

**The Transformation of the Digital
Mortgage...and the Industry**

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Digital Mortgage? eMortgage? eClosing?

There are multiple definitions in the industry

- Document imaging and scanned documents?
- Electronically signed documents?
- Paper and electronic documents?
- Or just electronic documents?



For today, we will define a Digital Mortgage as

Any part of the mortgage process that is performed online

Today's Environment – Consumer Desires

- Any time
- Any place
- Any device

Examples

- Uber/Lyft
- Amazon
- GPS
- Online news
- Realtime device monitoring (Internet of Things)

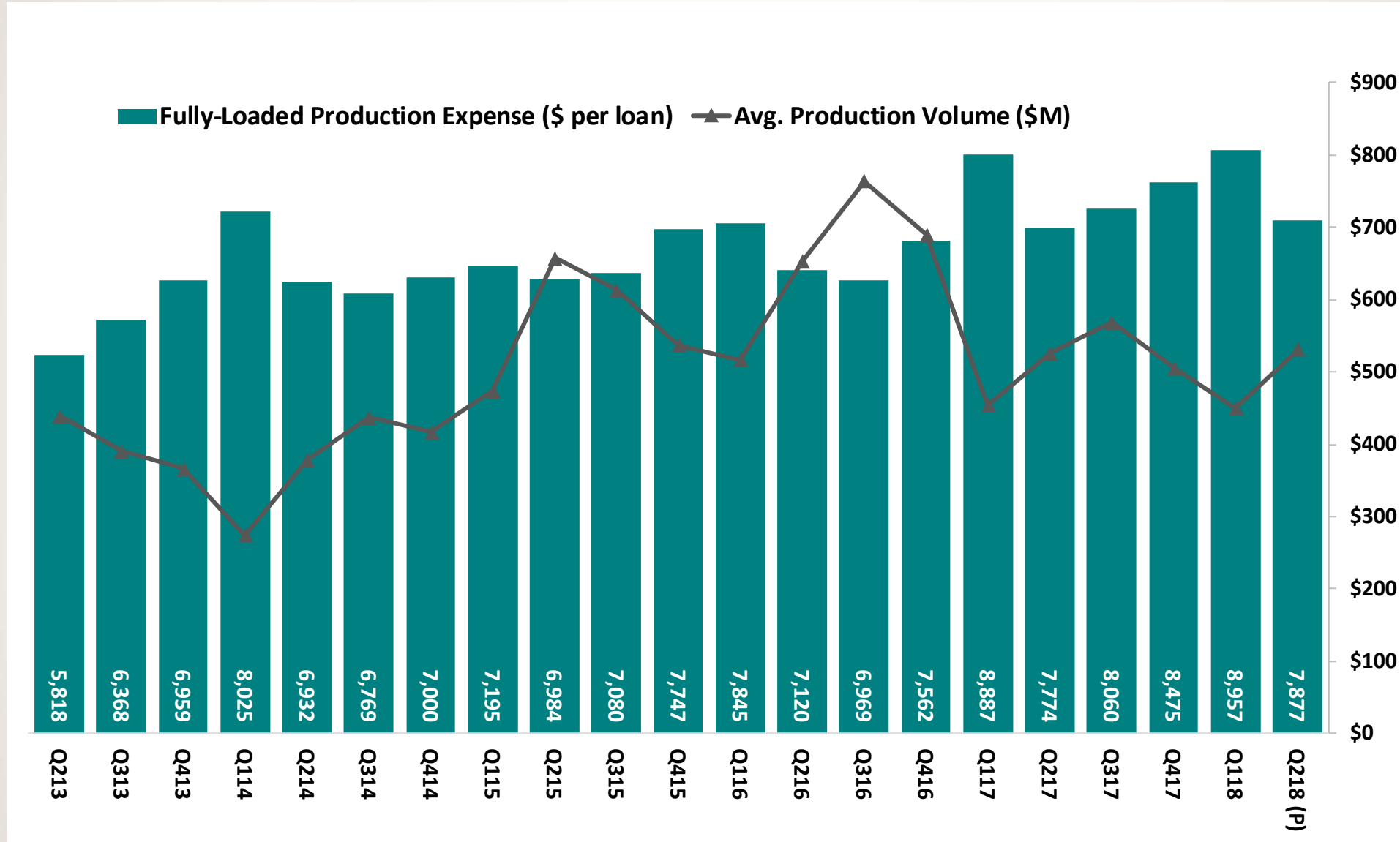
Today's Environment – Expectations for Financial Services

- Check deposit via phone
- Money transfers and bill paying at any time
- Instant access to all financial accounts and services

Today's Environment – Industry Perspective

- Enormous financial pressure to save money
- Need to originate compliant loans & prove it

IMB Fully-Loaded Production Expenses (\$ per loan)



Drivers for Adoption of Digital Mortgages

- Serve the consumer
- Improve loan quality
- Follow-up proof of compliance (e.g. TRID)
- Industry wants visibility and transparency in the transaction
- CFPB interest in improving the consumer experience (eClosing pilot)
- FHFA (GSE Regulator) Scorecard

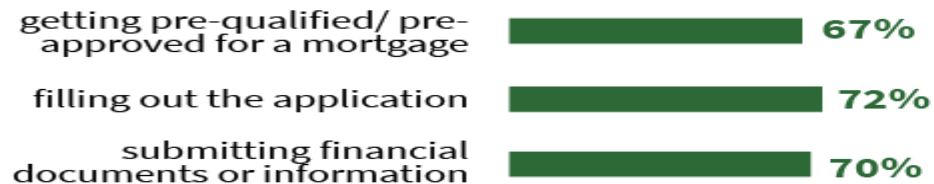
Consumer Preferences

Digital channels



72% prefer to fill out the application online

70% prefer to submit documents online

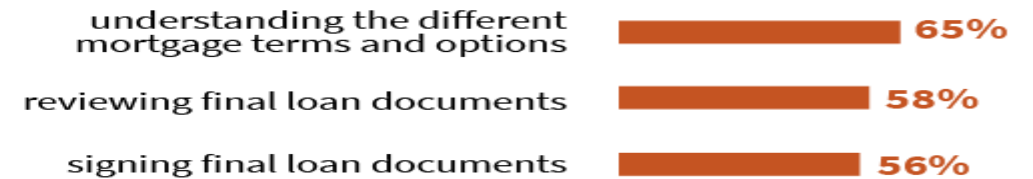


Person-to-person

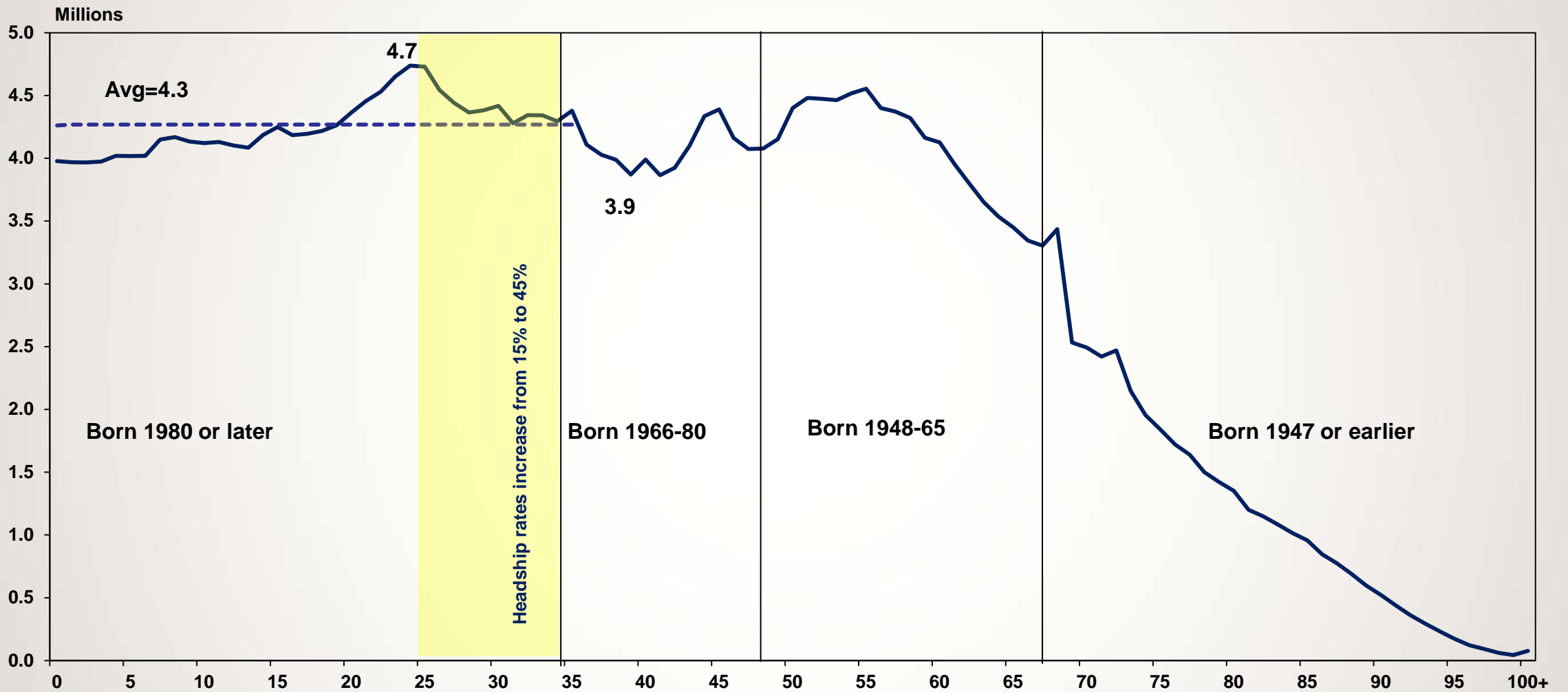


65% prefer a person to explain mortgage terms and options

58% prefer a person to help them review final documents

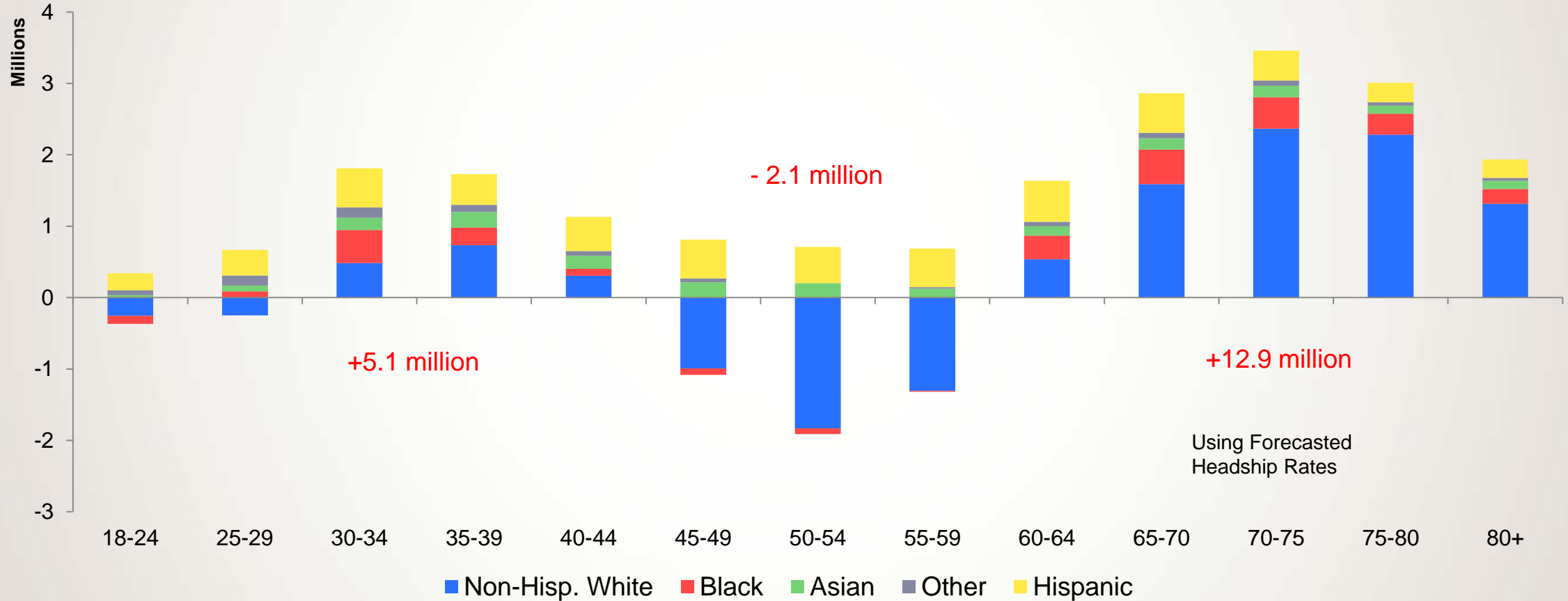


Millennials Hitting Peak Housing Demand Years



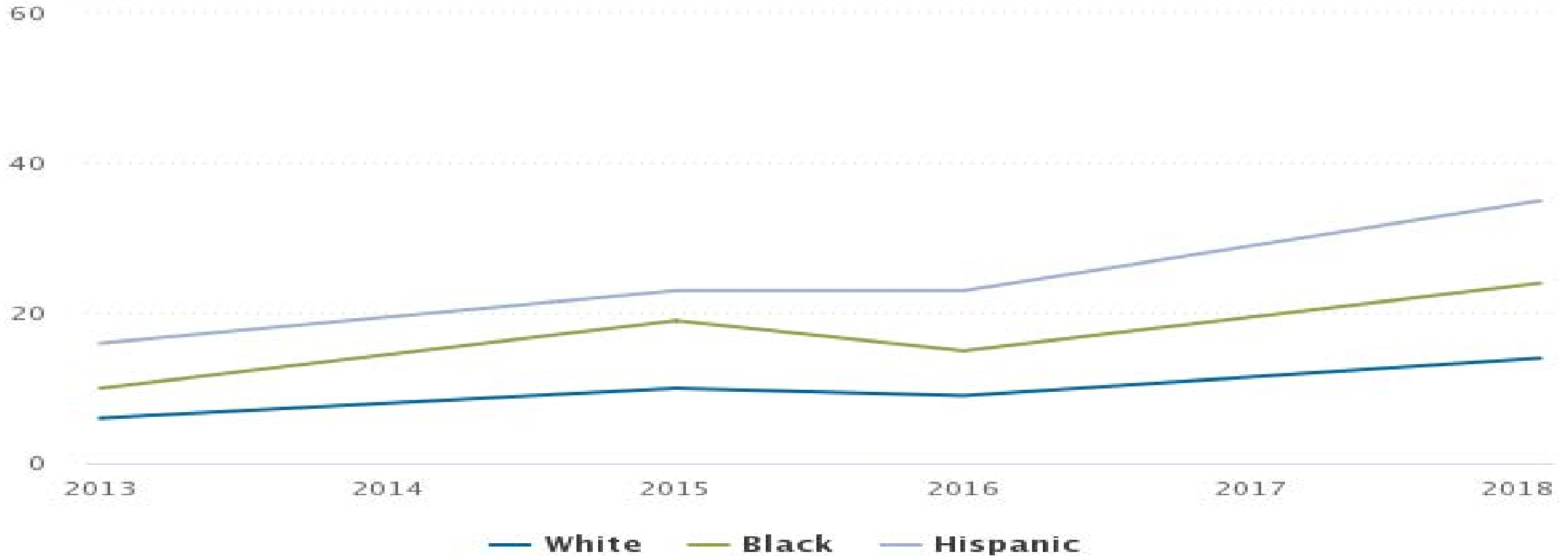
Potential for 16 Million Additional Households by 2024

Projected Changes in Households,
by Age 2014-2024



Smartphone Users Without Broadband at Home

% of U.S. adults who do not use broadband at home but own smartphones, by race



Source: Surveys conducted 2013–2018. Data for each year based on a pooled analysis of all surveys containing broadband and smartphone questions fielded during that year.

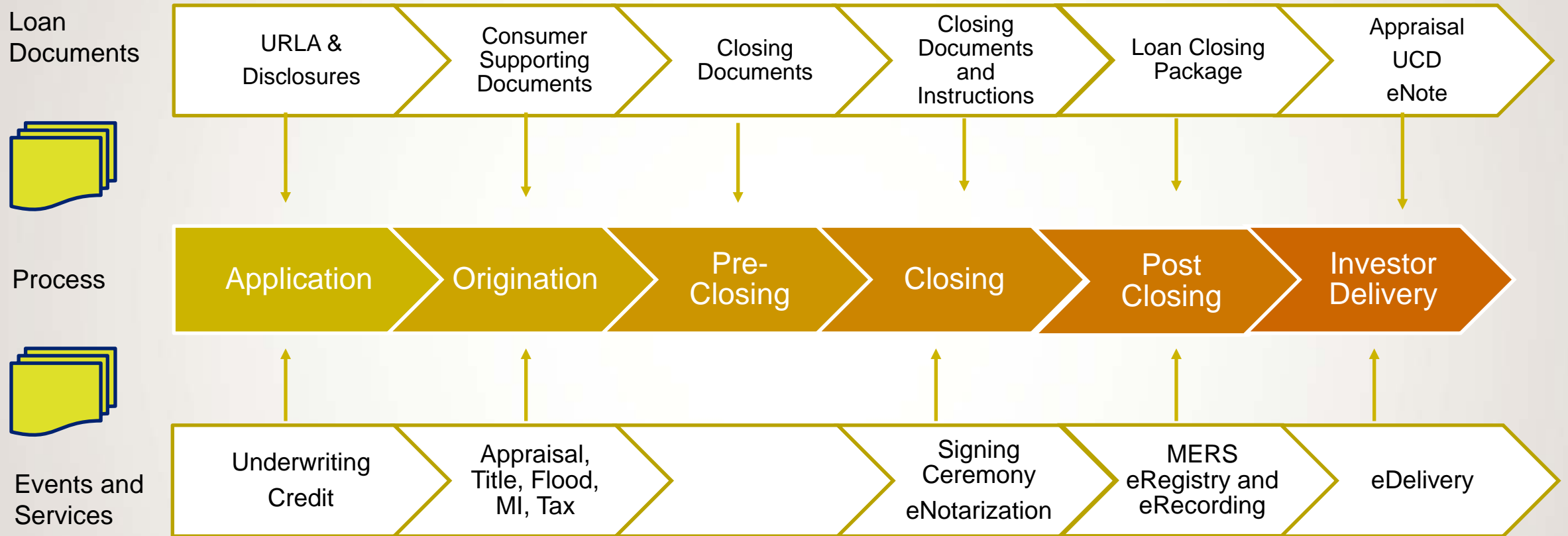
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Don't Think Digital Will Affect Mortgage Lending?

Some industries affected by digital transformation

- Book sellers & publishers
- Journalism/Newspapers
- Retail stores
- Taxis

Documents in the eMortgage Process – it's an E World



Components of a Digital Mortgage

- Customer Acquisition
- Loan Application
- Closing
- Electronic & Remote Notary
- E-signatures
- E-recording
- Customer and Partner Communication Portals
- Data Aggregation
- Chat boxes
- Online education
- Mobile devices

Consumers Are Shopping For Loans in New Places

- Social Media
- Zillow

Customer Research

92% of consumers performed research online before contacting a lender

Loan Application

- Most consumers complete applications online
- Data aggregation services (e.g. Day 1 Certainty) means consumers don't need to provide all of the data

Contrary to expectations, you can complete a loan application via a mobile phone

Customer and Partner Communication Portals

- To upload documents
- To communicate securely
- To view and sign disclosures

Borrowers who were provided an online portal were two times more likely to say technology improved the loan process

Types of eClosings

- Hybrid #1- Paper Note, Paper Notary Documents, **All Other Documents Electronic**
- Hybrid #2- **eNote**, Paper Notary Documents, **All Other Documents Electronic**
- Hybrid #3- Paper Note, **eNotarization of Documents**, **All Other Documents Electronic**
- Complete electronic- **eNote**, **eNotarization of Documents**, **All Other Documents Electronic**

Over 300,000 active e – notes

Electronic Recording

eRecording

- 1451 Counties eRecording
- Over 75% of US Population
- 6 States 100% eRecording
AK, AZ, CO, DE, HI, MA

How An Electronic Note Happens

Lender creates a uniform eNote on its eClosing platform

- Electronic document standards
- MERS® eRegistry language and Mortgage Identification Number (MIN)

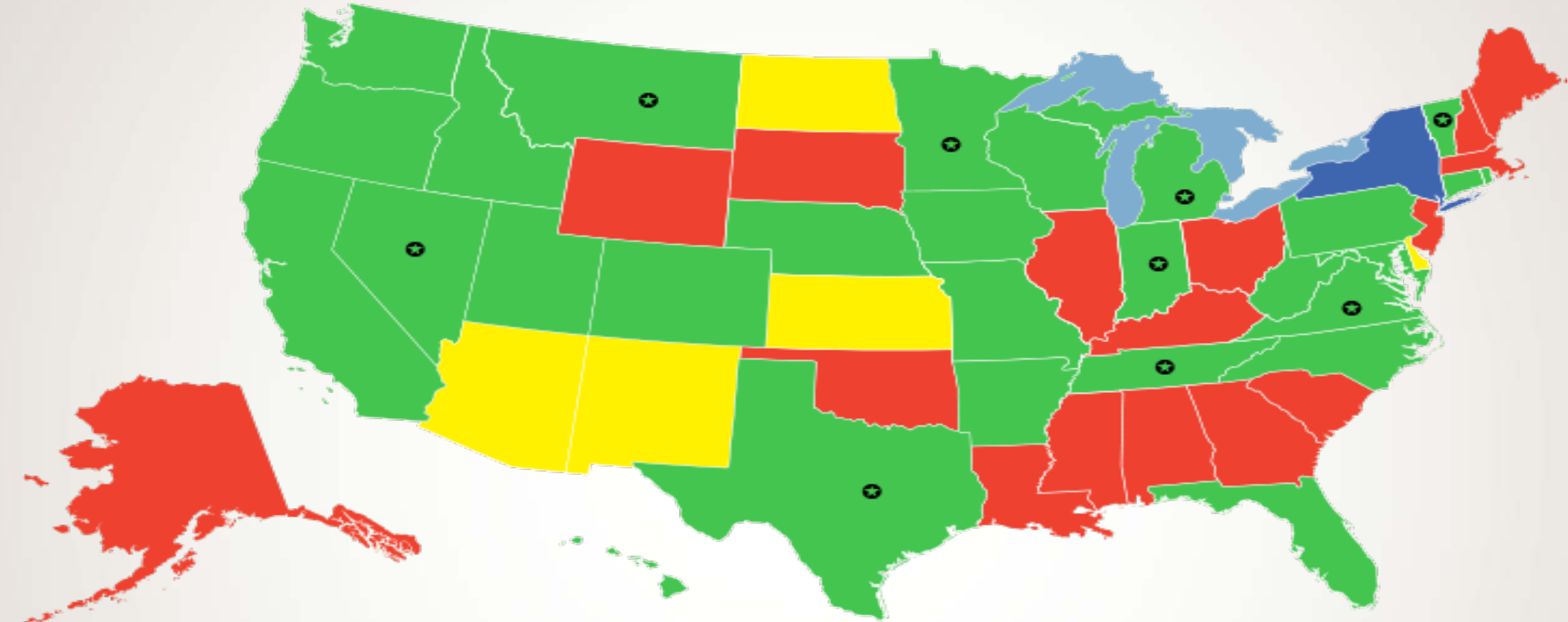
Lender executes eNote on eClosing platform

- Electronic signatures
- Tamper evident seal
- Saves Authoritative Copy in its eVault

Lender registers eNote on the MERS® eRegistry





When the eNote is sold or transferred, Lender registered the transaction on the MERS® eRegistry

eNotarization and Remote Online Notarization Adoption




REMOTE ONLINE NOTARIZATION

IN	7-1-19	TN	7-1-19
MI	3-30-19	TX	7-1-18
MN	1-1-19	VT	7-1-19
MT	10-1-15	VA	7-1-12
NV	7-1-18		

-  TODAY
-  LEGAL BUT DORMANT
-  NOT TODAY
-  REAL PROPERTY ONLY

Are Electronic Signatures Legal?

- Law has been present since the Clinton Administration... (1999)
- Transactions have been happening since 2000
- You see the same type of process happen every single day in Wal-mart, 7-Eleven, etc... (ohh... and eMortgages today)
- It's all about intent:
 - “Electronic signature” means an electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the *intent* to sign the record.

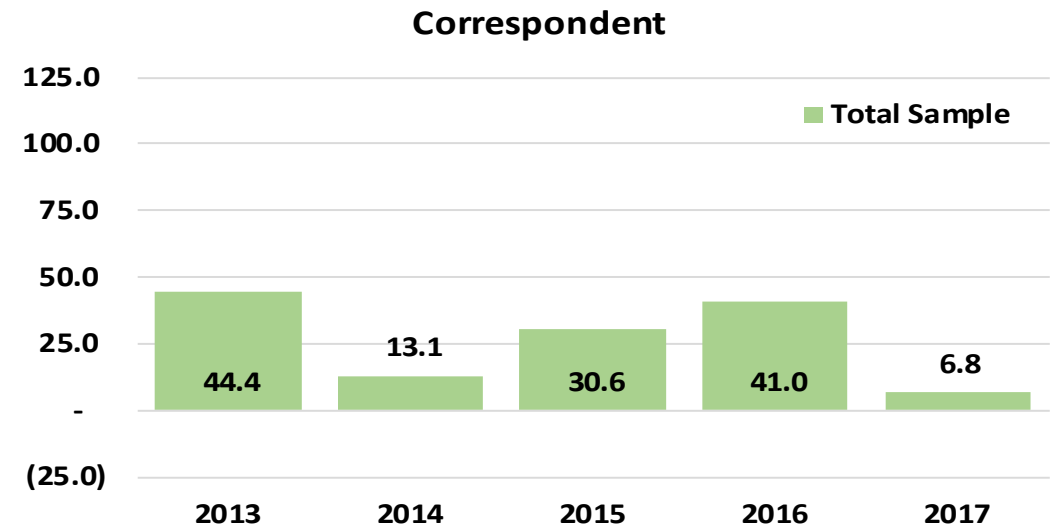
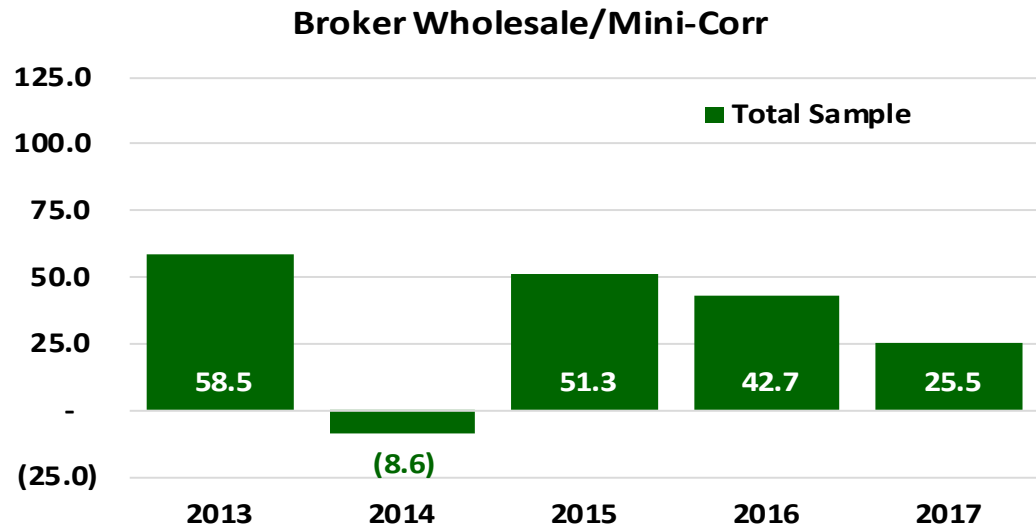
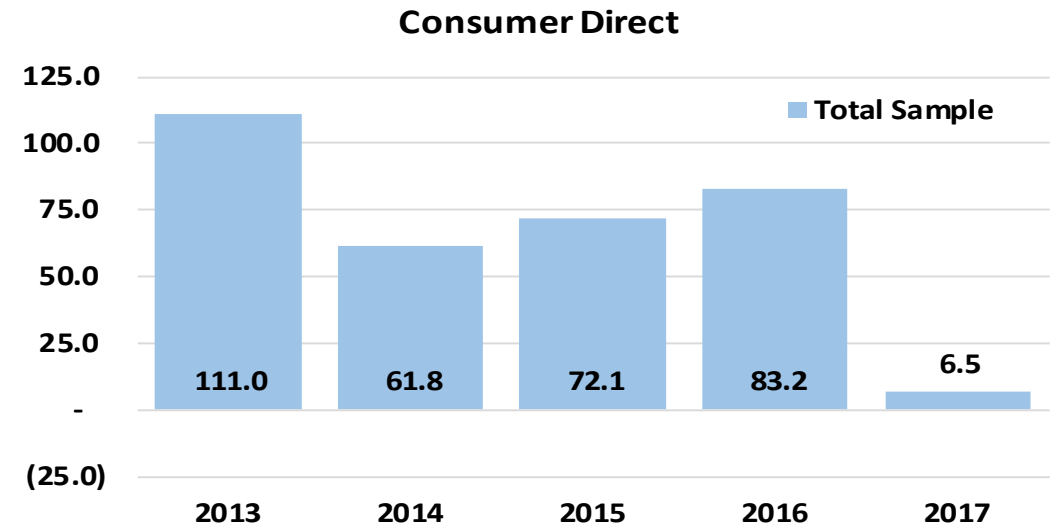
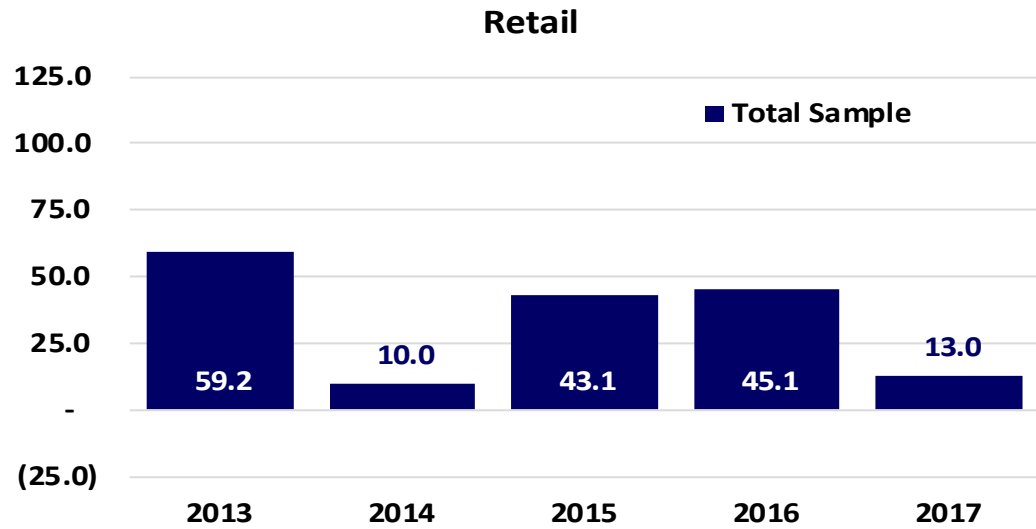
Federal and State Laws: eSign

- Electronic Signatures in Global and National Commerce Act
- Enacted by Congress in 2000
- Electronic signatures, contracts or other records relating to a transaction affecting interstate commerce are just as valid
- Only for transferable records secured on Real Estate

Federal and State Laws: URPERA

- Uniform Real Property Electronic Recording Act
- Promulgated in 2004 by the Uniform Law Commission
- Most states have adopted URPERA
- The requirement for a real estate record to be in writing is satisfied by an electronic document
- Establishes uniform standards for recording electronic documents

Total PGR Sample: Net Production Income by Channel (bps)



CFPB's Goals for the Consumer

- Improve the Closing Experience
- More Informed, every step of the way
- Time to review documents
- Time to compare and assure best mortgage
- Consumer can make sound financial decision
- No surprises
- Educational links throughout process



Obstacles to Implementing Digital Mortgages

- Current regulatory regime
 - Focuses on the MLO driving the loan process – needs modernizing
 - For Digital Mortgages, the assumption is the **consumer** is driving the process. **Example: Disclosures.**
- Lowest common denominator – we design for the most restrictive requirements.
- Minimal number of buyers of electronic notes
- County Recordors.
- States with different online notary laws.
- And... **I don't know where to start.**