

ALL EYES ON RON

ACCELERATING INDUSTRY-WIDE
ADOPTION AND HOW KEY PLAYERS
CAN GET STARTED NOW



Remote Online Notarization

The COVID-19 pandemic has surfaced new challenges for the real estate industry. Namely, completing real estate transactions in the face of stay-at-home orders. The ideal solution – a fully digital closing that uses remote online notarization (RON) – is not new. The technology is already available, and consumer appetite for such an option has been on the rise.

RON has historically suffered from a slow adoption rate as a consequence of legislative barriers, RON-enabled transactions not being universally accepted among underwriters and lenders, and confusion within the industry around how partners collaborate on RON. However, social distancing requirements have called attention to the need for remote solutions and ignited discussions for temporary and permanent solutions.

Now the question facing the industry is how to quickly overcome the obstacles that have slowed RON's momentum in the past. What coordination is required? How do lenders, underwriters, and title and escrow businesses actually get started with RON? This white paper will cover this coordination and the actions required of each participant in the process.

Industry stakeholders realize that today's reality requires swift action. The pandemic has served as a forcing function to bring stakeholders together in a unified push for guideline revisions, new state-wide RON legislation and industry-wide adoption. The time for RON is here.



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Coordination for RON

States and counties

One of the biggest hurdles standing in the way of industry-wide RON adoption is the fact that RON must be legal at the state level. Prior to the pandemic, the march toward nationwide passage of RON legislation was slow but gaining momentum. Virginia was the first state to enact permanent legislation in 2011, and before COVID-19, only 22 other states had followed suit.¹

In response to the COVID-19 pandemic, however, several states have issued temporary executive orders or other temporary authorizations allowing for the use of RON. Some of these temporary orders also allow for the use of a remote ink-signed notarization (RIN), wherein a notary uses audio-visual technology to examine photo ID and the ink-signing of a document and the borrower returns the document to the notary via mail, delivery service or in person. Upon receipt of this package, the notary physically applies their notarial seal or stamp to the loan documents.²

To correspond with these temporary authorizations, Fannie Mae and Freddie Mac have also provided temporary guidelines for remotely-signed documents in order to complete mortgage transactions.²

Notaries public, commissioned by their state, abide by the laws governing their jurisdiction. Therefore, without the legal authority to conduct RON or RIN, notary signing agents may only perform their role in-person. In states where RON legislation has been passed, notaries typically must seek additional training and certification to complete remote online notarizations.

At the county level, not all recording offices have invested in the technology and training that are required to support eRecording, which is the electronic storage, cataloging and retrieval of digital documents.³ Counties that don't eRecord may allow "papering out" (the submission of a certified paper copy of an electronic record) in accordance with state regulations, where they exist. Additionally, some county recording offices have policies that oppose the submission of certain eRecorded documents even in instances where state legislation allows it.⁴

These discrepancies put the onus on settlement agencies and mortgage lenders to research what is legal in the state(s) they work within and whether the local county clerk's offices support eRecording or "papering out" as a fallback.



Coordination for RON

Standards and best practices

Given the lack of nationwide uniformity in laws governing RON transactions, it's challenging to enforce consistent standards and best practices across stakeholders in the real estate industry. Now, during the pandemic, all involved parties are showing great coordination and adaptability to help keep the real estate and mortgage markets functioning.

For example, many underwriters and the government sponsored entities (GSEs) have issued guidance on RON-enabled closings and temporarily expanded the states where RON transactions are permitted.⁵ This swift action is an indicator that those who create standards and guidelines will be able to move quickly in the future to deliver guidance and support for RON transactions as legislation passes to permit RON in more states.

Interoperable technology

The technology required to complete remote online notarizations under normal circumstances is more advanced than a standard two-way audiovisual platform, such as Zoom, FaceTime, or Google Meet. The American Land Title Association (ALTA) has issued a statement against the aforementioned and similar platforms, saying that they don't meet basic RON requirements and security standards.⁶

However, COVID-19 and the need for social distancing have led to temporary exceptions and new guidelines published by GSEs. Under Fannie Mae and Freddie Mac's guidelines, RIN transactions are now temporarily viable closing options in states where executive orders permit them. Both GSEs will temporarily allow the use of audio-visual services such as Zoom, Skype, and WebEx to conduct RIN closings so long as the technology meets their functional and security standards.

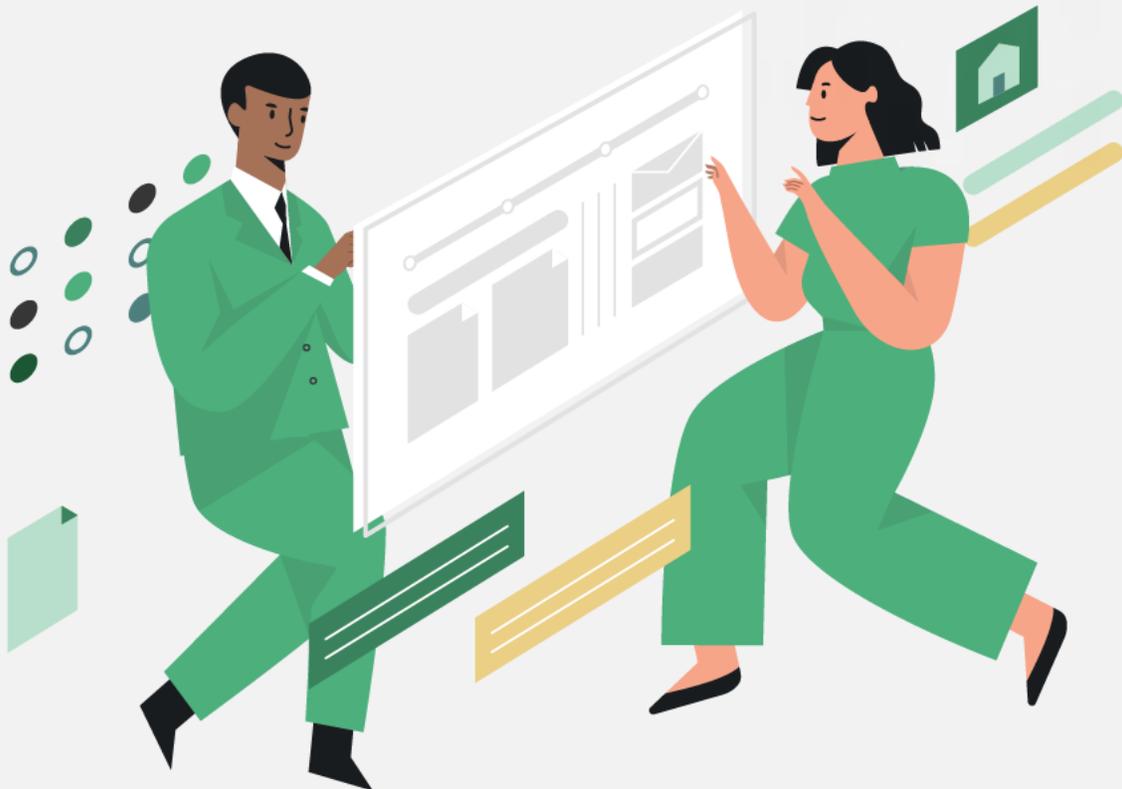
Fannie Mae encourages the use of RIN in states where RON is not legal. Freddie Mac does not restrict the use of RIN, "as long as the notary licensed in that state is comfortable notarizing documents signed through such process, consistent with applicable state law and the title insurance company provides title insurance on such loans without any caveats/restrictions."⁷

Typically, the technology used for RON transactions must be able to perform multifactor authentication of the signer's identity, protect personally identifiable information, apply eSignatures and eNotarizations, and tamper-seal finalized documents. However, the exact requirements of RON and RIN platform capabilities vary by state law, and those looking to perform either type of transaction should confirm the requirements against their state legislation or executive orders.

Coordination for RON

RON technology is sophisticated, but its biggest limitation is that it is generally developed as a standalone service that operates independently of digital closing platforms. As such, real estate stakeholders may be forced to adopt multiple RON providers based on what their partners are already using. Juggling multiple systems causes operational slowdowns, a problem that's compounded by the lack of a seamless integration between some of these standalone RON solutions and existing real estate technology platforms.

Interoperable technology that employs a common data language is crucial for industry success. An end-to-end solution that enables title & escrow agents and lenders to remain in their core software systems will further streamline the transaction for a frictionless experience.



Rolling out RON

The aforementioned prerequisites for RON have historically proven challenging but are not insurmountable. Awareness of these hurdles enables constructive conversations with fellow stakeholders and is the first step in getting started with RON transactions. To execute a coordinated rollout, industry stakeholders can take steps to understand everyone's role and what they need to accomplish to implement RON.

Lenders

RON can be a successful addition to an established workflow that streamlines loan fulfillment and creates a smooth closing experience for borrowers. Here are the first steps lenders should take to move toward RON implementation:

- 1 Understand variance in state laws where you operate. The National Association of Secretaries of State maintains an updated list of RON status by state.⁸
- 2 Speak with investors to understand requirements and guidelines and use this information as you evaluate technology platforms. Recently, government-sponsored enterprises (GSE) issued new RON guidance, which may help move the needle toward acceptance.
- 3 Implement eNote and eVault capabilities to align with the requirements for a full RON transaction.
- 4 Align with your title & escrow partners to develop workflows and discuss technology plans and costs. For example, see if any particular eNote solutions work well with your title partners' RON platforms. After rollout, run through a few beta tests to ensure nothing was overlooked and that the process runs smoothly.

Rolling out RON

| Title & escrow companies

As the facilitator of a closing, settlement agencies have many bases to cover, including ensuring that all necessary legal documents are signed and filed appropriately and maintaining escrow accounts for closing funds. With such an important role in the closing process, title and escrow companies stand to benefit a great deal from implementing RON. As lenders look to meet borrower demand for an increasingly digital experience, the ability to perform RON transactions can help set title & escrow businesses apart from the crowd as a great partner. Take these steps to get started with RON:

- 1 Research state laws and county eRecording capabilities to understand the legal framework and flag any restrictions and requirements. This will help guide the creation of new workflows (for example, if “papering out” will need to be added as an additional step in some jurisdictions). ALTA’s RON resource website shows legislation status by state and offers a RON checklist and workflow.⁹ Check with the Property Records Industry Association for the latest list of counties that support eRecording.¹⁰
- 2 Discuss expectations with underwriters and ask if there are any specific requirements for them to insure the RON transaction.
- 3 Ask lenders if they are already using a RON provider and review technology options.
- 4 Talk to your current technology partners to see if they have a preferred or recommended RON solution, or use the ALTA Marketplace to get started.¹¹ Ensure that the RON platforms you’re evaluating follow the standards set in place by the Mortgage Industry Standards Maintenance Organization.¹² Ask about the notary options they offer (some platforms provide a marketplace of RON-certified notaries while others will require customers to provide their own.)

Rolling out RON

Underwriters

Underwriters are key to moving the marketplace toward its digital transformation. Those who wish to remain at the forefront of real estate will need to continue to act quickly to move forward with insuring transactions that are closed with RON. Underwriters can take the following steps to maintain adaptability in their guidelines and standards:

- 1 Review GSE guidelines to see what they are allowing and if requirements vary by state.
- 2 Talk to your business partners about any new requirements or steps that need to be taken.
- 3 Keep abreast of legislative news and alerts by following updates from the National Association of Secretaries of State.¹³
- 4 Be ready to adapt accordingly as developments are made at the state level, and proactively communicate with your agents as RON and RIN guidelines are updated.

County recording offices

The county is one of the biggest propellers of digital transformation. Transitioning away from manually scanning and indexing documents will help county recording offices operate more efficiently and better adapt to their partners' increasingly digital workflows. Here are the steps county recorder offices can take to get eRecording off the ground in their jurisdiction:

- 1 Research available eRecording vendors. Take note of pricing and any computer hardware and operating system requirements so you can calculate a budget request.
- 2 Conduct demos and ask about how it might integrate with your land records management system or legacy software, how long onboarding takes, and what level of training and post-launch support is included.
- 3 Discuss the rollout plan with internal stakeholders and communicate your new service and eRecording process to document submitters.
- 4 Familiarize yourself and your staff with RON laws to ensure compliance with your state legislation as well as with any temporary emergency authorization.

Now is the time for RON

In response to the urgent need for social distancing brought on by the pandemic, some states that previously didn't support RON have issued temporary emergency orders authorizing its use as well as the use of RIN. These actions speak to state officials' recognition of the utility of RON and its inherent benefit of ensuring the well-being of the signer and notary through physical separation. This in itself is a positive development, as it will help accelerate permanent nationwide RON legislation.

It's worth noting, however, that the benefits of RON extend well beyond personal safety.

On the most basic level, RON transactions offer the convenience of completing a closing at any time from the comfort of your home. The transaction is also streamlined through automated, digital handoffs between different stakeholders. All parties have immediate access to the completed digital package, eliminating the need for documents to be mailed and thereby expediting funding of the loan.

Lastly, RON technology applies multiple layers of security to ensure the validity of the notarial act. The signer must start by verifying his or her identity through multi-factor authentication. The transaction is then closed with an electronic tamper-evident seal and an encrypted digital audit trail is embedded in all documents.

Benefits of RON have long been discussed in the real estate industry. However, it's only now, during a time of active social distancing, that RON has shifted from a future convenience to a present need.

All told, RON's operational efficiency gains and remote capabilities will help move individual businesses forward as well as the industry as a whole. As conversations continue around RON in a time of national crisis, now is the time for stakeholders across the industry to embrace and implement this technological advancement.



Qualia is Building the Next Generation of Remote Products

Qualia's platform is designed to create a single system of record for real estate transactions that works for every stakeholder. Currently, lenders, title and escrow agents, borrowers, and sellers can work together in a shared, secure, digital closing room through Qualia Connect. Title and escrow agents can stay within their core title and escrow software to complete RON transactions and discover vetted RON vendors. Additionally, all parties can use Qualia eSign to digitally sign all non-notarized documents.

The future of RON looks bright as legislation eliminates hurdles to RON adoption. Qualia will continue to innovate and move forward with its vision to make real estate transactions a seamless, click-button experience for real estate professionals and consumers.



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