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# Exploring eClose Technology and Processes:

## INDUSTRY TRENDS AND HOW TO BE READY

# Today's Speakers

## Eddie Oddo

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This presentation and the related remarks reflect the views of the presenter and do not necessarily represent the views of First American

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# Today's Topics

1. eClosing types and Industry trends
2. How to transition into hybrid and eNote closings
3. Implementation of full digital closings and eNotarization
4. Processing times and cost comparison for various closing methods
5. How to prepare ... today



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# 1. INDUSTRY TRENDS

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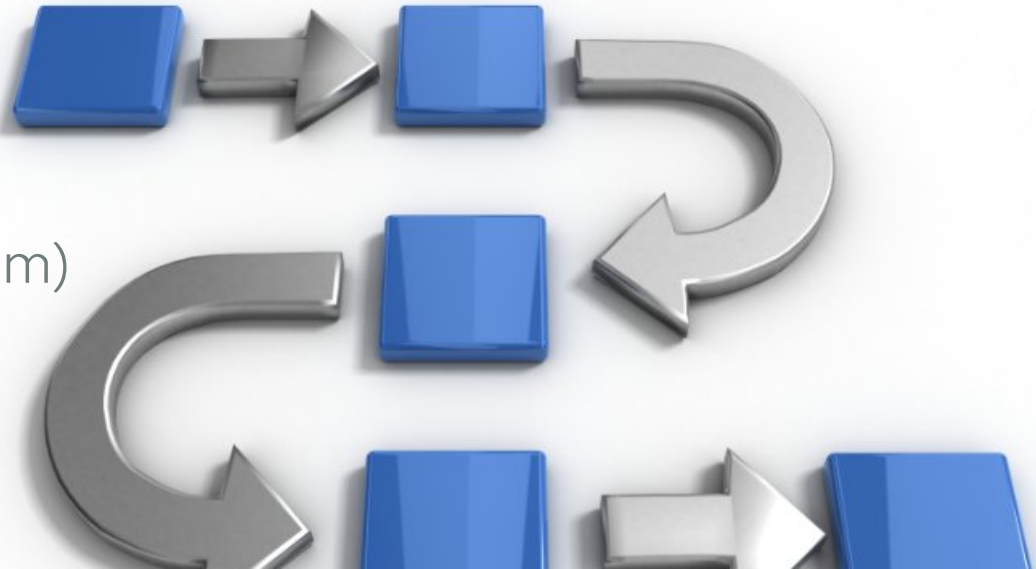
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# Four Closing Types

Traditional Wet Signing	eClosing: "Hybrid Closing"
<ul style="list-style-type: none"> <li>• In-person</li> <li>• 100% paper documents with wet signatures</li> <li>• In-office, "mobile notary", or "mail away"</li> </ul>	<ul style="list-style-type: none"> <li>• In-person</li> <li>• Some paper documents</li> <li>• Some digital documents with eSignatures</li> <li>• In-office or "mobile notary"</li> </ul>
eClosing: "In Person Digital" (a.k.a. "In Person eClosing")	eClosing: "Online Notary" (a.k.a. "Webcam", "Remote")
<ul style="list-style-type: none"> <li>• In-person, face-to-face</li> <li>• 100% digital documents with eSignatures</li> <li>• In-office or "mobile notary"</li> </ul>	<ul style="list-style-type: none"> <li>• <u>NOT</u> in person</li> <li>• Notary public appears before signer via webcam</li> <li>• 100% digital documents with eSignatures</li> </ul>

# eClosing Pieces and Parts

- eClosing Room Portal
- eNotary/eNotarization
- eRecording
- eNote and eVault
- eSign
- Online Notarization (webcam)



# Igniting the Trends

- Rocket Mortgage
- Consumer Expectations
- Data Standards
- APIs
- FinTech

*Trends 2017*

- 1.
- 2.
- 3.

# Fueling the Trends

- Headlines, Headlines, Headlines
- Partnerships
- Lender Adoption
- Online Notary Legislative Pipeline

*... It's not about Millennials*



## 2. MAKING THE TRANSITION

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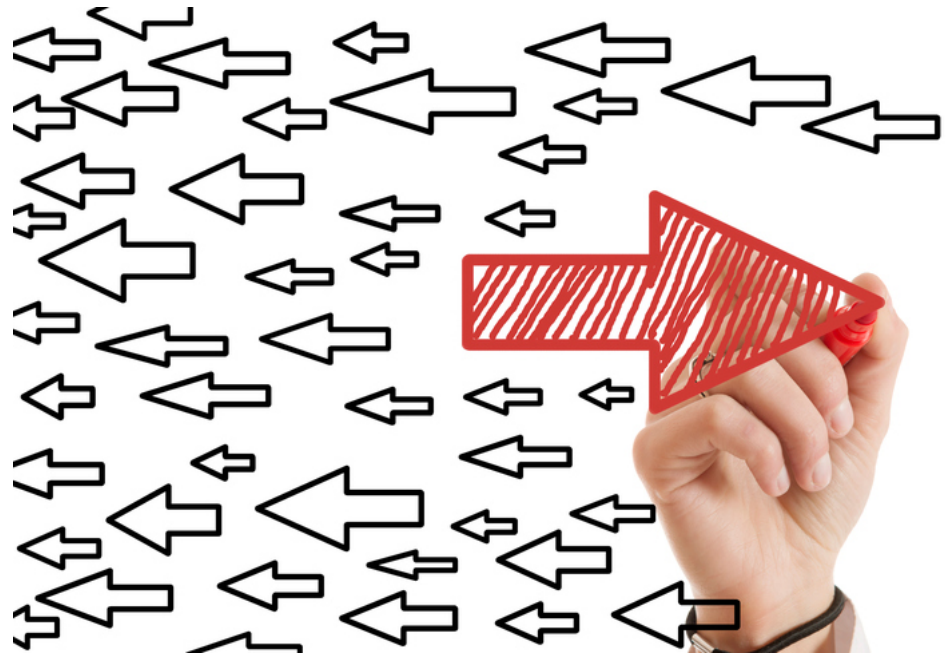


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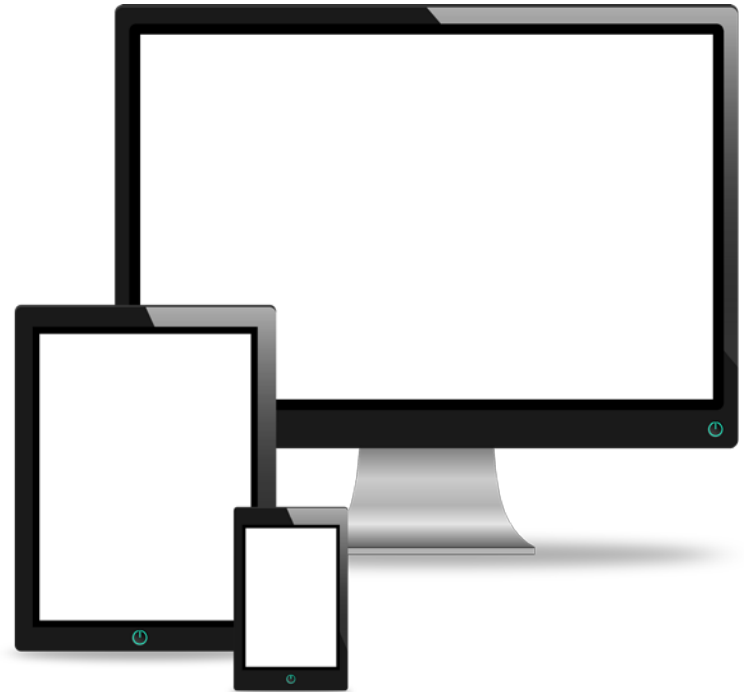
# Considerations for Settlement Service Providers

- Closings are local
- The closing is just one aspect of your overall process
- Think about your entire fulfillment process
- Will the closing change in the future?
- Should we use technology for technology's sake?



# Consider Your Fulfillment Process

- How do you get your orders?
- How do you engage with participants in these transactions?
- What tools do I have at my disposal today?
- How do I interact with lenders today, and what is their expectation going to be in the future?



# Anatomy of a Closing Package

There are four types of documents from predominantly two sources.

## Sources

- Lender
- Settlement Service Providers

## Types

- Informational documents that don't require signature
- Documents that only require signature
- Documents that require Signature and Notarization
- Note

# Where to Start

- Understand who maintains document control
  - Lender-controlled
  - Settlement-controlled
- Develop a Plan
  - Ease-of-use
  - Efficiency
  - Security
- Don't let the perfect get in the way of the good
  - Full digital closings are coming but don't let that get in your way at effectively running your business
  - Lessons from the CFPB eClosing pilot

# 3. DIGITAL CLOSINGS

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# eNote Requirements for Closing

- Provides reasonable evidence that electronic records created and maintained by the system are not, and have not been, subject to unauthorized access or alteration
- Creates a record of each eNote and electronic record presented and signed
- Tracks and logs actions related to the creation, signing and transferring of the eNote and other electronic records using the system
- Retains and maintains information in the eClosing Transaction Record, which must at all times be stored and maintained in a manner that preserves the integrity and reliability of the eClosing transaction record for the life of the eMortgage plus seven years



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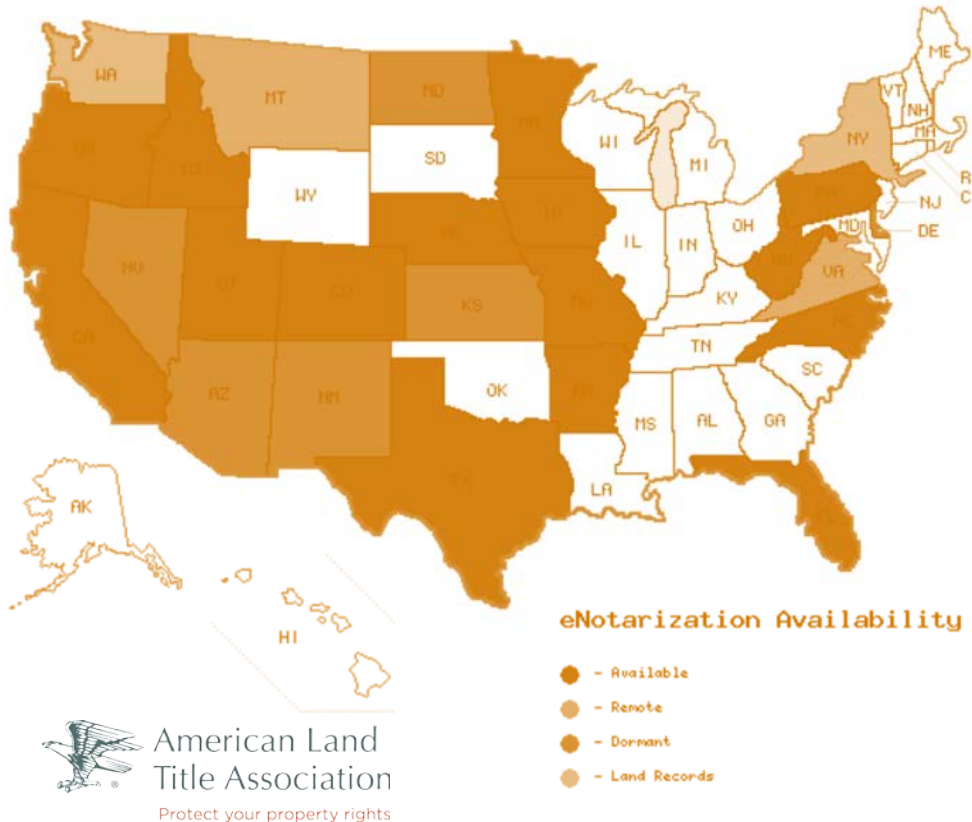
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# eNotes – What Happens After Closing

CLOSE THE eMORTGAGE	REGISTER AN eNOTE	AUTHORITATIVE COPY OF eNOTE	RETAIN COPY OF eNOTE	SEND OFFER OF TRANSFER	PAPER COPIES
<p>CLOSE WITH APPLICABLE FANNIE MAE / FREDDIE MAC UNIFORM SECURITY INSTRUMENT</p> <p>NAME MERS THE ORIGINAL MORTGAGEE OF RECORD (SOLELY AS THE NOMINEE FOR THE LENDER AND THE LENDER'S SUCCESSORS AND ASSIGNS)</p>	<p>WITH MERS eREGISTRY, USING A <b>MIN</b>, AS SOON AS POSSIBLE (NO LATER THAN ONE BUSINESS DAY AFTER THE EMORTGAGE LOAN CLOSING DATE)</p> <p>REGISTRATION MUST OCCUR BEFORE DELIVERY AND CERTIFICATION</p>	<p>DELIVERED VIA MERS eDELIVERY TO WAREHOUSE OR INVESTOR eNOTE VAULT SYSTEM</p>	<p>AUTHORITATIVE COPY IN SELLER'S / SERVICER'S eNOTE VAULT SYSTEM</p>	<p>OF CONTROLLER AND LOCATION STATUS OF THE eNOTE TO WAREHOUSE OR INVESTOR USING MERS INTEGRATED COMMUNICATION CHANNEL</p>	<p>eNOTE AND MORTGAGE DOCUMENTS PROVIDED TO BORROWER (UNLESS EXPRESS AGREEMENT TO RECEIVE ELECTRONIC COPIES)</p>



# eNotary Availability



- States that govern face to face eNotarization: 15  
AR, CA, CO, FL, ID, IA, MO, MN, NC, NE, OR, PA, TX, UT, WV
  - Dormant programs that govern eNotarization: 6  
AZ, DE, KS, ND, NV, NM
  - Land records only: 2  
NY, WA
- States that govern face-to-face and remote notarization: 2  
VA and MT (*in certain circumstances*)
- eNotarization – Upcoming Changes
  - Permit remote eNotarization: 2  
NV, TX (implement in 2018)

# Online Notary (Webcam)

## Benefits

- Expectations/Convenience
- Process Efficiency
- Data Quality

## Challenges

- Legality/Insurability
- Technology
- People/Process



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# Online Notary (Webcam)

- Legislation is evolving
- Change is inevitable
- The agent's role is more important than ever
- Drive the conversation with lenders and vendors

*... We cannot sacrifice safety and security for novelty*



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# In-Person eNotarization

## Benefits

- Enables a fully digital document set
- Utilizes the same closing experience as a face-to-face closing
- Data quality

## Challenges

- Legality/Insurability
- Technology
- People/Process



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# eNotarization Considerations

- Has my lender and underwriter approved this type of document execution?
- How are the documents going to be enabled for eNotarization?
- Will my local recorder accept eNotarized documents?

# 4. PROCESSING TIMES AND COST

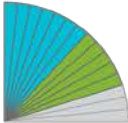
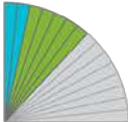
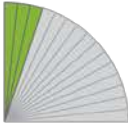
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# Transition from Hybrid to Digital Close

CLOSING TYPE	PACKAGE BREAKDOWN				PROCESSING TIME		LENDER (COST BENEFIT ANALYSIS)	SETTLEMENT (COST BENEFIT ANALYSIS)
	WET SIGN	eSIGN	eDELIVERY	eNOTE	MANUAL TIME	AUTOMATED PROCESSING		
HYBRID CLOSE PILOT		37%	36%	27%		 MANUAL: 7 MIN AUTOMATED: 5 MIN <b>TOTAL TIME: 12 MIN</b>	\$26	\$23
HYBRID CLOSE PRODUCTION		33%	40%	27%		 MANUAL: 2 MIN AUTOMATED: 5 MIN <b>TOTAL TIME: 5 MIN</b>	\$26	\$27
HYBRID CLOSE + eNOTE		25%	45%	27%	3%	 MANUAL: EXCEPTION ONLY AUTOMATED: 3 MIN <b>TOTAL TIME: 3 MIN</b>	\$155	\$29
FULL DIGITAL CLOSE		70%	27%	3%		 MANUAL: EXCEPTION ONLY AUTOMATED: 3 MIN <b>TOTAL TIME: 3 MIN</b>	\$162	\$37

# 5. TIME TO PREPARE

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# Preparation

- Indications point toward a late 2018 – 2019 transition
- 2017 – early 2018: Plan and prepare
- Experiment
  - You may be asked to eClose today
  - Work closely with your underwriter



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# Preparation – Talk to Your Underwriter

- Insurance starts with closing and recording
- Avoid misinformation about what is legal vs. what will be insured
- Guidelines on platform requirements
  - Authentication, tamper evidence, credential analysis, storage...
- Understand insurability
  - eSignatures and eRecording digital documents
  - Secretary of State eNotary rules
  - Transaction type limitations
  - The details are important

# Preparation – Talk to Your Vendors

- **Vendors:** Title/Settlement **AND** eClosing platform
- What is your roadmap for eClosings?
- What types of eClosing will be supported and when?
- Does your system handle eNotes?
- What integrations will be available?
- How can I eEnable my documents for eSigning?
  - Process impact

# Preparation – Talk to Your Lenders

- What types of eClosings do you want me to provide?
- Do you have an eNote/eVault provider?
- How will you deliver documents?
- Will I use your eClosing platform or mine?
- How will we prepare documents for eSign?
- Who educates the borrower to prepare them for eClosing?

# Preparation – Talk to Your Employees

- This could be a big deal – growth mindset over a fixed mindset
  - Today you manage **ONE** type of signing
  - Tomorrow you manage **FOUR** types of signing
- Discuss the pros and cons of different types of closings
- Share what is legal and insurable in your states/areas
- Prepare for the possibility of different platforms

**Develop an Expert (conferences, calls, webinars, etc.)**

# CONTACT INFO

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