

# SOLVING THE 'E' PUZZLE



*If you're interested in building an electronic strategy, now is the time to start.*

**W**hile going electronic is not a new phenomenon, market conditions are forcing more lenders to move in this direction. For example, there are over 120,000 electronic notes on the MERS eRegistry right now. Volume is down, margins are tighter given the shift away from sub-

By Anthony Garritano

prime, regulation continues to increase and lenders are looking to be more efficient. All these factors, and many more scream out for more "e" adoption. But how do you put the "e" puzzle together to go electronic and start gaining return on investment sooner vs. later? In the first part of this

three-part series, *Mortgage Technology* will detail how some lenders are putting those pieces together today. "There are several pieces needed to do an e-mortgage," said Greg Smith, vice president and general manager of e-collaboration vendor Xerox Mortgage Services. "You need the LOS because that's where the data comes from, you need docs to drive compliance, another piece is the e-registry, then you have title companies because they validate the act at the end. You also have the recorders and borrowers on the periphery. At the center you have some solution that provides digital signatures and vaulting."

But that's a lot of moving parts to contend with. In response to the electronic evolution now taking hold in mortgage, Mr. Smith believes that there is a new concept emerging as a result. "You're seeing what I like to call intelligent collaboration. The pieces are coming together and starting to intersect. As we get more of the doc vendors willing to participate and create Category One SMART Docs, you have companies like us that want to provide vaulting and e-signing. You also have title companies that want to cut costs so they're looking to go electronic. And the LOS companies are trying to think about what they do for their second act."

While the transition may seem difficult, Mr. Smith says his clients realize that it's important and are starting to move. "Many of our clients and prospects recognize the need to go electronic. Two or three years ago, lenders weren't as bullish as vendors about e-mortgages. The changes in the industry will help drive lender adoption. So, they're thinking about it and some are

taking steps to get there. Part of the 'e' puzzle, e-signatures is booming. Lots are interested in e-disclosures."

And it's no wonder because in addition to the other benefits associated with going electronic, e-signing in particular is also a way to cut fraud. For example, after allegedly preparing fraudulent notes by forging the signatures of borrowers, William Everett Nichols of Alexandria, La., has been indicted and arrested on federal fraud charges. According to Donald W. Washington, U.S. attorney for the

Western District of Louisiana, the indictment alleges that Mr. Nichols, who is the president and sole shareholder of First Fidelity Mortgage Inc., knowingly and willfully conspired to devise a scheme to defraud Sabine State Bank and obtain money to which Mr. Nichols was not entitled.

The defendant and others allegedly prepared fraudulent notes by forging signatures of borrowers and notaries and delivered them to Sabine State Bank as collateral in order to cause the bank to deposit money into an account of First Fidelity Mortgage, which Mr. Nichols controlled. Mr. Nichols was unavailable for comment.

### Starting at the Beginning

While the advantages of "e" are there, many lenders are unsure about where to start. Some are choosing to start at the beginning by introducing electronic signatures around disclosures. On the disclosure front, a la mode is getting a lot of traction with its e-disclosure product dubbed SureDocs. The product enables users to deliver disclosure docs electronically, and receive them signed with electronic or

traditional pen and paper signatures in minutes. The automatic signature tags eliminate clicking, highlighting and errors.

Further, a la mode partners with Wave eSignSystems for the actual e-signing technology component. The process is fully compliant with federal (ESIGN) and state (UETA) laws.

"Once we became a banker and started selling loans to HUD we started with e-signatures," explained Kevin Miller, present and CEO of Texas Lending. "We're now moving to an online origination system with an online pricing engine and e-signature usage. We want to get an application signed within 15 minutes. The next thing for us would be e-closing."

For lenders that argue e-signing anything is too futuristic and untested, Mr. Miller responded, "I don't understand that. The extra days of getting documents back in the mail could kill a deal these days. We want a seamless process. To all my competitors I say, 'Don't do it. If you want to be ineffective keep using paper.' In fact, we're even going to Internet phones. As we move forward I don't see anything that can't be paperless."

By the numbers, Texas Lending has done 16,000 loans in the past 24 months using SureDocs. A la mode tracks individual signature transactions and since the company launched SureDocs in 2005, a la mode has done over 2.5 million e-signature loans.

"It is typical to start e-signing disclosures," noted Brad Eaton, vice president of mortgage products at a la mode inc. "It's a nice way to dip your foot in the water. The evolution around e-signatures has been slow. When we got in this four years ago everyone was saying everything would be electronic in 24 to 36 months. The 4506-T is a good example of a document that still requires a wet signature. That's disappointing. As a lender you have to get every possible deal out there done. Going paperless and using e-signatures is just one tool to make that happen."



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Greg Smith,  
Xerox  
Mortgage  
Services

But when choosing an e-signature provider, Kelly Purcell, executive vice president, global sales and marketing at Wave eSign-Systems, advises lenders to look for an embedded solution. "For one, a la mode has been a leader in e-disclosures because of how they embedded it in their system. We're moving to the satellite model, which means wherever you have a satellite you can do a mortgage."

Ms. Purcell likens e-signing adoption to the adoption of the fax machine. "In the early 80s you saw early adoption of the fax machine, then you were obsolete if you didn't have a fax. That's where paperless is going."

## Talk To Your Vendor

Another way to start piecing the "e" puzzle together is to start a dialogue with the LOS vendor. Fairway Independent Mortgage Corp. has been very proactive in engaging with its LOS vendor Ellie Mae to get the most out of its Encompass solution. "We've utilized Encompass as our origination system for some time now," noted Joe Theisen, branch manager, Fairway Independent and president of the Wisconsin Mortgage Professionals Association. "We streamlined the process from originator to processor, to funding. This has helped us keep everything in one system, access it anywhere and have record retention electronically. Also, approved interested parties can come in and look at the file in process.

"We're not 100% paperless. For us the e-mortgage is still in the future. We'd have to adapt and we would adapt. We are living in interesting times. You never know what's next. We've adapted. We've had to change and change

quickly. Not all of it has been fun, but we've done it."

In support of lender clients like Fairway and others, Ellie Mae has an electronic document management system that includes an e-loan folder. Ellie Mae has also partnered with Wave eSignSystems to take this further and incorporate e-signing for disclosures and eventually to move to even offer its clients their own electronic signing room and vault through the Wave partnership. The downside to relying on an existing vendor, is that they may not all be as progressive and could slow the lender down if they are not positioning the technology for the future as Ellie Mae has done here.

## It's All About Workflow

In the end, when going paperless, the first thing upper management notices is how it will impact workflow. Going paperless gives lenders a good excuse to re-think the process and

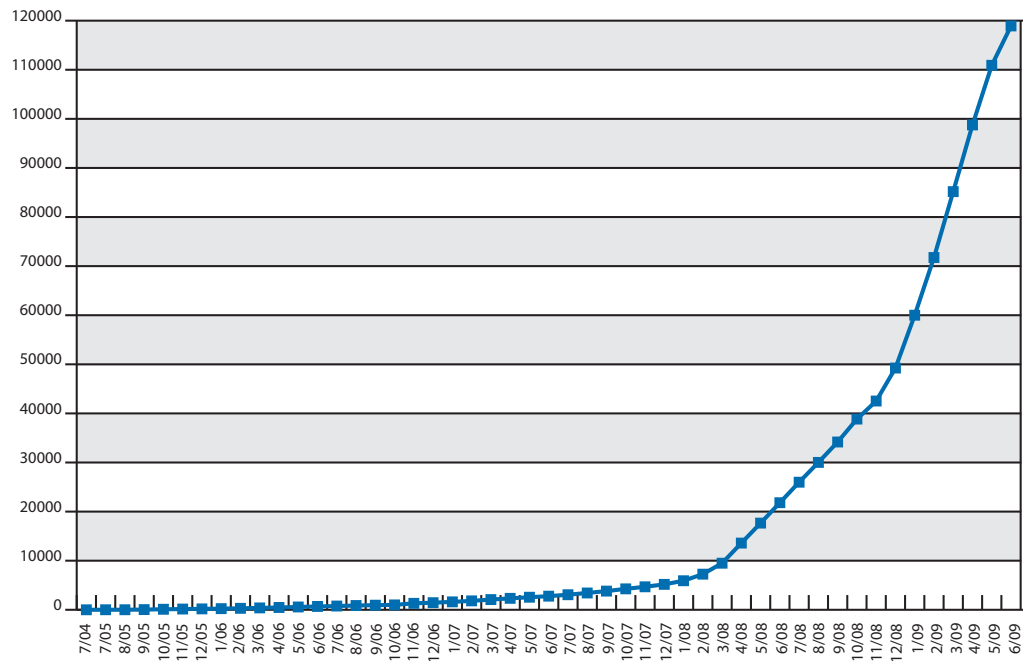
make improvements, which is why some are opting to start putting the "e" puzzle together by first automating workflow.

Nationwide Lending Corp. has opted to contract Acris Paperless Solutions to help it automate workflow. "I founded Nationwide in 1997," explained Eric Morgenson, the company's president. "I didn't know much about mortgage, but I had a technology background. I saw people handwriting forms and thought, this is antiquated. Two years into the business we elected to go completely .com. We are a 100% Internet mortgage banker. When you're 100% Internet lead based it's about personalizing the Internet relationship.

"We send e-mails with a TV commercial. Every loan I've ever closed I've competed with at least four other lenders. It's all about the speed you get to that borrower. Anyone who asks you to fax something in is behind the curve. Borrowers want an instant decision. I can

## E-Note Adoption is Climbing Fast

The MERS eRegistry Cumulative Registrations




Source: MERS.

put them through DU and have a fully underwritten loan in seven minutes.”

Acris Paperless Solutions is a Web-based data storage center that allows the user to upload document images to an on-demand, collaborative data/document storage, processing and management system. Richard Johnston, president at Acris, feels that lenders are under a lot of pressure, which calls out for process change.

“There’s so much pressure on the lender coming from every direction. For example, HVCC is driving up the cost and time associated with doing the appraisal.

“Lenders are sitting in their boardrooms thinking ‘How do I handle this? Do I hire more people? Or do I invest in more platforms that will help me go paperless?’ In the end, when lenders see the ‘e’ pieces working together to automate the mortgage process, they think, ‘Why haven’t I done this earlier?’”



**We want to make a better mortgage process for the consumer. Everyone wins.**

**Chris Chistensen, Peirson Patterson LLP**

### E-Delivery Is A Quick Return

Lenders looking for more instant ROI have opted to start putting together the “e” puzzle in post closing. “We started with electronic delivery and it has worked out well,” shared Christopher Rosati, senior vice president and chief operating officer at The Trident Group. “From there, we rolled it out throughout our whole process. We’re now paperless. In fact, we’ve now started to roll it out in our title business. We use Xerox Mortgage Service’s BlitzDocs throughout the title process to build the file as we go. We will roll it out to our other businesses going forward to have one unified system and electronic way to conduct our entire business.”

The Trident Group is an affiliate of Prudential Fox & Roach Realtors, the sixth largest residential real estate company in the United States with 60 offices and 3,700 real estate agents throughout Pennsylvania, New Jersey and Delaware. The Trident Group is a one-stop shop that offers mortgage financing, title insurance, and property and casualty insurance.

“In mortgage, we’re now expanding to e-disclosures, e-notes and e-vaults. We will have e-disclosures up and running by the end of this year or sooner. Our e-closing strategy will be dependent on our investors. The e-note piece is very intriguing. With everything that has happened with warehouse capacity shrinking, turning over your line faster is very important.”

Trident employees once spent 30 minutes looking for a file, now they have immediate access. The Trident Group further benefited from BlitzDocs’ Software as a Service model, which provided immediate ROI with a variable cost model and top notch security. In addition, The Trident Group leveraged BlitzDocs’ seamless integration with Harland E3, which reduced keystrokes and streamlined data validation between data in the LOS and on the documents.

“We started our paperless project in

April of last year,” said Mr. Rosati. “Our biggest month was June of 2009. If we hadn’t done this, I can’t imagine how that would have gone. Further, we had double the warehouse capacity last year as compared to this year, yet June of this year was our busiest month and we made it.”

### Eliminating Barriers

As more and more lenders put the “e” pieces together in a variety of ways, it’s freeing up the business to profit again and continue to look for new avenues to grow. However, lenders have to be open to this change. When Fannie Mae and PeirsonPatterson LLP approached TIB Mortgage, the company was willing and is now doing full e-closings with great success.

“We are a banker’s bank that only does business with community banks. We’re a correspondent bank buying closed loans from community banks,” explained, Joe Collins, senior vice president at TIB Mortgage. “There’s nothing not to like about e-closing. It saves time and money and it’s a good experience for the borrower. This is one of the most revolutionary things that has come along in a long time.”

“The technology platform allows for a fully electronic closing for the consumer with one click delivery to the investor,” added Chris Christensen, associate at PeirsonPatterson LLP. “We want to make a better mortgage process for the consumer. TIB has taken this and made it turnkey for the customer to access a fully compliant process. Everyone wins.” **MT**

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