instead of using random samples for a stare-and-compare exercise that is both costly and oftentimes not effective.

What the MCD is and How DFPI Plans to Use It

The MCD is an industry-standard loan data file built with data elements from existing uniform mortgage data sets and replaces the Loan Examination File that state regulators used previously in origination examinations. The MCD covers first - and second-lien closed-end mortgages and includes data fields that allow compliance testing for federal lending laws. Future versions of the MCD will include state-level requirements.

MISMO developed the MCD to ensure industry participation and acceptance of the standard, to leverage MISMO's standard process for updates and releases and enable increased vendor portability. Further, reducing friction with technology providers, such as loan origination system vendors, is a primary goal.

DFPI plans to fully adopt and implement the MCD in origination examinations as soon as possible given the efficiencies that can be gained. DFPI looks forward to the State Examination System September 2026 release, which will publish a new standard Information Request that requires licensees to provide electronic closed-loan data in the MCD format. This will be useful in situations where the examining state elects to use the Information Request. DFPI plans to begin using the Information Request to assess originator and LOS readiness for full implementation in 2027. DFPI will also participate in a multistate effort to assess industry-wide readiness as states begin using MCD-based processes and request file data in this format.

DFPI's Plans for Future MCD Testing and Implementation

By the end of the first quarter of 2027, DFPI will schedule a pilot examination through SES using the MCD Information Request, MCD-based data, and compliance technology vendors to test the MCD data standard and associated processes. DFPI will focus its efforts on states that want to partner to establish the next generation of state examination procedures that use the MCD and compliance technology.

Interested lenders can contact Kevin Byers, CSBS senior director of nonbank supervision and enforcement, (kbyers@csbs.org) or Sheila Oliver, deputy commissioner DFPI (Sheila.Oliver@dfpi.ca.gov) with questions or to establish a work plan.