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## Confusion Stalls E-Adoption



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By my indicators, we have reached the “tipping point” for e-mortgages. This year and next, more lenders, investors, recorders and other relevant parties will be embracing the technology. As one who has spent the last decade or so evangelizing the benefits of the e-path, it is gratifying to see the strides being made. Having said that, it is also a bit distressing to see so many sidetracks still there, thanks to misinformation, misunderstandings and misnomers regarding what is “e” and what isn’t.

Electronic processes and tools, such as imaging and electronic document management technology, have contributed to the confusion of lending professionals and media professionals alike. The true e-mortgage is based around Category One SMART Docs as the legal document, which electronically meld data and documents into a single, immutable unit and you never paper it out. EDM systems take images created from scanning paper documents or copies generated by software and display them without the tremendous benefits of melding the source data into the document. EDM replaces paper in the workplace, but is not an e-mortgage. To use an automotive metaphor, EDM is going to get you to your destination much faster and more efficiently than a bicycle, rather like an open '32 Ford roadster. But a true e-mortgage will get you there more quickly and with the safety of an Abrams tank, impervious to most types of fraud.

The e-mortgage even guards against the more recent phenomenon of borrower demands for a “mulligan” months after signing, on the grounds they didn’t agree to and understand the terms of the debt obligation of what they were signing. With e-signing and e-mortgages, lenders can require e-initialing on key line items, which calls for a conscious agreement and overt borrower agreement to the conditions — perfect for refuting spurious borrower (and consumer advocate group) calls for abrogation of the loan. Let’s see an EDM document image do that. Along the same lines, an audit trail providing electronic evidence of who viewed, signed and modified the document travels with the document brings new levels of transparency to the loan transaction. This is critical, of course, because of the investment community’s complete distrust for all of the parties to the credit crisis. The concept of “covered bonds” will help bring investors back to the fold, but nothing instills confidence like knowing that the information represented in the documents is identical to the data which accompanies it.

Another sidetrack to the true e-mortgage comes from within the industry and is also predictable. Because we are at the "tipping point" for e-mortgage adoption, especially as some of the mega-lenders are now coming on board, the "e" Holy Grail has become something like a football on the opening kickoff of an NFL game. All sorts of highly focused e-players, each trying desperately to zero in on the football and possess it, are bearing down on the ball carrier at flank speed. The lending community is something like that ball carrier, a bit dazed at the prospect of being hit full-on by the determined stampede of aggressive e-component vendors, all wanting to get in on the tackle. While competition is invariably a good thing, it is sometimes hard on those who should benefit the most, the users. Sometimes it makes more sense to evaluate the options, to understand the source of the innovation and appreciate the depth of experience a technology brings before rushing things — especially where there is a stampede involved.

The concept of e-mortgages began a long time ago and has taken a good six years to get from pipe dream to the point of serious adoption by serious lending industry leaders. During that time, companies and individuals spent untold hours developing concepts, refining protocols to guide the technology effort, and creating parameters that resulted in industry collaboration and standards. This was a painstaking effort, undertaken by people with credentials, passion and expertise. As a result, the effort was performed methodically and correctly, avoiding the pitfalls and competitive backbiting we have seen in other industries where technology evolves rapidly. The individuals most responsible for the results being used today are not, for the most part, represented by the vendors clamoring loudest for attention in the e-marketplace, and this is for a very, very good reason: those who understand the e-mortgage best also understand its true power is unleashed in a fully integrated environment, not as a loosely related group of piecemeal offerings.

The best way to find the e-mortgage Grail, to put this remarkable, industry-saving technology to productive use is to take a holistic, "true solution" approach. The way to chaos is the path offered by cobbling together components that pose as a "solution" or overall e-process but are only disassembled pieces of the whole. Technology companies, big and small, have been sitting on the sidelines for years, waiting for the e-mortgage to prove itself, to gain that much-anticipated "tipping point" before committing themselves to product development. Their response has been an attempt at componentizing the embryonic business, and that is a real sidetrack from the best path. When you buy an automobile, would you routinely buy the chassis from Ford, the body from Nissan, drop in a Lexus engine and a GM transmission? This is a highly valid analogy for what you can expect in e-mortgage options in the very near future. Beware not to start down the e-path with a vendor that only supports a small piece of the overall puzzle.

Consider all aspects and avoid locking on to a single component aspect. You will want all the components to match, from e-disclosures, to e-vaulting, from e-closing to e-recording. You will want to get to know the people behind the company and understand precisely how dedicated and how much subject matter expertise they have in the space. The experience pool of the committed few is very small, so this won't be too hard, and it will help weed out the "Johnny-come-latelies" that are now coming out of the woodwork to claim they have a solution to get some press.

The real question e-mortgage prospects should be asking is, "Who has the experience, the subject matter expertise and the long-term vision not only to start me down the path, but to take me all the way once I get started?" It takes a lot more than a single product or even a pair of them. To get to the e-mortgage Grail, it takes a secure, scalable platform, a process that understands the specs, and expertise that involves the very people who

actively participated and created the specs in the first place. Moreover, it takes depth in a critical, but frequently overlooked aspect of the e-mortgage arena, keeping track of and supporting the rapidly evolving legal process surrounding these exciting new lending products.

It's no place for amateurs, so pick your e-guide well for the best possible experience. Once you have arrived, you will find that the quest was well worth the effort.

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