E-closing
Lender Best Practices

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Contents

E-closing Best Practices

Summary

A lender's well-planned and executed e-closing strategy will drive higher borrower satisfaction, reduced operational expenses from pre-close through post-closing, and will optimize origination workflows. While there are many benefits for a lender to implement e-closing, lenders may not have a clear path for adopting a "**"be as** '**'e' as you can be"** strategy. The *E-closing Best Practices* guide is intended to provide valuable information for achieving quick organizational wins, long-term adoption, and tips for managing change.

The key concepts covered in the guide are:

- Be as "e" as You Can Be
- Champion the Cause
- Drive Adoption with Key Stakeholders
- Complexities of Agent and Notary Support

Be as "e" as You Can Be

'This is a prescribed strategy for implementing e-closing best practices based on package types. In addition, the strategy needs to be comprehensive: moving quickly from pilots to all package types to drive change. E-closing package types are classified based on the degree of accepted and allowable electronic signatures. Closing packages included in a lender's strategy are:

- Ink-Signed — No documents can be e-signed.
- Hybrid — Ancillary documents are e-signed.
- Hybrid & E-mortgage — Ancillary documents and mortgages can be e-signed and/or e-notarized.
- Hybrid & E-note — Ancillary documents and notes are e-signed.
- Fully Digital — Security and notary documents are e-signed/e-notarized. Ancillary documents are e-signed.

Ink-Signed

Although ink-signed packages by definition are excluded from being e-signed, lenders should still include this segment of loans in your overall "e" game plan starting on day one. Delivering 100% of ink-signed closing packages via Simplifile to your settlement agent network achieves several key milestones and drives adoption as you progress toward fully digital closings. Even as you commit to a digital path, ink-signed packages will still exist and embracing them in the overall process will ensure consistency internally and from a settlement agent perspective. Some of the quick wins that are measurable when delivering ink-signed packages through Simplifile are:

- Lender staff begin adopting an e-close process which encourages a change-oriented culture.
- Lender staff become familiar and comfortable with Simplifile.
- Agent network becomes fully registered using Simplifile when required to securely download the closing package.
- Agents are incrementally introduced to this small change in process and learn how to download and upload documents.
- Lender can require full package return as a funding requirement further minimizing post-closing cleanup requirements.
- Agents will return the signed ink closing package electronically, expediting the post-closing review and investor delivery.

- The majority of agents use Simplifile to e-record, and Simplifile will automatically return these e-recorded documents.
- Agents are provided e-closing videos and access to one-on-one training opportunities to be ready for their first e-closing.
- Agents can setup of their e-notary credentials to prepare for future fully-digital loans.
- Settlement agents can upload their title/closing documents to be included in the final closing package.
- Simplifile supports secure and auditable delivery of packages to third-party notaries for mobile signings.
- Ink-signed closing packages are automatically split based on supported barcodes in Simplifile. (Coming soon.)
- Automated alert to agent if the ink-signed page count differs from what is expected.
- Automated notification to agent that ink signatures are missing from the closing. (Coming soon.)

Hybrid

To achieve meaningful results, the shift toward e-closing has to be a significant one. Your first quick organizational goal must be focused on implementing hybrid e-closings in conjunction with delivering the ink-signed closing packages. Investor acceptance for purchasing a hybrid e-closing is the high-water mark for taking steps to become "e" as an organization.

As part of implementation, lenders will verify "e" acceptance by investor on a per-product basis. As industry demand has recently grown, the vast majority, if not all of your loan portfolio, is able to be a hybrid e-closing and delivered to your investors. Some of the quick wins that are measurable when performing hybrid e-closings are:

- All bullets listed above for ink-signed closings.
- Loans can be automatically flagged if hybrid eligible based on pre-set defaults with your document provider, removing a manual step.
- Consumers can pre-sign eligible documents further streamlining the closing process.
- The time at the closing table is minimized for the borrower, agent, and all other parties that attend a signing.
- A consistent method for securely delivering every closing package, including ink and hybrid, creates a consistent lender and agent experience.
- Lender staff can progress further toward a change-oriented culture without intensive workflow disruption.
- Agent and notary have SSO (single sign-on) access to launch the signing platform via Simplifile to guide the borrower through the e-sign process as needed.
- E-closing strategies can be deployed while e-note registration/approval is in process.
- Clear email notifications and access for the agent to download and view the completed e-signed documents.
- Lender's post-closing review time can be reduced since electronic signatures are always complete.

Hybrid & E-Mortgage

Even if waiting on e-note implementation, some transactions can be hybrid plus e-mortgage approved. Electronic capabilities in certain recording jurisdictions assure the most streamlined experience short of a fully electronic closing. Quick wins for this phase include all of the important opportunities listed above plus the benefits of the paperless mortgage through electronic recording of this valuable document. As with other Hybrid models, Simplifile can seamlessly inform you of when the mortgage can be e-signed, e-notarized and e-recorded. Another valuable step in moving to the milestone of a fully electronic closing. Quick wins for this next hybrid step include:

- All bullets listed above for ink-signed and hybrid e-closings.
- One additional paperless document that reduces paper tracking.
- Automated return of the recorded security instrument and fees.

Hybrid & E-note

The next logical implementation milestone is to e-notes after the successful deployment of ink and hybrid. The e-note acceptance rate by your investors is less than the investors' acceptance of hybrid e-closings, but the industry is experiencing a growing list of e-note investors. Therefore, it is important to routinely check with your investors and update your settings with your document provider to maximize your pool of loans that are e-note eligible. Some of the quick wins that are measurable when performing e-notes are:

- All bullets listed above for ink-signed and hybrid e-closings.
- One additional paperless document that reduces paper tracking.
- Potential for improving delivery times to investors.
- Improves collateral control by reducing the risk of lost promissory notes.
- Improves the auditability of the controller of the document and investor.
- Automatic delivery to e-vault for e-registry and e-delivery.

Fully Digital

The pinnacle milestone for your "*Be as "e' as You Can Be"* strategy is to perform fully-digital e-closings. Achieving this marker in your strategy requires multi-layered, complex planning and preparation.

Allowing e-notarization on all notary documents, including security instruments, introduces additional authoritative parties for each fully-digital closing. Each state, county within each state, and other local jurisdictions may have additional restrictions to not allow e-notarization. In some instances, there is no clear guidance on the acceptance of e-notarization and, as a lender, you will be tasked to determine your appetite for risk and willingness to drive market adoption. Lenders must also check e-notary acceptance from your approved investors. These additional e-notary acceptance layers reduce the eligible pool of fully-digital loans.

Simplifile helps quarterback many of the complex tasks. Working with all authoritative parties for nearly two decades, Simplifile provides a clear path for e-notarization for recordable documents. Simplifile flags every loan's e-notary-eligible status conservatively, taking into consideration the county's acceptance of e-notarized security instruments and e-notary readiness in the jurisdiction ("e-eligibility"). Understanding that a rejection of an e-notarized security instrument would cause expensive re-signing activities and borrower inconvenience, Simplifile warrants its e-eligibility data and will cover the re-signing and re-recording processes. In addition, Simplifile provides the mechanism for settlement agents to add the documents to the e-closing transaction and is developing a method for those title documents to be auto-tagged for electronic signature, eliminating another paper-based process.

Due to low market acceptance and adoption, there is also an important obstacle to overcome with a limited, trained workforce. Lenders, agents, and notaries all must work in unison and be willing participants on the transaction. Lenders can drive adoption with an incremental implementation plan to "*Be as "e' as You Can Be*." Deliver ink-signed closing packages, hybrid, and hybrid with e-notes in stages to make the transition to fully digital an achievable goal for all parties. Some of the quick wins that are measurable when performing fully-digital e-closings are:

- The features listed above for ink signed, hybrid, and hybrid with e-notes.
- Additional reduction in paper document tracking.
- E-recording available on nearly every closing.
- Full audit trail of all closing-related events.

Champion the Cause

Championing the cause across the organization is a must to drive adoption. Executive sponsorship, operation leaders, sales leaders, department managers, operation team members, and compliance all must work off the same vision. Corporate commitment must be unwavering and reinforced throughout the implementation of e-closing at your organization.

Champion the cause by taking these first steps to kick off the project:

- *Designate Executive Sponsor.* Identify the executive sponsor responsible to communicate the "why" e-closing is an important investment for the organization to drive adoption. Build excitement and support from the top-down throughout various stages. Without a clear understanding of why the company is doing this, the project often fails as users try to stick to the tried and true and are not willing to risk the adoption of something new.

- *Designate the Project Lead*. Designate who is the primary point of contact for Simplifile and your e-closing provider. Typically, the project lead will be responsible for tracking, reporting, and communicating success and gaps to a lender's executive team.

- *Identify the Lender Project Team*. Treat e-close as an organization project. Identify subject matter experts from Operations, Sales, Compliance, and IT. E-closing cannot be an exclusive project for compliance and IT team members.

- *Identify Settlement Agents to Participate in Pilot*. Select a handful of settlement agents to do a brief pilot with before you ramp to full production. Ideally, the agents selected should receive regular volume and be motivated to be a good partner. By starting with a few hand-selected agents, the pilot process will also be able to capture critical feedback from the settlement agent point of view and, if needed, adjustments can be made prior to full roll-out.

- *Create your "Be 'e' as You Can Be" strategy.* Create a timeline for achieving each of your "e" milestones. Define when the following events are planned:

  o Begin the project and configuration of the e-closing platform defaults and Simplifile settings.
  o Perform User Acceptance Testing by your project team.
  o Train your broader operations team on the strategy and operational impacts prior to going live.
  o Deliver your first ink and hybrid e -closings in production.
  o Define when e-notes and a fully digital e-closing is part of your overall strategy.

Drive Adoption with Key Stakeholders

It is critically important that all parties are willing to adopt an electronic process.

The key stakeholders to drive adoption are:

- Borrower(s)
- Lender operations team members: loan officer, closer, processor, post-closing and final documents team, servicing and managers
- Lender IT team
- Mortgage brokers
- Settlement agents

Key to adopting new processes and technology is making the experience intuitive, consistent, and repeatable. Below are some quick tips for driving adoption for varying stakeholders:

Borrower(s)

- **Borrowers should e-sign consent upfront ("one-time consent").** This single experience drives adoption by preventing gaps in understanding and prevents delays for the electronic package to be delivered to the borrower.
- **The borrower's e-closing and e-disclosure user experience should be identical** using the same log-in credentials and following the same e-signing steps. Create a consistent experience to drive adoption.
- **Borrowers should receive education** prior to receiving the e-disclosure and e-closing documents by both their loan officer and settlement agent.

Lender Team Members

- **Create a consistent closing package delivery method** for all package types: Ink, Hybrid, Hybrid & E-notes, and Fully Digital. Closing package delivery via a single source eliminates ambiguity and drives adoption for all parties and all package types.
- **Leverage subject matter experts** to provide a seal of approval and become internal champions. Create process maps to identify workflow changes and rely on the team to assist with training materials. Getting the subject matter experts involved early creates ownership in the success of the overall project.
- **Allow the borrower to control their signing experience.** Automatically create a default to Hybrid when available if borrower e-consent is on file.
- **Reduce clicks and decision points for closers.** Eliminate any additional clicks for lender users to deliver an e-close package. Create automation where available to prevent adoption issues from lack of training or resistance to change.
- **Provide borrower support on every e-closing package.** When the package is not exclusively ink, the lender should set the expectation with the borrower upfront that this loan is eligible for e-closing and what that will entail. The lender should contact the borrower the morning of signing to remind them to e-sign their docs prior to meeting agent.
- **Lender communication and support:** Take the following steps:
  - **Executive sponsor communicates benefits** of why e-closing is corporate priority and mandate. Provide the corporate vision to make team members feel invested in the strategy.
  - **Update lender closing instructions** to reinforce how the borrower is expected to sign documents and agent should use Simplifile for closing coordination, e-closing, and e-recording.
  - **Provide email communication to your agent network** from your marketing team on e-closing initiatives.
  - **Provide training and document/video support to your users** – Simplifile and your e-closing provider can help you put together tailored quick tips for your team's processes that can be distributed internally for easy access.
  - **Simplifile Support** -- Arm team members with information on where to refer any agents requesting support. At times a closer will reach out and indicate this is my first loan and they don't have a credential to Simplifile or know how to perform an e-closing. Simplifile has a team of dedicated account managers and support personnel to assist your network of agents. Enable your lenders to refer the agent to Simplifile and not skirt the process.
- **Create and monitor success metrics by closer, loan officer, processor, and settlement agent**. Having metrics in place to determine if certain team members are not adopting technology and recognizing those that are driving success are important to all projects. Provide metrics to the executive sponsor for recognition and guidance for those that are (and those that are not) embracing change.

Settlement Agents

- **Create a consistent closing package delivery method** for all package types: Ink, Hybrid, Hybrid & E-notes, and Fully Digital. Closing package delivery via a single source eliminates ambiguity and drives adoption for all parties and all package types.
- **Start with Ink and Hybrid**. Ease the "new technology" learning curve by having them leverage Simplifile to view all types of e-closing loans, even if they don't have to witness the closing via the e-closing portal. Agents are receiving e-closing packages via Simplifile from multiple lenders and it is critical to keep the experience consistent. Sending all package types allows an agent to understand operational processes and seek training and set-up to prepare for e-notarization.
- **Update lender closing instructions** to settlement agents to include the use of Simplifile for closing coordination, e-closing and e-recording, and return of any ink-executed documents.
- **Contact the borrower(s) prior to arriving at the closing table.** Provide instructions in your closing package requesting the agent to contact the borrower the morning of the closing to confirm the e-signatures are completed prior to arriving at the closing table. This drives time savings for the agent if signed in advance. Furthermore, if confirmation is received prior to printing the closing package, additional efficiencies are gained.
- **Provide email communication to your agents and mortgage brokers** from your marketing team on e-closing initiatives before, during, and after the initiative kicks off.
- **Consider reduced future business to the agent if they opt out of e-closing:** With the exception of borrower opt out, communicate to the agent that future orders will be directed to other agents if the agent won't participate. The agent needs to understand that you are embracing e-closing as a business, and it is expected that vendor partners participate, especially on lender-driven, refinance transactions. It is important that e-closing is not a "choice" as human nature is to avoid change if given the opportunity.
- **Use Report Card strategies-** Let your settlement agents know you are tracking adoption and when possible provide report cards to encourage participation throughout each major step of the transaction. Simply reporting on one step won't encourage whole-hearted adoption. Track performance pre-closing, closing, and post-closing to encourage end-to-end adoption.
- **Simplifile Support --** Arm team members with information on where to refer any agents requesting support. At times a closer will reach out and indicate this is my first loan and they don't have a credential to Simplifile or know how to perform an e-closing. Simplifile has a team of dedicated account managers and support personnel to assist your network of agents. Enable your lenders to refer the agent to Simplifile and not skirt the process.

Driving adoption and implementing your "*Be as 'e' as You Can Be"* strategy requires a clear plan. Here are some additional tips and reminders to consider when formulating your plan:

- Rolling out e-closing with a fast-paced, measured timeline will drive larger organizational wins.
- Selecting the right team members during the implementation is critical to driving success and adoption.
- Don't second-guess the decision and don't let change-resistant staff derail the project.
- Embracing ink and hybrid closings drives adoption. Every loan should be able to be driven through Simplifile.
- The shift to e-closing requires a lender's commitment to making as many loans e-close as possible.
- Being "e" provides value to all parties of the loan, and there is no reason (other than lack of borrower e-sign consent) to not e-close.
- If e-close is only a small part of a lender's closings, settlement agents and your internal closers will not be motivated to learn the new process and will do whatever they can to revert back to the paper process, undermining a lender's e-close efforts.
- If e-close is a loan officer or closer-driven choice, your e-close volume and the related benefits won't materialize as human nature avoids change.

- If e-close is defined as only fully-digital loans, less than 20% of your loans will typically be eligible for e-close, creating bifurcated processes and reduced motivation to adopt.

Complexities of Agent and Notary Support

One of the most complex parts of achieving your "*Be as 'e' as Can Be"* strategy is providing the agent and notary access to continual support and comprehensive technology to facilitate all aspects of an e-closing. Simplifile provides both technology and support to our growing network of over 17,000 registered settlement locations, easing adoption.

Simplifile provides the following services to our agent network so that your e-close initiatives can be a success:

- **Easy registration process.** Taking less than a few minutes of time, every agent and notary can create their secure credentials to access Simplifile.
- **Visibility into e-notary eligibility.** Simplifile flags every loan's e-notary eligible status conservatively, taking into consideration the county's acceptance of e-notarized security instruments and e-notary readiness in the jurisdiction ("e-eligibility").
- **Storage of e-notary credentials.** Agents and notaries will be prompted to store their e-notary credentials securely in their Simplifile personal settings. This is a simple process and Simplifile provides training videos and live support. This is a critical technology requirement required for accomplishing a fully digital loan.
- **Single sign-on experience**. Our registered agent and notary network use their existing Simplifile credentials providing a simple experience to launch e-signing platforms.
- **Notification preferences.** Users can customize who at their organization needs to get notified when closing packages are delivered or e-sign is complete.
- **Work queues.** All agents and notaries that have a credential for a Simplifile branch location have access to the closing packages. This feature allows immediate access to loans in the event an agent is in another closing or is out on vacation.
- **Support.** Support is available 8 a.m. to 8 p.m. ET by calling 800.460.5657 or using chat features.
- **Training.** Dedicated account managers are available to provide office or one-on-one training as needed.
- **Proactive outreach.** Simplifile's dedicated account managers attempt contact with all new settlement agents receiving closing packages to answer questions and help drive adoption.
- **User management.** If agents or notaries need help setting up their locations or users then Simplifile is here to assist.
- **Product feedback.** Simplifile gathers feedback by delivering surveys, conducting one-on-one interviews, and an in-app feedback button.
- **Product enhancements.** Simplifile listens to our users and releases priority enhancements every two weeks.

Driving e-closing adoption requires additional agent and notary support for every closing package type, including hybrid loans. Simplifile has built agent and notary support for over two decades and provides this important infrastructure to allow you to "*Be as 'e' as You Can Be*." Without Simplifile, this cost is transferred to the lender and, depending upon the approach, could have varying results, impacting success and risk.

Summary

Getting to a fully digital transaction requires a commitment from the Lender to push through each phase of "e-eligibility" with a lot of persistence and a bit of patience. The process outlined provides a starting point for a successful "e" strategy that progresses while minimizing disruption to staff or resources. Being as "e as You Can Be" means letting each transaction progress through the same process to the level of "e" available based on the details, without creating bifurcated and disruptive processes that will slow adoption. Every "hybrid" option can co-exist with the e-closing options as loans might require different hybrid options while others loans can be fully digital, all while using Simplifile to assist in the decision-making.