

December 11, 2008

E-Mods May Lead to Full E-Mortgages

By Anthony Garritano, Editor, Mortgage Technology Magazine

Servicers are having a heck of a time handling all the defaults these days. And the problem will not get any better any time soon. So, by hook or by crook more and more servicers will be automating. Of course, the most crucial element of servicing these days is loan modifications and workouts.

In total, 56% of 40 respondents think e-modifications and e-workouts will prompt the origination side to migrate toward full e-mortgages. Let's face it, if the documents were electronic now, servicers would have a much easier time doing loan mods and workouts as compared to having to find a huge paper loan file and rekey or image that file. Efficiency is king.



Tim Anderson

In discussing how loan mods are done, Tim Anderson, president at e-process vendor SigniaDocs, noted, "This is like many approaches I see in this business, in that we throw people at the problem rather than truly automate it. I saw one article that quoted a major servicer as saying that they were 'turning around modifications in about 90 days on the average,' and went on to say that is a pretty good response. In this market a lot can happen in 90 days. Further, this is probably why we're seeing complaints by borrowers that they have received two notifications from their servicer – one saying that they are working on their modification and another that says they are foreclosing.

"With an automated e-mod process, once a workout plan has been selected the documents can be posted within minutes for them to click-to-sign, immediately locking them into a program before another payment is missed or loan condition status changes. This inherently superior process should be a working demonstration to lenders how e-origination is also inherently superior to the processes they are currently using, and speed adoption of electronic lending as a result."

Steve Horne, CEO of specialty servicer Wingspan Portfolio Advisors agrees that the origination process is still very paper intensive. "Electronic loan

modifications are a logical way to take friction out of a delicate process. Many borrowers do not take advantage of loan mod opportunities for a lot of reasons, including giving up on their chances of making payments and staying in their homes during the time it takes to receive and execute the documents. E-mods solve that problem by being immediate, so more lenders are using the electronic method.

“However, e-origination takes far more friction out of the lending process, eliminating paper, cost and delays, as well as making it simple to automate things like anti-fraud and compliance reporting,” he said. “Now that lenders are being exposed to electronic methods, it stands to reason that more of them will be embracing those technologies on the front end.”

