



Remote Work Accelerates eClosing Adoption



By Shane Hartzler
Fannie Mae

The implementation of digital technologies has become a top priority as more businesses adapt to remote work. In the housing industry, this digital transition is fueling interest in eClosings.

eClosings provide borrowers with the option to execute closing documents from the comfort of their homes. This allows them to move forward with home loan transactions, such as refinancing their mortgage or purchasing a house, while following social distancing rules.

Credit unions are in a prime position to reap the benefits of these digital mortgage solutions. Their focus on member service is reinforced through the enhanced borrower experience offered through eClosings.

Meanwhile, their regional focus allows for better insights regarding unique laws and regulations associated with electronic notarization and the recording of electronic documents in their area. Credit unions can leverage eClosings

to maintain loan production activities and improve the data quality, cycle time and costs of the mortgage loan process within a secure digital environment.

eCLOSINGS BENEFIT BORROWERS AND BUSINESS

The demand for cost-cutting digital investments and the new social distancing measures further the need for credit unions to accelerate eClosing adoption.

Many borrowers prefer to reduce paperwork, according to a 2018 Fannie Mae National Housing Survey*. Recent homebuyers responded to questions regarding aspects of the mortgage process that would benefit from digitization. The survey showed that 66% of homebuyers want a fully digital mortgage process.



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eClosings have recently exploded in volume and have taken on various types and formats to support different signing situations or technologies.

For example, a full eClosing occurs when all the signatures on the closing documents, including the promissory note, take place in an electronic setting. A hybrid eClosing is a combination of a digital and traditional closing in which some documents will have a “wet” or inked signature.

eClosings present credit unions with several advantages:

- Shortening the closing process.
- Improving data quality.
- Limiting requirements for things like paper, shipping, and storage, which can ultimately reduce costs.

eClosings can also provide additional controls that can help eliminate errors, such as missing documents and signatures. Protective digital features help to mitigate risks, such as two-factor authentication and electronic vaults (eVaults) that store, encrypt and facilitate the electronic transmission of documents.

The environment also enables automated quality checks, which support data integrity and data quality.

Credit unions can even experience faster certification of eNotes at the time of delivery. Most eNotes delivered to Fannie Mae undergo automated certification, which systematically matches information from the eNote to loan delivery data, rather than requiring a custodian to certify the note.

Because eNotes can be quickly transferred between eVaults, delivery times are significantly reduced, which means lenders can potentially receive funds faster while minimizing the potential for lost notes.

REMOTE ONLINE NOTARIZATION

Remote online notarization (RON) is a specific closing process in which the notarization takes place electronically, which eliminates the need to travel or to meet face-to-face with a notary.

RON can occur over the Internet from the borrower’s home through the use of live two-way audiovisual technology. The process also provides additional security features to combat fraud by using technology to authenticate the borrower and secure signed documents with an electronic seal.

RON transactions require both the borrower and the notary to access a RON platform, often through user login authentication, where they can upload the closing documents. The documents include borrower disclosures, the note and the security instrument.

Once the notary verifies the borrower’s identity, the borrower and notary both sign either all or some of the documents electronically, and the notary affixes an electronic notarial seal.

During a full eClosing, the borrower electronically signs all closing documents. In a hybrid eClosing, however, the borrower may “wet” sign some of the paper documents (including the promissory note), which will subsequently be sent to the closing agent via mail.

More U.S. states are passing laws authorizing RON, and so far, nearly half allow the practice.

HOW CREDIT UNIONS CAN GET STARTED

As credit unions begin using eClosings, a final consideration is to put in place capabilities to generate, sign and store the eNote in an eVault. Loan certifications, quality checks, and the sale of eNotes to investors can all occur electronically, which helps credit

unions cut down on loan quality issues associated with paper notes.

Taking this step to ensure eNote capabilities are in place will not only make it easier to conduct business now, but also incorporate additional technologies moving forward. As more borrowers—and title and settlement companies—look for solutions that minimize face-to-face interactions and offer greater convenience, digital technologies will become increasingly important to everyday business.

For more information on getting started, visit fanniemae.com/deliveremortgage



More Information

- An electronic closing (or eClosing) can simplify the mortgage loan process by allowing some or all of the closing documents to be signed electronically.
- An eClosing produces an eMortgage if the borrower signs the promissory note electronically. The use of the term “eNote” (electronic note) is often interchangeable with the term “eMortgage.”
- For more information on eClosings, visit www.fanniemae.com/deliveremortgage/explore/index.html on Fannie Mae’s website.



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Shane Hartzler is Fannie Mae’s Director for eMortgage Strategy and Operations.

He leads strategy execution in the design, development and improvement of digital closing and delivery solutions as part of Fannie Mae’s broader digital mortgage transformation efforts. Hartzler and the eMortgage team partner with customers and industry stakeholders to evaluate market needs and identify opportunities that will drive adoption and support delivery of digital mortgages.



Shane Hartzler