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# Digital Transformation

## - eMortgages

Servion Lending Conference

# eMortgage Terms

## Hybrid Closing

The act of closing a mortgage loan electronically using a secure electronic environment in which **some** of the closing documents are accessed and executed online and other documents (e.g., Note, Security Instrument) are printed and wet-signed.

## eNote

An electronically signed promissory note. Notes can be signed electronically in all 50 states.

## Electronic Notarization (in person)

An electronic notarization taking place **in the physical presence of a notary** in which the notary affixes an electronic signature and notary seal to a digital document.

## Remote Online Notarization

Where legally allowed, a remote notarization occurs when a borrower signs all the closing documents from a location that is physically separated from the notary or closing agent and is connected through an audio visual connection.

# Making the mortgage process easier

## How to Make the Mortgage Process Easier



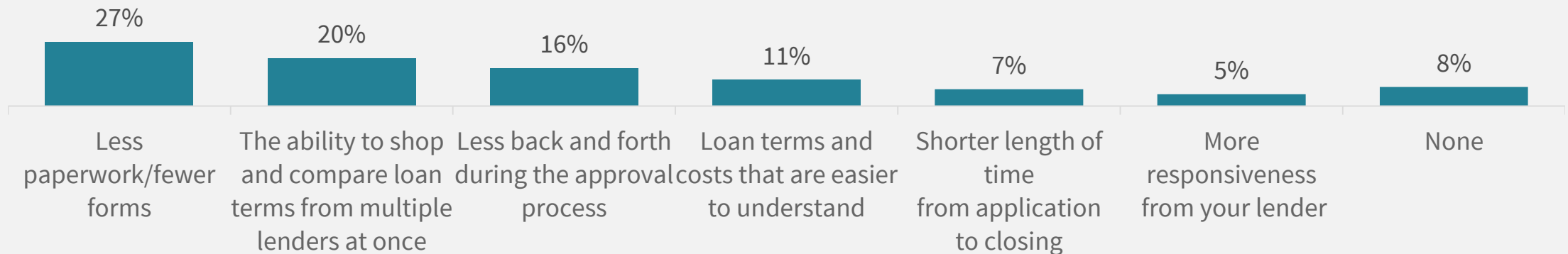
**27%** say a reduction in paperwork



**20%** think making it easier to shop and compare terms from lenders



**16%** want less back and forth during the process



**Q:** What, if anything, would have made the process of getting a mortgage easier? Please select the one that would have made the process easiest for you.

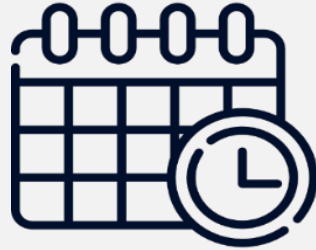
Results based on Fannie Mae's National Housing Survey - Q1 2018

# Borrower Expectations – Time to Get a Mortgage

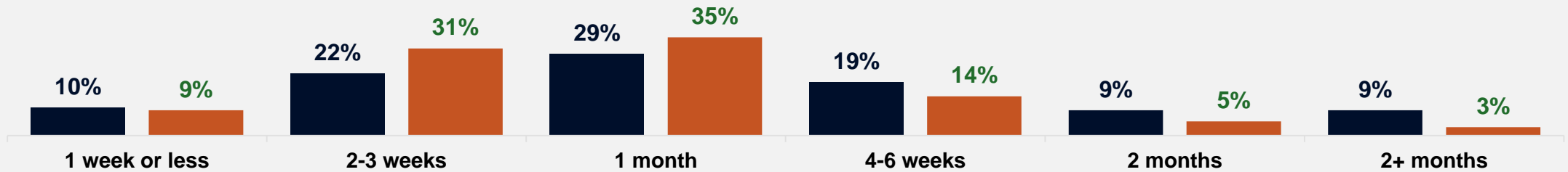
## Time to Get a Mortgage: Reality vs. Expectation

How Long it Took

How Long it Should Take



75% think it should take **one month or less** to get a mortgage



Q: How long did it take to get a mortgage (from application to close)?

Q: How long do you think it should take to get a mortgage (from application to close)?

Survey

<https://www.mentimeter.com/app>

What does digital mortgage mean to you?

- **A – Elimination of paper from the process**
- **B – Amazon-like borrower experiences**
- **C – Data sharing across platforms and devices**
- **D – Lights out processing**



# Three key components of the digital mortgage transformation

- Enhanced borrower interaction models.
- Data validation services.
- Electronic signatures and eClosings.



What is the primary reason driving digital transformation efforts?

- **A – Better borrower experience**
- **B – Reduced operational costs**
- **C – Better loan quality**
- **D – Better management of risks**





# What is the biggest barrier to eMortgage adoption?

- **A – State and county regulations**
- **B – Lack of investors**
- **C – Lack of servicing options**
- **D – Title/settlement adoption**
- **E – Process challenges and change management**



# Industry Landscape



## Investors

**Ginnie Mae** – 2020 roadmap calls for securitizing eNotes by 2020 with pilots in 2019

**Aggregators** – Wells and Penny Mac have started pilot programs in correspondent, several smaller aggregators already purchasing eNotes



## Servicers and Sub-Servicers

Majority of sellers also service

3 sub-servicers have eVault capabilities

Several MSR investors are buying eNote servicing (both bulk and co-issue)



## Warehouse Lenders

20 warehouse lenders currently support funding eNotes, versus 1 in 2015

Addition of Secured Party field in MERS eRegistry in Q4 2019

**FHLBs** – Implementation driven in part by addition of Secured Party Field



## Technology Solution Providers

18 TSPs are currently listed as providing various eMortgage solutions



## State Regulations

State regulations are changing based on passage of RON legislation and other notarial updates

eSigning of note permitted in all 50 states



## eRecording

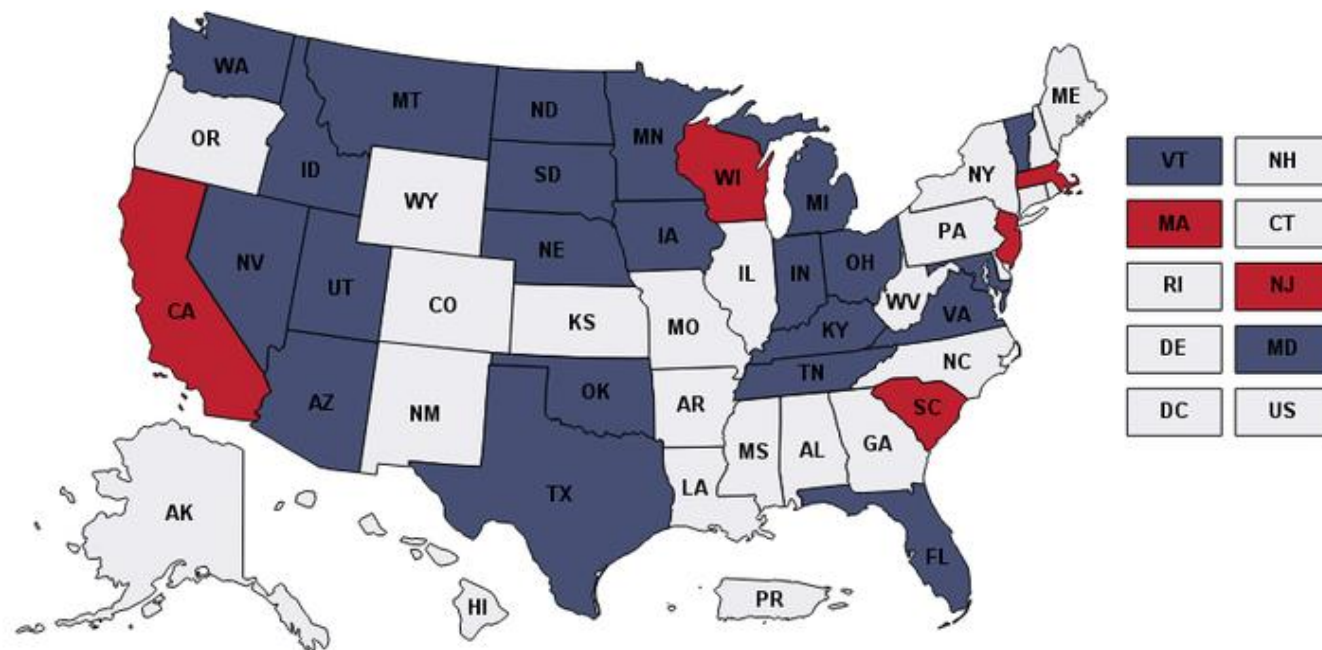
83% of properties are in counties that eRecord



# Current eClosing State Guidelines

A number of states are introducing RON legislation in 2019. States that have passed RON legislation include:

- Utah
- North Dakota
- South Dakota
- Kentucky
- Idaho
- Arizona
- Montana (revision)
- Maryland
- Washington
- Florida
- Oklahoma
- Iowa
- Nebraska

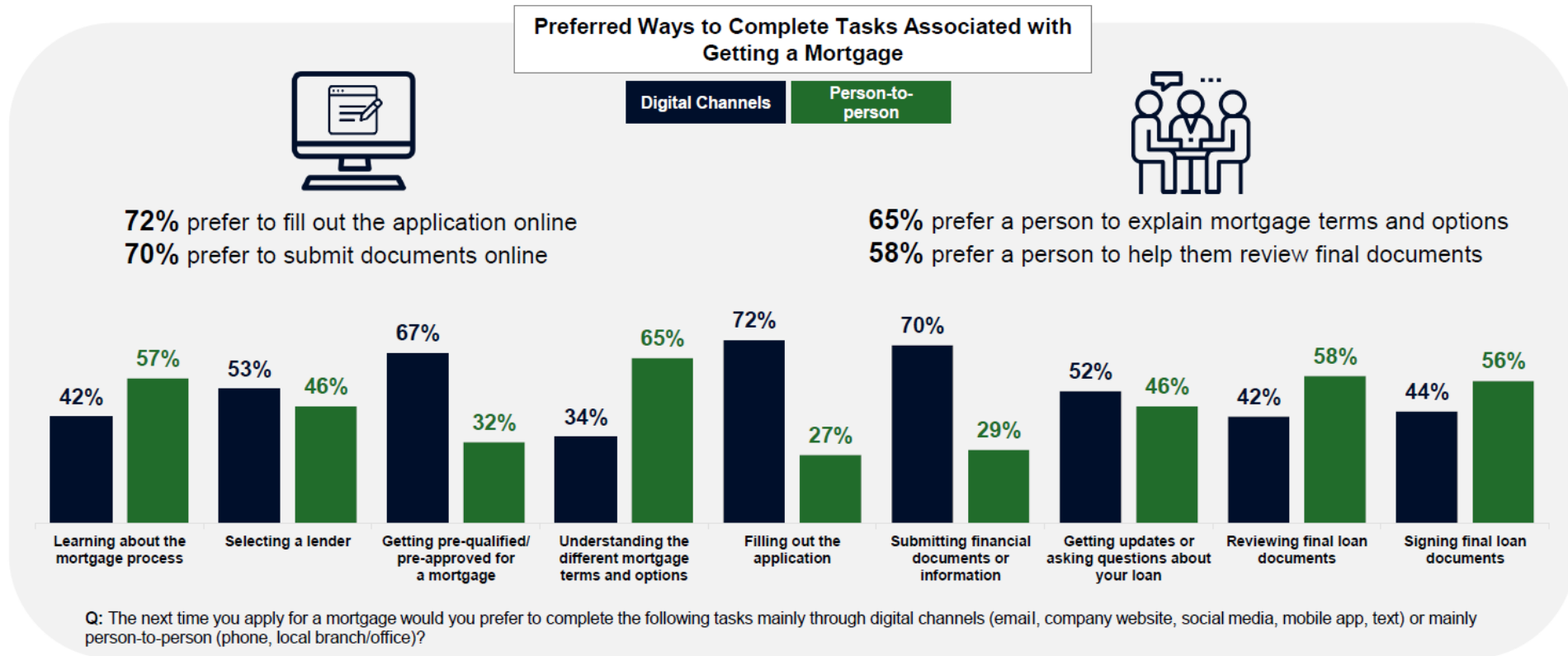


Key	
	States with enacted RON laws
	States where RON bills have passed but have not been signed
	Other states in session with active RON bills



# National Housing Survey: Digital Mortgage

Recent homebuyers express preferences for person-to-person interaction at key points of the mortgage process, but are open to digitization where it can streamline and expedite things.



# Why 'e'?

1

## Save time and money

- Reduce cycle time from origination to delivery.
- Eliminate paper, shipping, storage fees.
- Faster funding through eNote delivery.
- Optimize use of capital due to faster turn times.

2

## Reduce risk

- Reduce operation errors.
- No missing signatures, documents, or files.
- Improve data quality and validation.

3

## Better borrower experience

- Ability to review loan documents prior to closing.
- Faster and easier signing process.
- More informative and efficient process compared to paper.



# Readiness review



## eMortgage readiness checklist

Use this checklist to prepare for selling and servicing eMortgages with Fannie Mae. The eMortgage team will work with you to gain Fannie Mae approval.

Ready to get approved?

Need Support? [Contact Us >](#)



# Readiness Review

## 1. Closing



Identify and implement technology solution providers (TSPs) and technology solutions that can:

- Generate eNotes compliant with Fannie Mae requirements
- Provide eClosing platform for execution of closing documents
- Provide access to a secure eVault

[eMortgage TSP List >](#)

[eVault TSP List >](#)

Become MERS®-enabled in production (MERS® System and eRegistry)

[MERS >](#)

Confirm settlement partner preparedness to conduct eClosings

Identify if eSigned documents can be recorded in your state or jurisdiction

Complete end-to-end integration testing with the Fannie Mae eMortgage team (optional)



# Readiness Review

## 2. Loan Delivery



- Establish process for ensuring eNote indicator is 'yes' (eMortgage) and/or Special Feature Code 861 (remote online notarization) are included in loan delivery data as applicable
- Train Loan Delivery staff on established eNote delivery process using eVault
- Confirm warehouse funding partner readiness for eNotes
- Confirm custodian partner readiness to certify eNotes
- Establish process for correcting eNote errors
- Establish an eNote delivery process using eVault with help from your TSPs (and warehouse funding partner if applicable)

Warehouse Banks  
Funding eNotes >





# Readiness Review

## 3. Servicing



- If you service eNotes, establish access to a secure eVault solution. If you sub-service, ensure the sub-servicer is approved by Fannie Mae
- Confirm servicing platform is equipped to identify eMortgage loans
- Confirm and document servicer procedures that meet the unique requirements for eNotes for: Payoffs, Foreclosures, CEMA refinances and eNote servicing transfers
- Establish process for receipt and retention of eClosing transaction documentation

**Servicer and Sub-Servicer listings** >



# Readiness Review

## 4. Correspondent Originations



- Establish approval process to ensure third-party originated eMortgages meet Fannie Mae requirements



# What makes the hybrid eClosing a natural first step toward a full digital closing?

1

You don't need Fannie Mae approval to begin doing eClosings!

2

It occurs through a secure digital environment where some or all of the closing documents are executed and accessed electronically.

3

This is often viewed as a “hybrid” approach, as the promissory note and security instrument may be printed to paper and wet-signed, while other documents are signed electronically.

4

There are many benefits to the hybrid eClosing, which makes it a natural entry point to eMortgage.



# Enhancing the eNote journey through auto-certification



**Faster**



**Less fees**



**Lower risk**

1

Seller transfers eNote to Fannie Mae and submits loan data in Loan Delivery

2

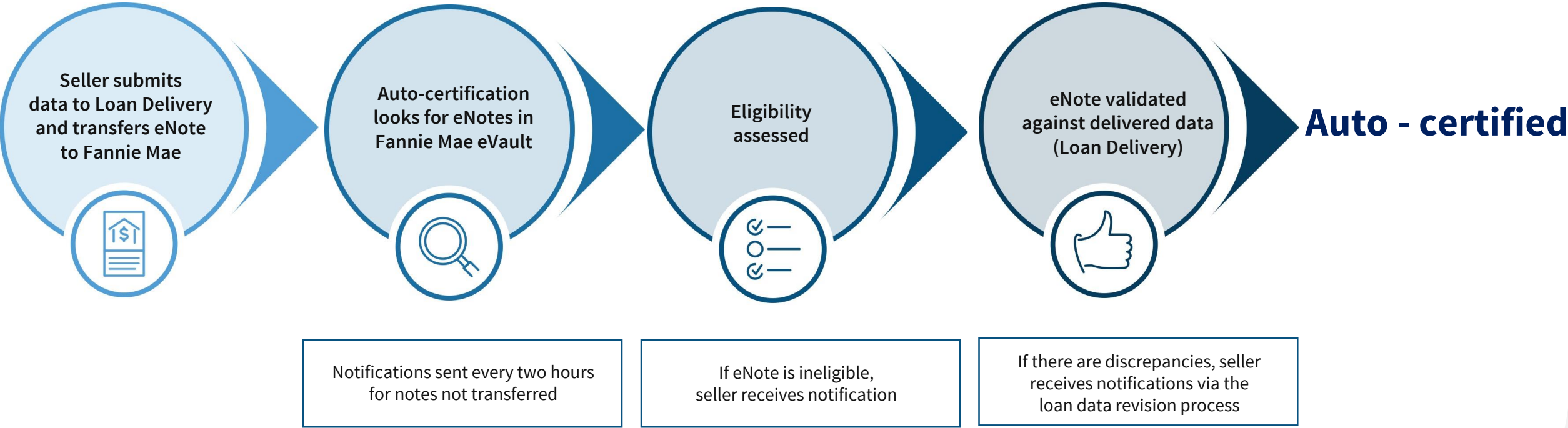
Auto-certification between Loan Delivery and eVault

3

Certification complete



# With Auto-certification, lenders experience better certainty in certification and funding of a loan



# Data matching compares attributes in Loan Delivery to the eNote

## Data Matching Criteria

Property Address

City

State

Lifetime Ceiling Interest Rate

1<sup>st</sup> Payment Change Date

Lifetime Floor Interest Rate

Mortgage Margin Percent

1<sup>st</sup> Rate Change Date

Maturity Date

Loan Term

P&I Payment

1<sup>st</sup> Payment Date

Original Loan Amount

Original Note Rate

1

**Exact data match** between Loan Delivery and the eNote

*Example: St. vs. Street, Unit vs. Unit Number*

2

**Spaces, capitalization** and **special characters** will not cause a mismatch

*Example: # 308 vs. 308 (representative of apt number)*

3

Using a **uniform data stream** will eliminate discrepancies in the data

