

# The Digital Mortgage Revolution: The Five Things You Need to Know Today

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# The First Thing You Need To Know

## What Exactly *IS* a Digital Mortgage?

Clearing up misconceptions

# What is a Digital Mortgage?

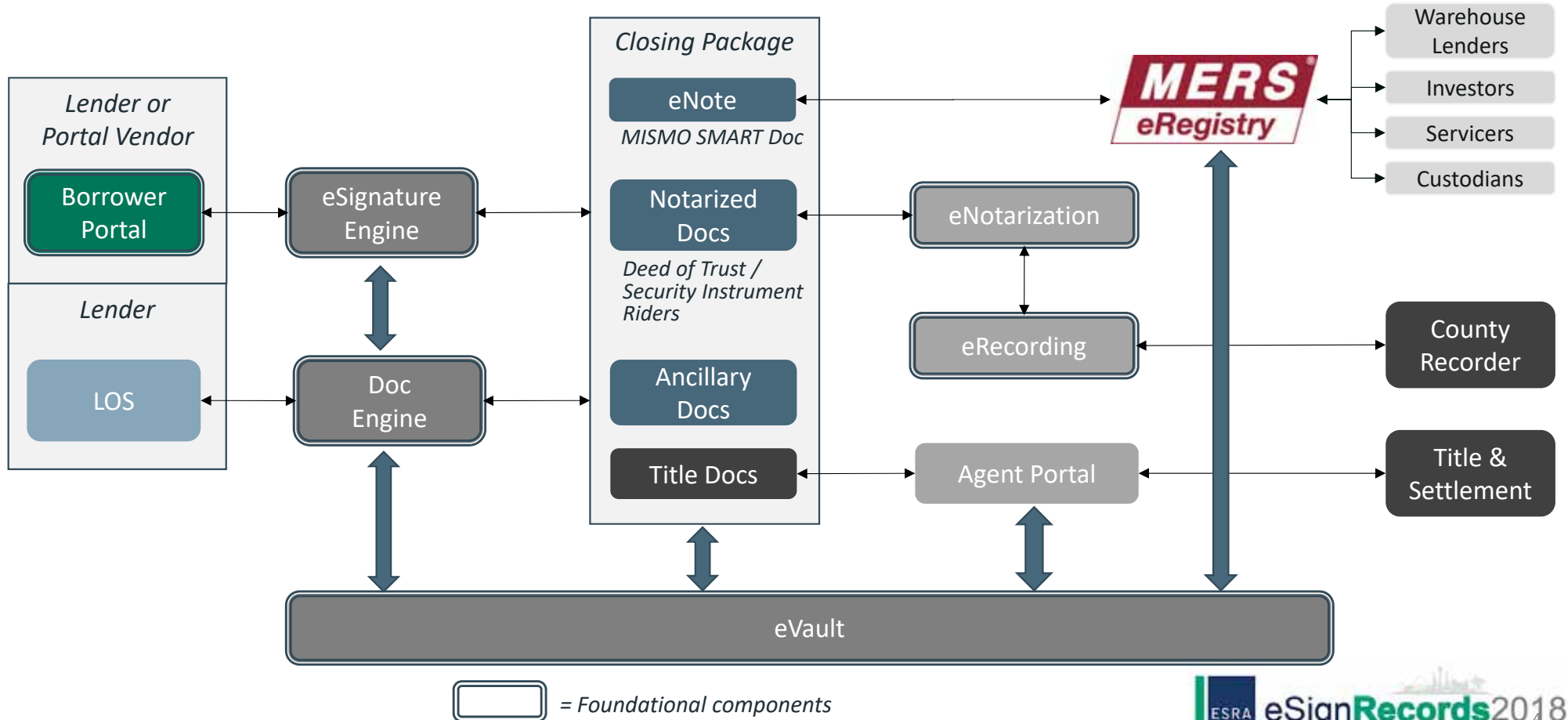
## The Holy Grail:

- A mortgage that is entirely electronic during all phases – application, processing, underwriting, closing, and post-closing

## The Reality Today:

- “Digital Mortgage” indicates the use of front-end portals that help streamline and automate borrower application and data gathering (verification of income, employment, payroll, bank accounts, etc).
- Nearly all of today’s Digital Mortgages actually result in paper closings (although eClosing volumes are steadily growing).

# Digital Mortgage / eClosing Components





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# The Second Thing You Need To Know

## Why don't more Digital Mortgages end with eClosings?

What's holding eClosing up?

## Mortgage Crisis Distracted Lenders

- Technology focus shifted
- eMortgage Production Faltered
- Valuable Lessons Learned



# Borrower Portals

The Super Bowl ad heard around the industry



## Hurdles Still Exist

- Multiple mortgage participants
- Purchase market headwinds
- Investor acceptance
- eNotarization adoption
- Myriad of eClosing Solutions

*Each settlement company may use a different solution and approach. This makes it difficult for the lender as now they have multiple closing settings and methods and must train their closing department.*

– Tech Company

*Depending on the transaction, refi or purchase, the lender may or may not control who the settlement provider will be.*

– Tech Company

*I see real difficulty if each lender has a different eClosing system, then we must learn and navigate numerous types of systems.*

– Title/Settlement Agent





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# The Third Thing You Need to Know

## Why do Digital Mortgages?

Why are Harry and Brian here?

## Four Reasons to do Digital Mortgages

- Competition
- Cost Savings / ROI
- Customer Service / Borrower Experience
- Improved Compliance

## Competition

- Borrower Portals are proliferating
  - Borrowers want a good rate, but also an easy loan experience
- More lenders moving to eClosing than ever before
  - No longer a matter of “If” so much as “When” to offer eClosing

## Cost Savings / ROI

- Digital Mortgages are becoming an imperative for lenders
  - Lender's cost to originate a loan has risen dramatically (from \$3500 to \$8000+ per loan)
  - Lenders looking for cost savings/ROI
  - Cost Savings => Speed and Efficiency





# eClosing Calculator – Sample Lender Cost Savings

## Loan Information

Loan Type  Mortgage  Home Equity

eClose Type  Full  Hybrid

Warehouse Financing  Yes  No

*All fields are required. Numbers only in fields. Commas, dollar signs, or percentage signs are not necessary.*

Annual loan volume (units)

Average loan size

## Fees & Costs Data

### Pre-Closing & Closing

Collateral file prep	<input type="text" value="\$ 30"/>	<input type="text" value="\$ 0"/>
Shipping costs	<input type="text" value="\$ 75"/>	<input type="text" value="\$ 0"/>
Other pre-closing costs	<input type="text" value="\$ 125"/>	<input type="text" value="\$ 0"/>
Notary	<input type="text" value="\$ 125"/>	<input type="text" value="\$ 125"/>

### Post-closing

Document scanning (i.e. 30 mins @ \$15/hour)	<input type="text" value="\$ 7.5"/>	<input type="text" value="\$ 0"/>
Loan package QC	<input type="text" value="\$ 30"/>	<input type="text" value="\$ 0"/>
Custodial Fee	<input type="text" value="\$ 30"/>	<input type="text" value="\$ 0"/>
eNote Registration (MERS eRegistry)	<input type="text" value="⚠ Not Applicable"/>	<input type="text" value="\$ 5"/>
Gather trailing docs & data	<input type="text" value="\$ 30"/>	<input type="text" value="⚠ Not Applicable"/>
Other post-closing costs	<input type="text" value="\$ 0"/>	<input type="text" value="\$ 0"/>
eClose Fee	<input type="text" value="\$ 25"/>	<input type="text" value="\$ 25"/>

### Cure Costs

% of loans with signature issues (missing, wrong)	<input type="text" value="10"/> %	<input type="text" value="0.5"/> %
Estimated cost to fix signature errors on one loan	<input type="text" value="\$ 75"/>	<input type="text" value="\$ 75"/>

# Example ROI Results

Full Docutech eClose - Mortgage

Fee ROI  
**9.38X**

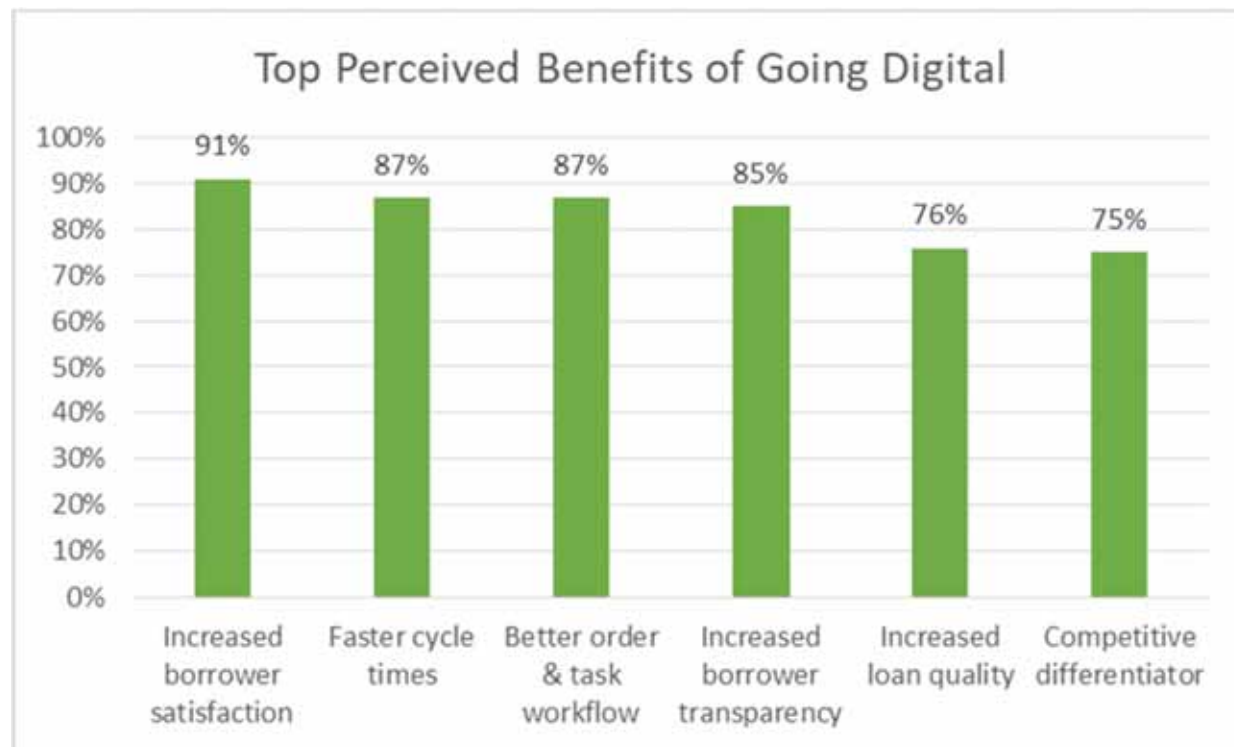
Annual Savings  
**\$2,815,440**

### Revenue & Expense Comparison - Mortgage

	Paper Close	Full eClose
<b>Revenue per Loan</b>		
Net Interest Income	0.00	0.00
Early delivery premium	NA	0.00
<b>Expense per Loan</b>		
Fixed cost of warehouse Line	0.00	0.00
Cost of capital to support warehouse and debt covenants	0.00	0.00
Pre-Closing & Closing Fees & Cost	(355.00)	(125.00)
Post-Closing Fees & Cost	(97.50)	(75.01)
Estimate Cure Costs	(7.50)	(0.38)
<b>eClose Fee</b>		(25.00)
<b>Net Revenue/(Expense) per Loan</b>	<b>(460.00)</b>	<b>(225.38)</b>

## Customer Service / Borrower Experience

- Customer is still king
- Improved Borrower experience from application to servicing
- Borrowers choose a lender because they:
  - Heard from a neighbor
  - Saw a good report on social media
  - Shopped rates / closing costs
- Lower Payments



# Compliance

- Document/Data Security
- Regulatory Compliance
- Investor Compliance





# The Fourth Thing You Need to Know

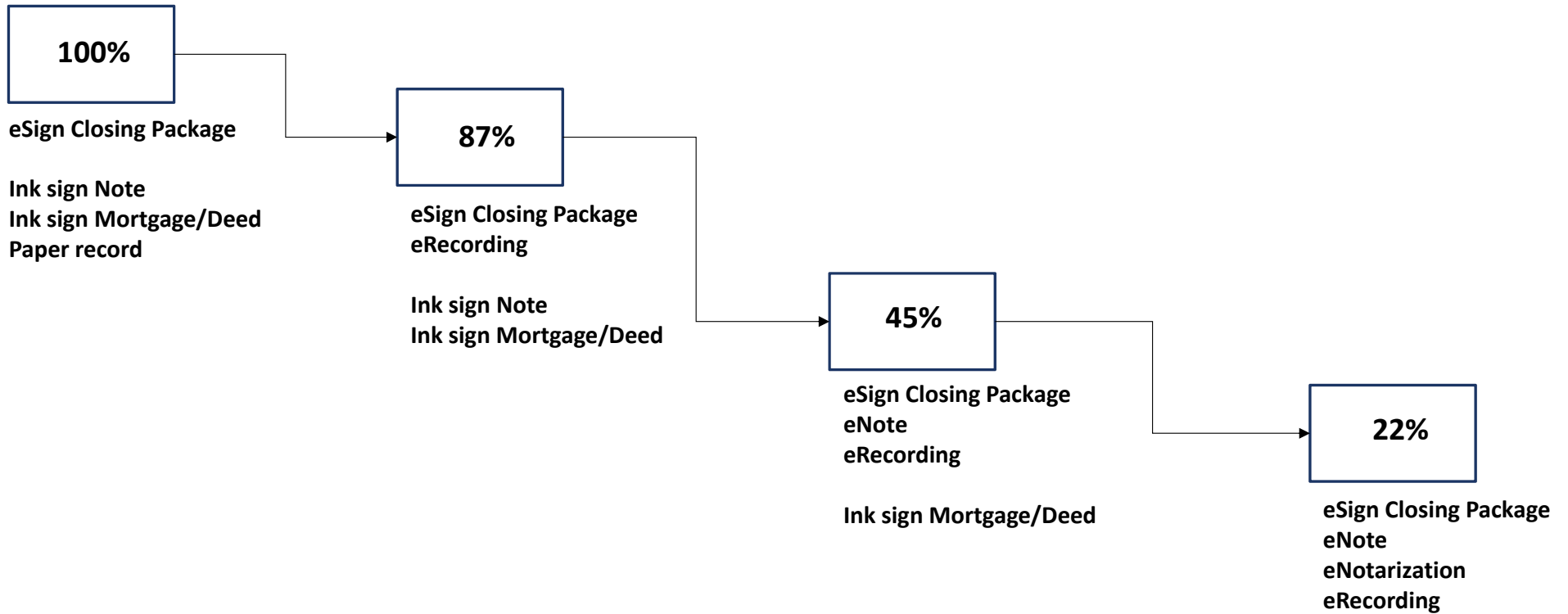
## How can a lender get started with Digital Mortgages and eClosings?

Don't let the Perfect get in the way of the Good

## Getting Going with eClosing

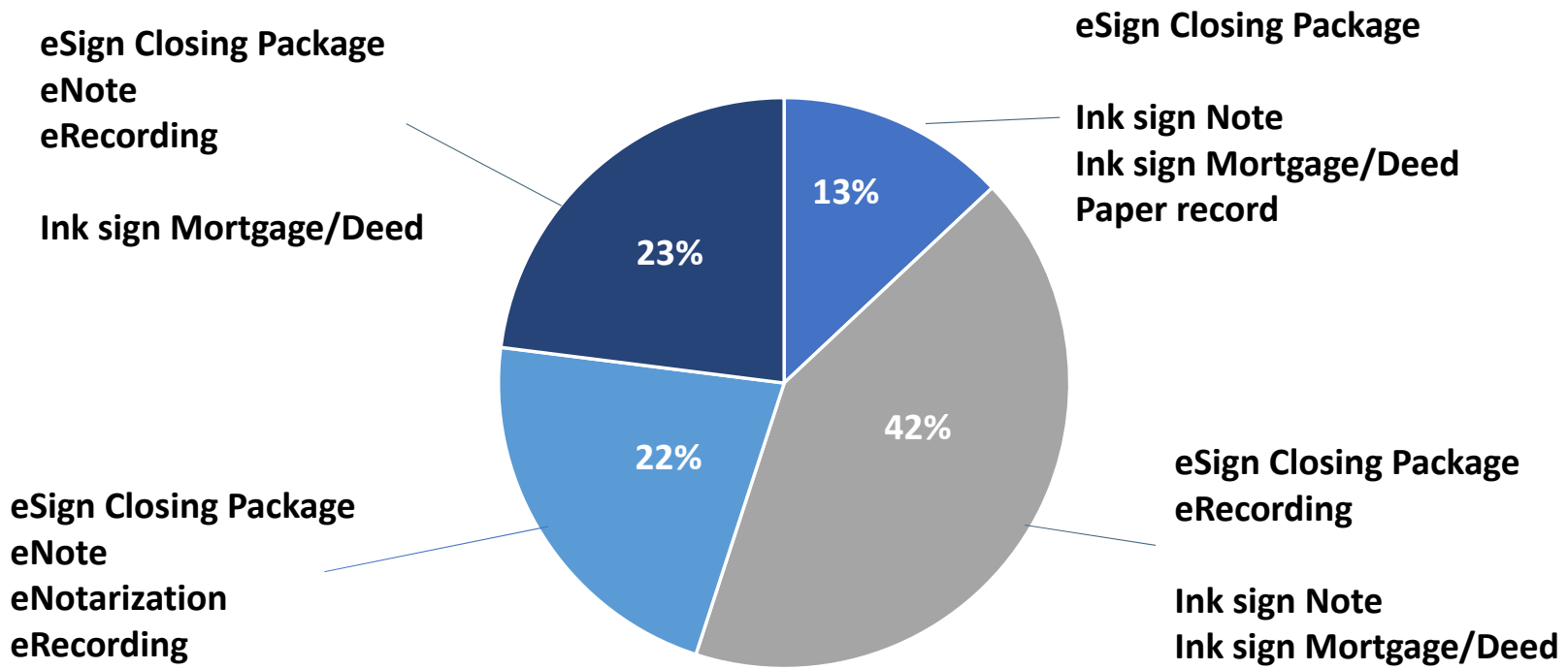
- Hybrid eClosing still provides a better borrower experience than paper
  - Preview closing documents
  - eSign ancillary docs on day of closing
  - Streamlined closing ceremony
- eNotarization is “nice to have” but paper notary is still okay
  - Paper notarized docs can still be eRecorded
- eNote – depends on Investor
  - Fannie and Freddie accepting mainstream delivery
  - Others moving toward acceptance now

# eEligibility Step Down



Source: Simplifile (based on national lender data)

# Lender Portfolio Breakdown



Source: Simplifile (based on national lender data)

# eRecording is already mainstream



States



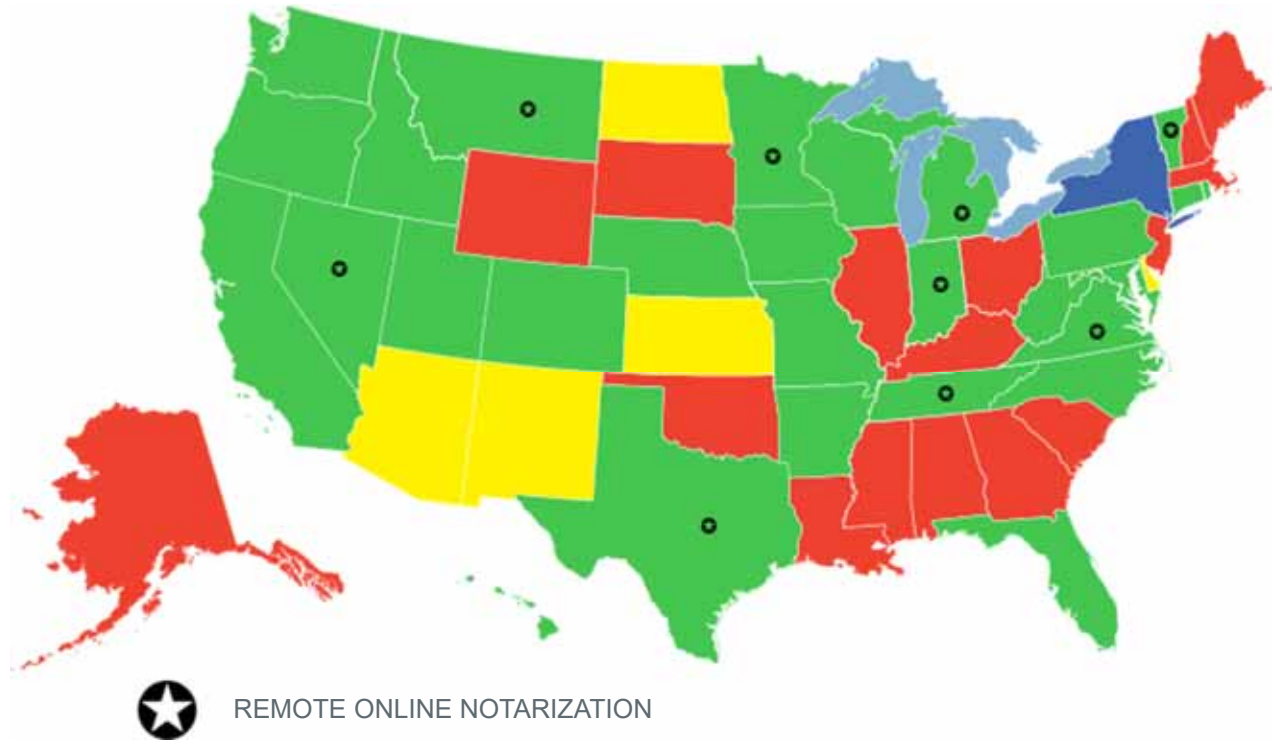
Counties



Population

# eNotarization in the U.S.

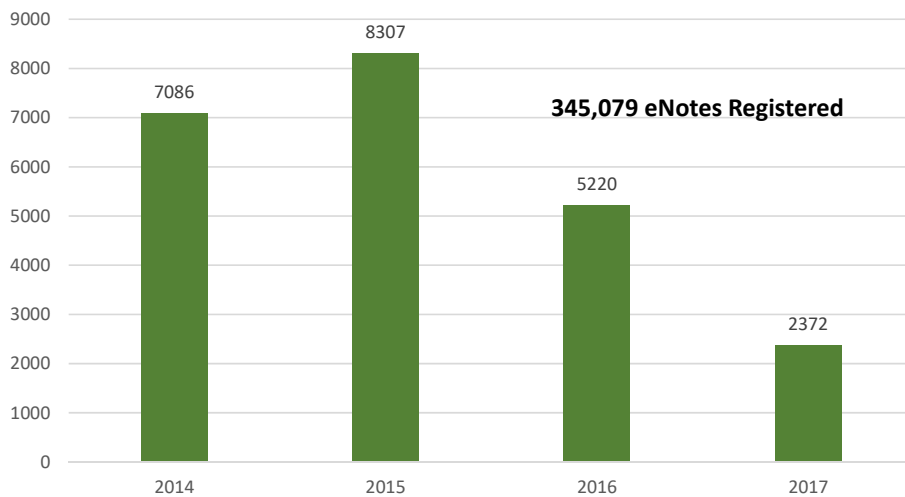
- TODAY
- LEGAL BUT DORMANT
- NOT TODAY
- REAL PROPERTY ONLY



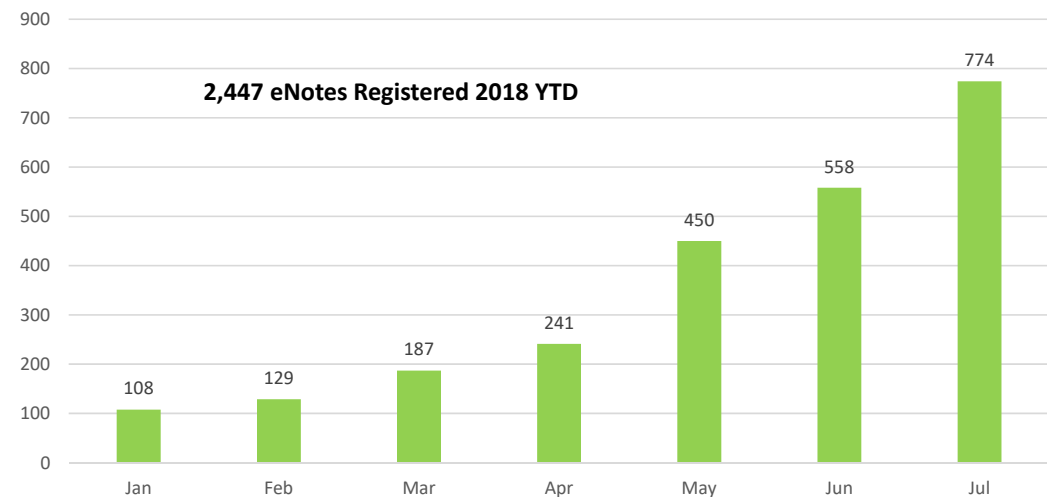
REMOTE ONLINE NOTARIZATION

# eClosing adoption – MERS eRegistry trends

eNote Registrations by Year



2018 eNote Registrations by Month



# Choosing Digital Mortgage and eClosing providers

- Vendor Evaluation
  - LOS (Loan Origination System) integration
- Key Components
  - How many vendor integrations needed to comprise full solution?
    - Front-end Portal provider
    - Document source
    - eSignature engine
    - eVault / MERS eRegistry transactions
    - eNotarization
    - eRecording





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# The Fifth Thing You Need to Know

## What's Next for Digital Mortgages?

A look into the future

## Future Trends

- Front-end Portals
  - Steady growth and competition
  - Good for lenders – more options
- eClosing
  - Investor acceptance
    - Wells Fargo
    - Ginnie Mae
  - Increasing vendor options
- Remote Online Notary (RON) eClosing
  - Someday, likely to become mainstream for all eClosings



# Recap

## What did we learn?

Bueller? Bueller...?

## Recap / Q&A

1. Digital Mortgage does not necessarily mean eClosing
2. eClosing is growing steadily, but some challenges remain
3. Digital Mortgage and eClosing processes can result in significant lender cost savings / ROI
4. Lenders can do Digital Mortgages / eClosings today – solutions are ready
5. Remote eClosings may become the norm someday