



July 24, 2019

eClosing Webinar

Choosing the Right Digital Partners

Today's speakers:



Brian D. Pannell

Senior Implementation Executive
DocMagic



Matt Fair

Senior Vice President - Risk Manager
Texas Capital Bank



Rajasekhar Penugonda

eMortgage Practice Lead
Freddie Mac

Agenda

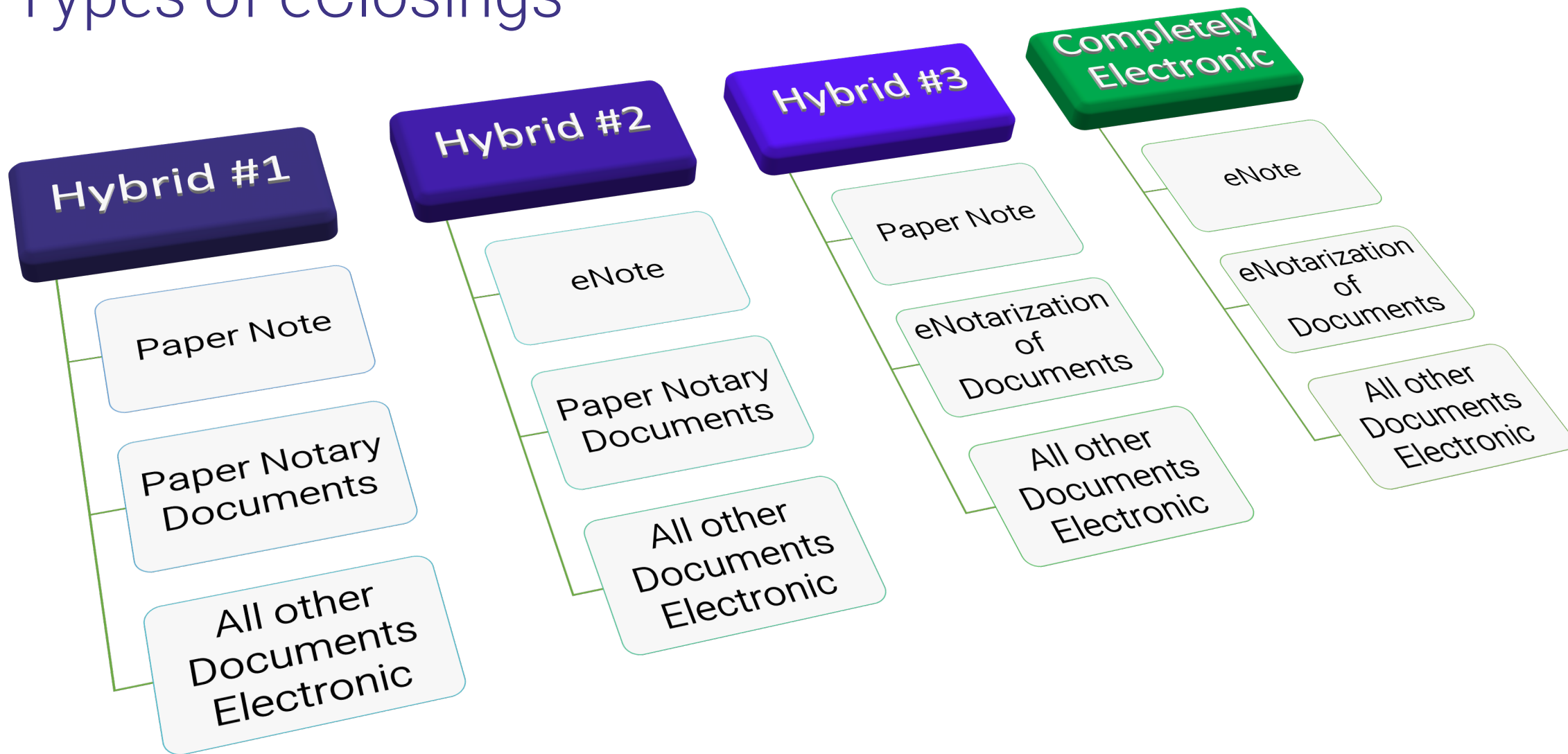
- The business case for eClosings
- Partners required for an eClosing
- Executing an eClosing
- Questions & Answers

The Business Case for eClosings

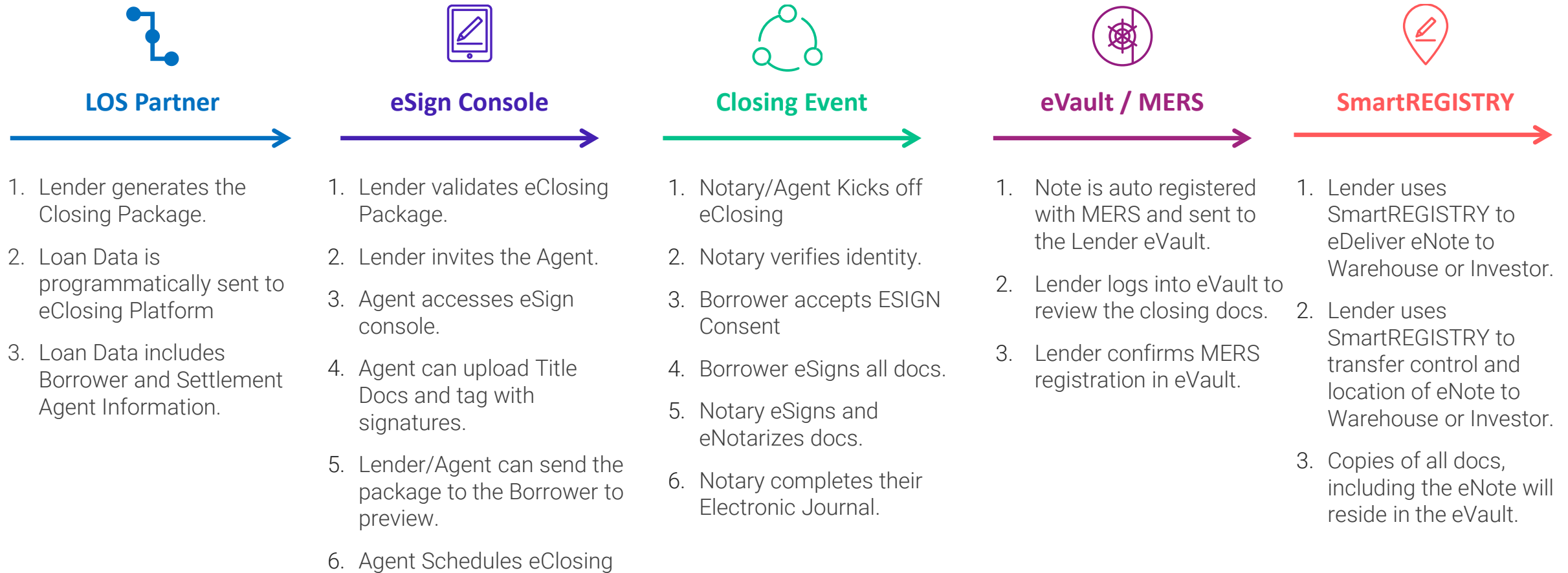
Why eClosing?

- Better borrower experience by simplifying closing and providing greater flexibility regarding the entire closing experience
- Faster funding and delivery to the secondary market
- Significantly improved loan quality and reduced need for pre- and post-close QC, documents don't go missing and everything gets signed

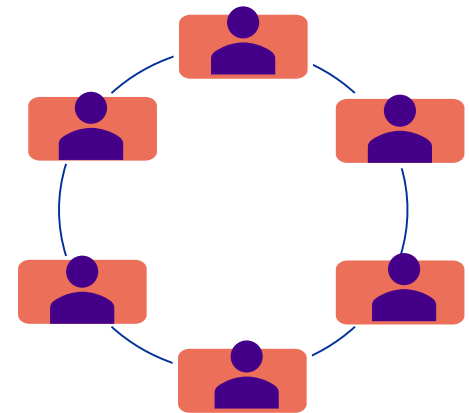
Types of eClosings



eClose Process Flow



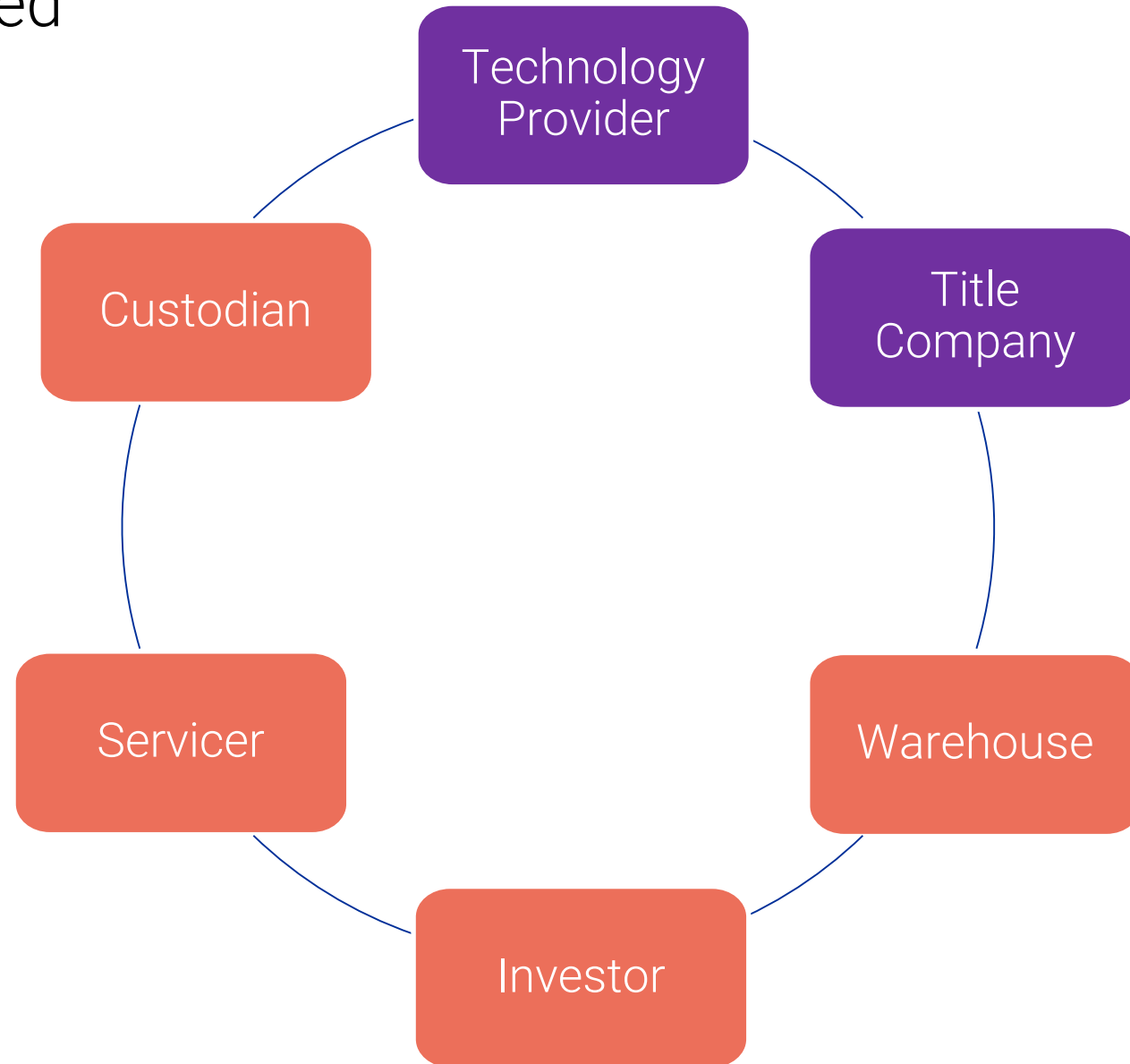
Partners required for an eClosing



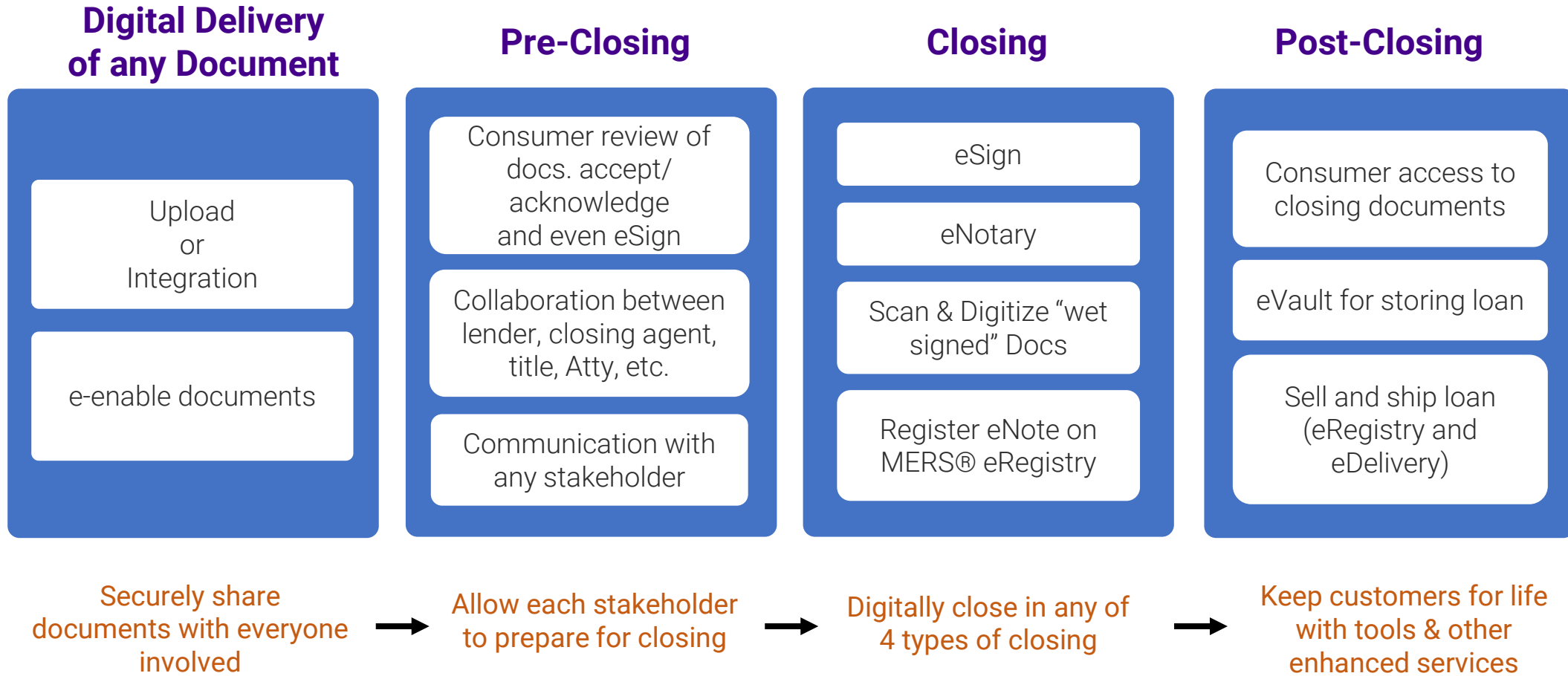
Things to Consider

- How will you fund the loan?
- Who will service the loan?
- Who will you sell the loan to?

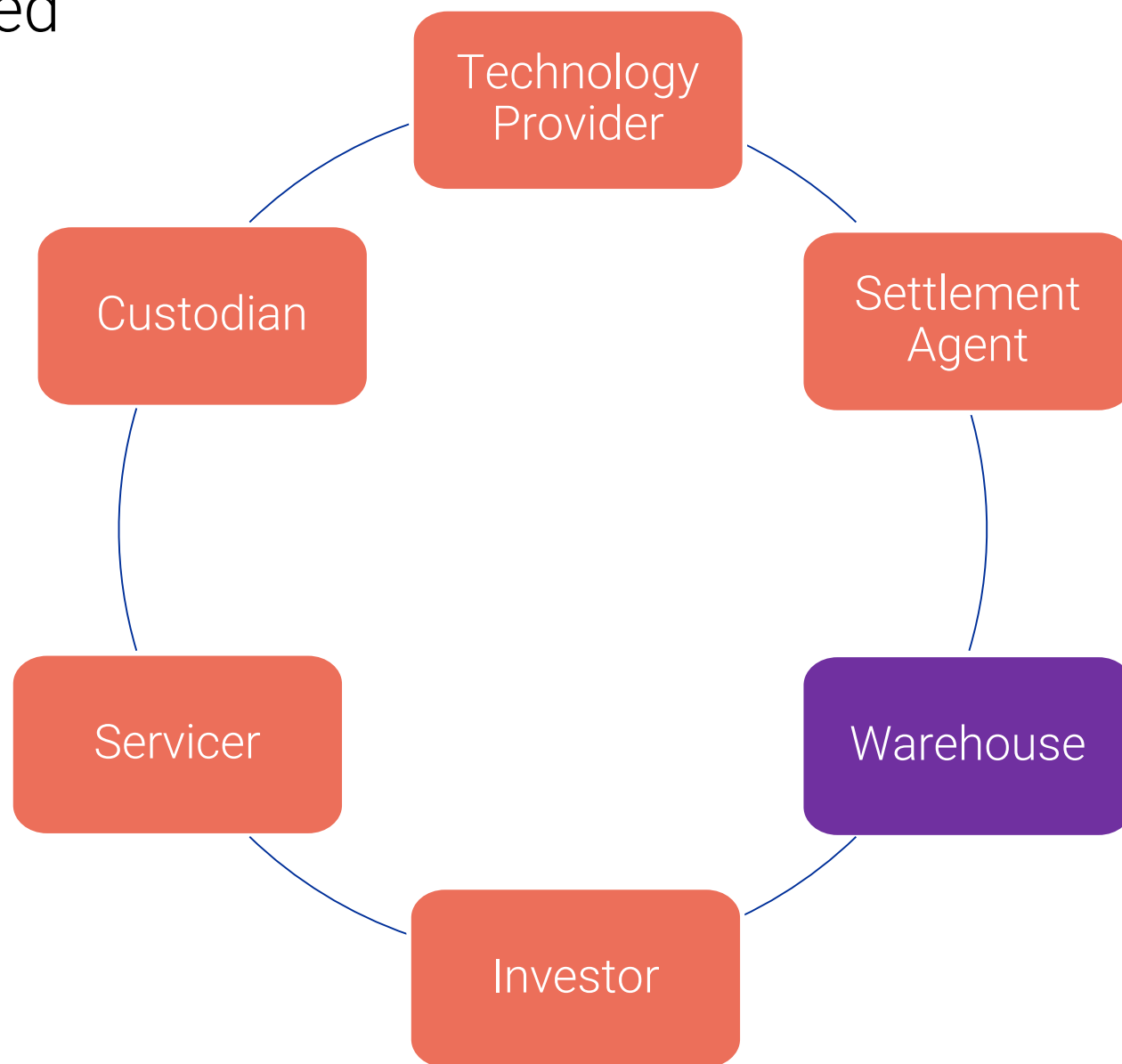
Partners needed for eClosings



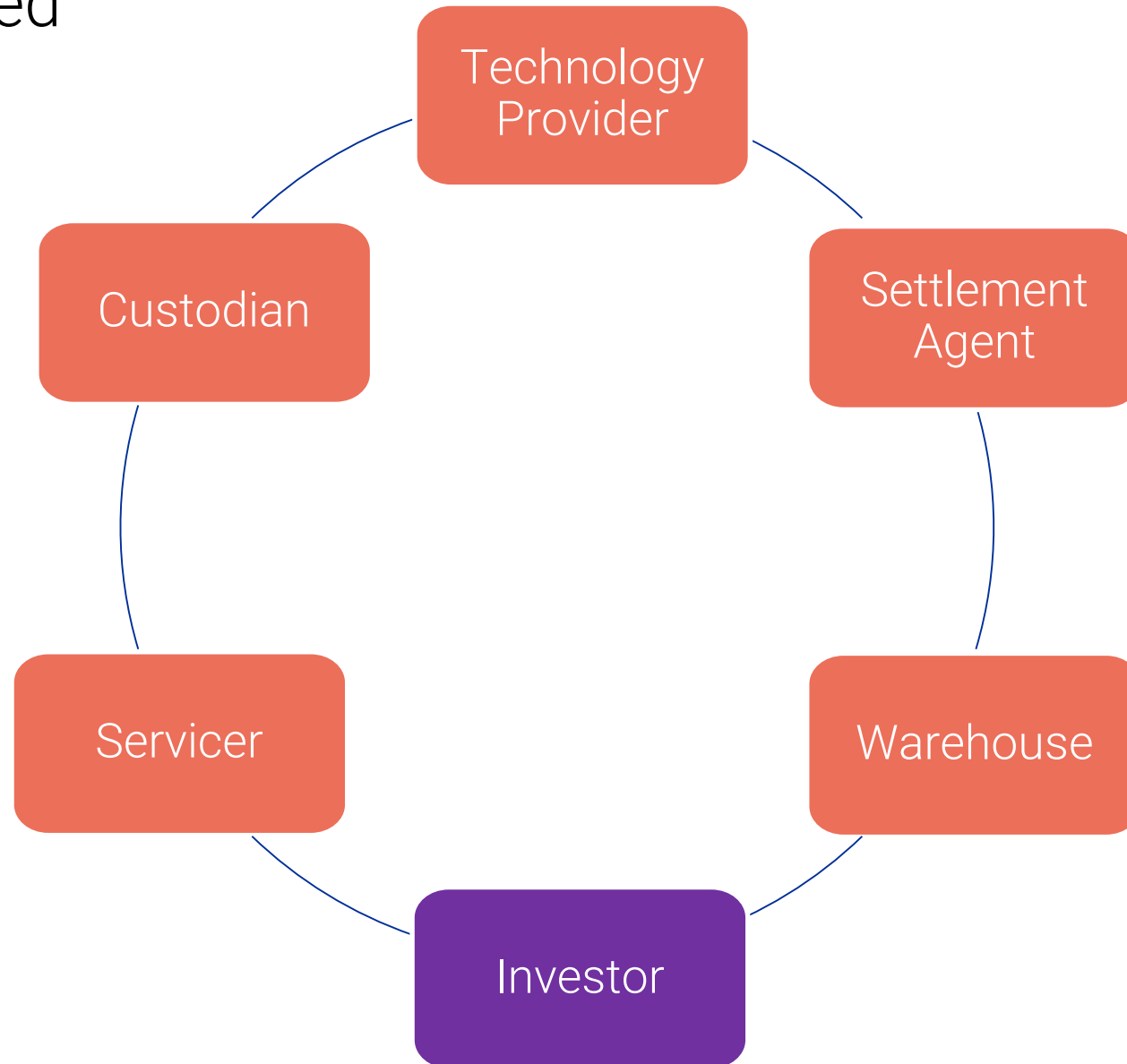
eClosing Platform



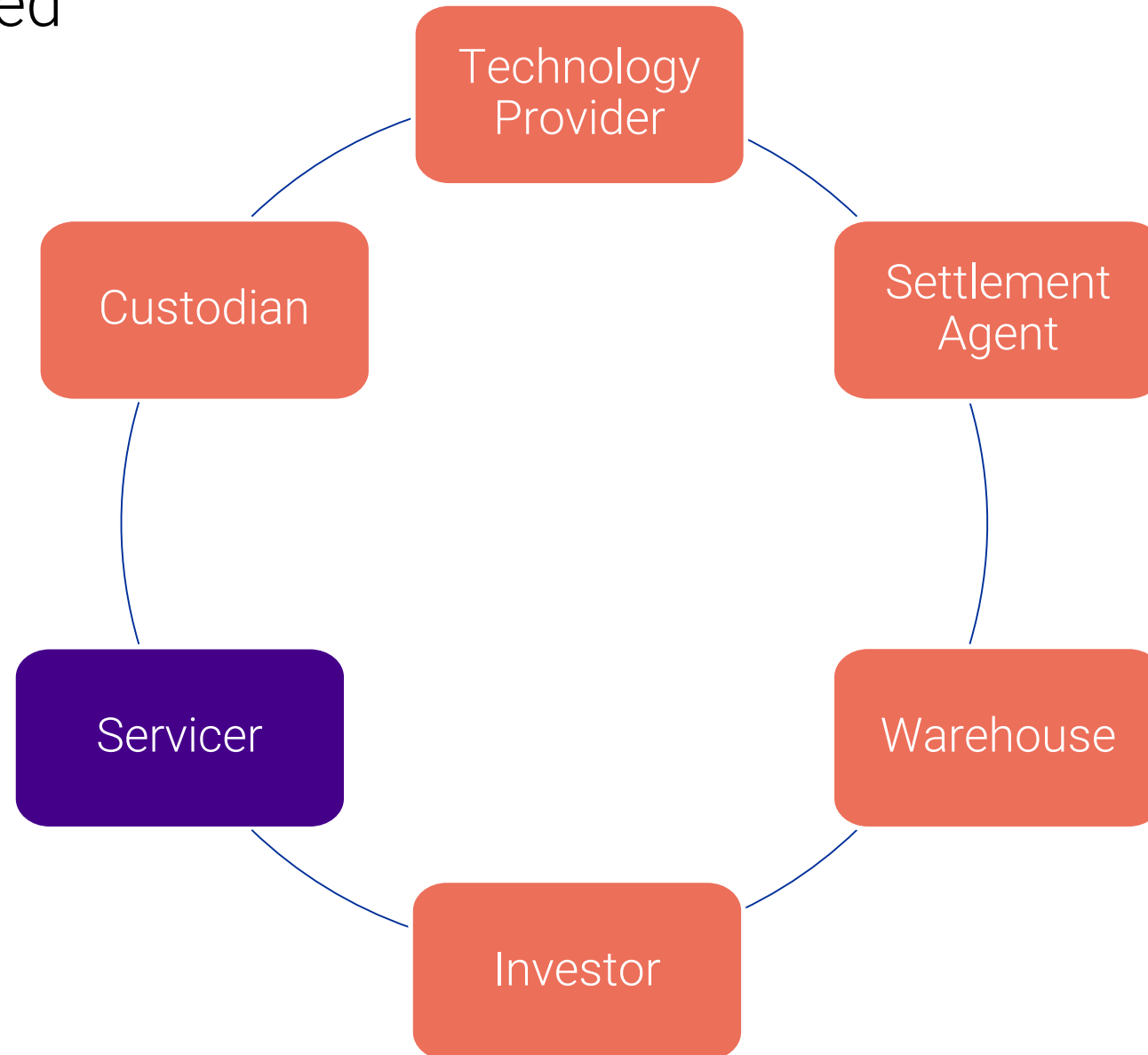
Partners needed for eClosings



Partners needed for eClosings



Partners needed for eClosings



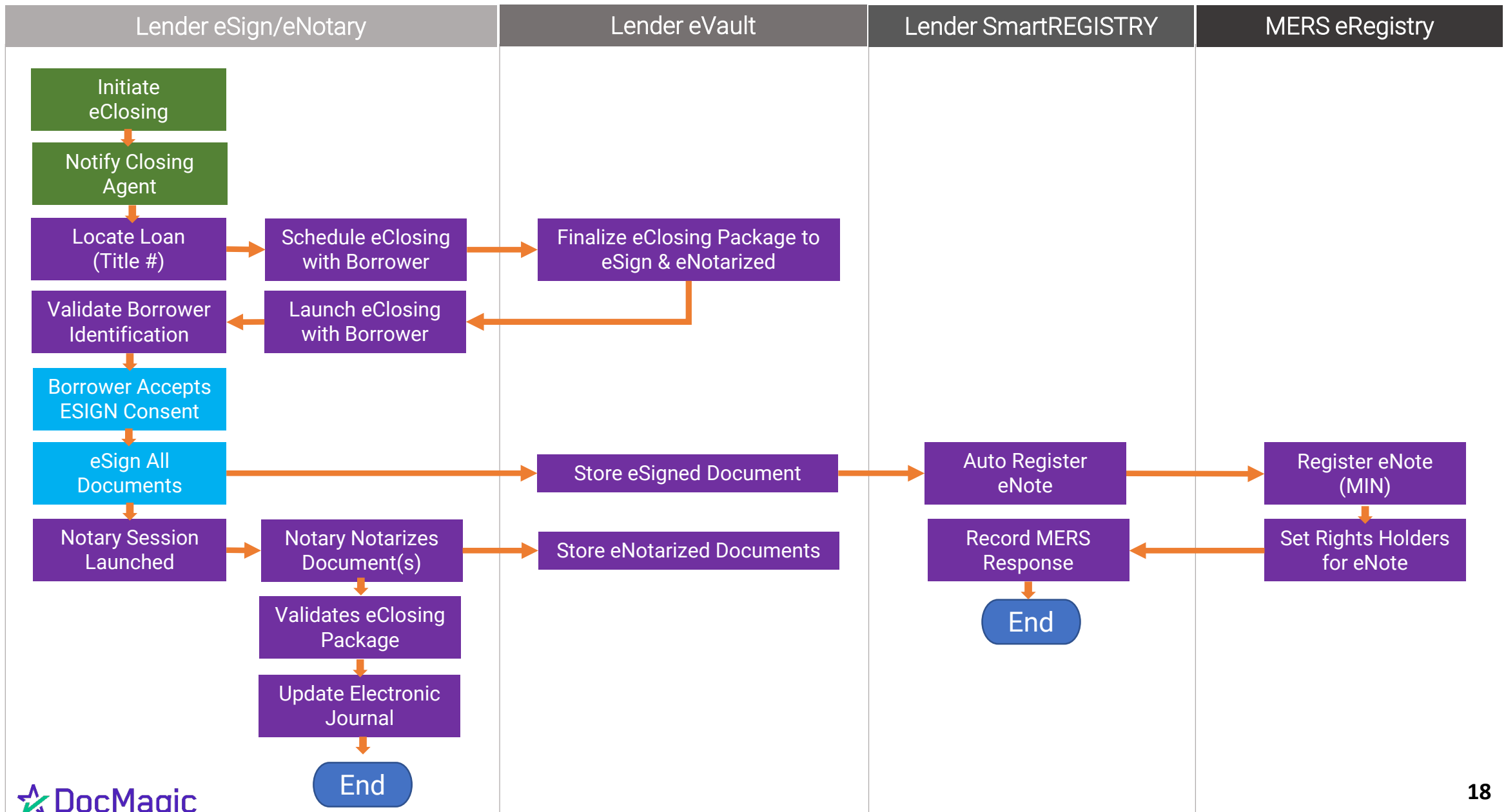
Digital partner readiness

| Digital Partners | Status | Resource |
|---------------------|---|---|
| Investors | <ul style="list-style-type: none"> - Several aggregators are ready to fund eNotes - GNMA announced an eMortgage pilot (to begin in 2019) - FHLBs are working on it | |
| Warehouse lenders | Several warehouse lenders ready to fund eNotes | https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-enote-warehouse-lenders |
| Servicers | Several servicers and sub servicers ready to service eNotes | https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-enote-servicers |
| Document Custodians | Deutsche Bank has established eVault | |
| eRecording | 1985 counties support eRecording covering around 85% of the country's population | https://www.pria.us/i4a/pages/index.cfm?pageid=1 |
| eNotary | Several states support eNotary process | https://www.pria.us/i4a/pages/index.cfm?pageID=3935 |

Freddie Mac approval process

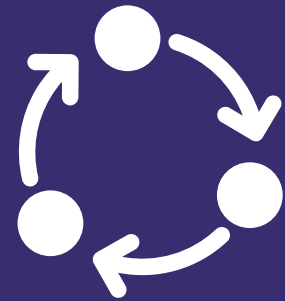
- Freddie Mac approval process is focused on the following:
 - Ability of seller to generate, deliver, transfer and administer an eNote
- eClosing process compliance with legal, operational, and security requirements
<https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-review-approval-requirements>
- Generally, only end-to-end testing and submission of written procedures (e.g., servicing) are required
- To deliver loans with warehouse funding, the Warehouse lender(s) need to
 - Sign [Warehouse Lending Agreement Form \(Form 994SF\)](#), if not signed already
 - Conduct testing to demonstrate the ability to deliver and transfer eNotes

Executing an eClosing



eClosing Platform Functions

- Accept/Generate e-enabled documents from LOS
- Ability to manually upload additional documents and prepare for eSign
- Title Company can Collaborate/Communicate with LO/Borrower
 - Upload and prepare Title Documents
- eSign documents (e.g. eNote) and apply tamper-evident seal
- Perform or integrate with eNotarization
 - In-person eNotary
 - Remote Online eNotary
- eVault functionality and integration with MERS eRegistry



What is an eNote?

- A Transferable Record (Promissory Note) that is registered on the MERS® eRegistry
- Specific language identifying it as an Electronic Note
- Adheres to MISMO Specification for eNotes
 - Document View
 - Supporting Data



Audit Trail - History of events and activities for the document

MISMO Document Class Compliant

Viewable relationship-linking data

System applied tamper-evident seal

eClosing Best Practices

- Obtain and Store each borrower's ESIGN consent
- Obtain proof that eSign documents are legible
- Do not allow Borrower to execute duplicate paper & electronic collateral documents
- Borrower has clear understanding of eSign process
- Do not allow a single signature to be applied to multiple records (i.e. sign docs individually)



Surprisingly common mistakes

- Borrower is asked to eSign and Ink/Wet Sign same documents
- Executed eNotes are not Registered with MERS within 24 hours.
- Transferring eNote to the wrong party
- ?
- ?
- ?



Implementation checklist

- eNote provider
- eSign solution
- eVault technology
- Become a MERS® System Member
- **MERS® eRegistry interface**
- Warehouse
- Aggregator
- Investor Custodian



Questions & Answers



Thank you

Brian D Pannell

Senior Implementation Executive

520-428-5862

bpannell@docmagic.com