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# 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

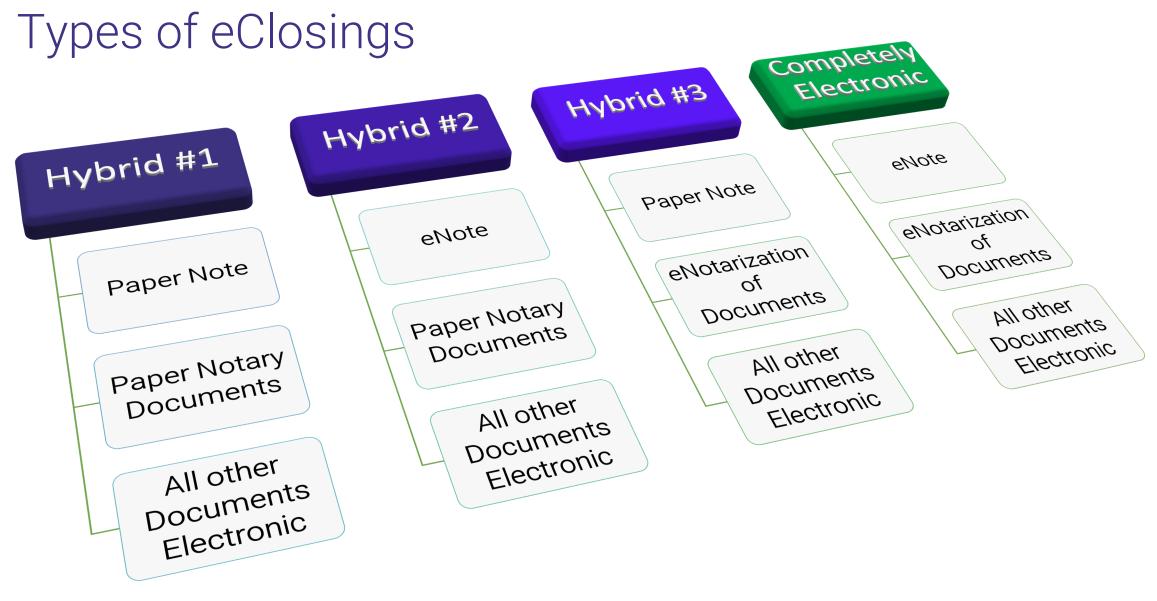
#### Agenda

- 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



#### eClose Process Flow



- 1. Lender generates the Closing Package.
- 2. Loan Data is programmatically sent to eClosing Platform
- 3. Loan Data includes Borrower and Settlement Agent Information.



- 1. Lender validates eClosing Package.
- 2. Lender invites the Agent.
- 3. Agent accesses eSign console.
- 4. Agent can upload Title Docs and tag with signatures.
- 5. Lender/Agent can send the package to the Borrower to preview.
- 6. Agent Schedules eClosing



- 1. Notary/Agent Kicks off eClosing
- 2. Notary verifies identity.
- 3. Borrower accepts ESIGN Consent
- 4. Borrower eSigns all docs.
- 5. Notary eSigns and eNotarizes docs.
- 6. Notary completes their Electronic Journal.



#### eVault / MERS

- Note is auto registered with MERS and sent to the Lender eVault.
- 2. Lender logs into eVault to review the closing docs.
- 3. Lender confirms MERS registration in eVault.

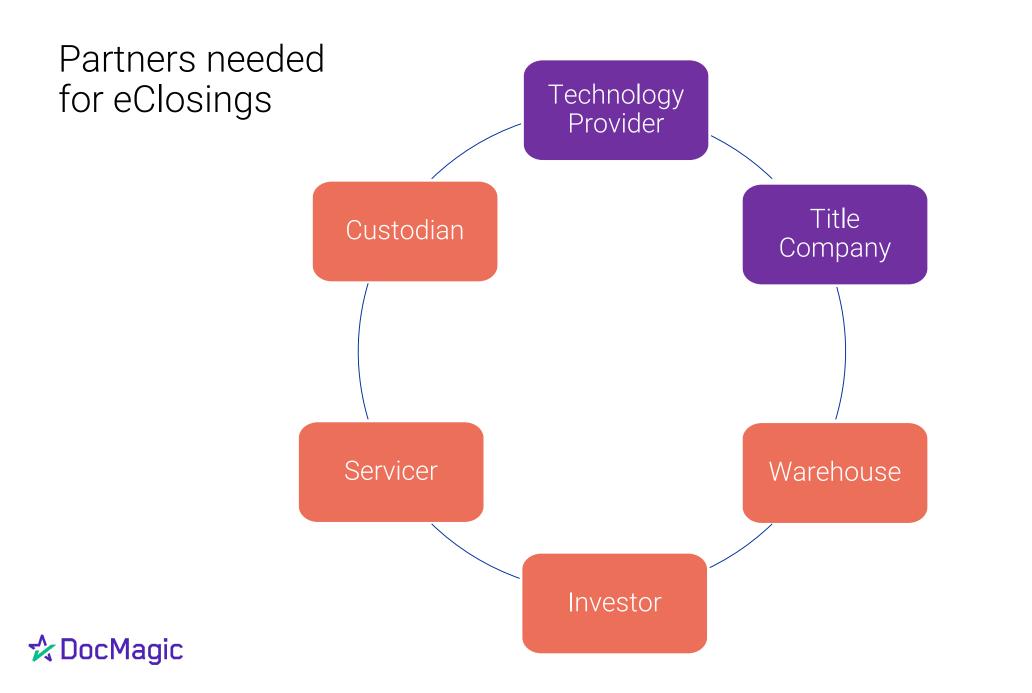


- Lender uses SmartREGISTRY to eDeliver eNote to Warehouse or Investor.
- 2. Lender uses SmartREGISTRY to transfer control and location of eNote to Warehouse or Investor.
- Copies of all docs, including the eNote will reside in the eVault.

# Partners required for an eClosing

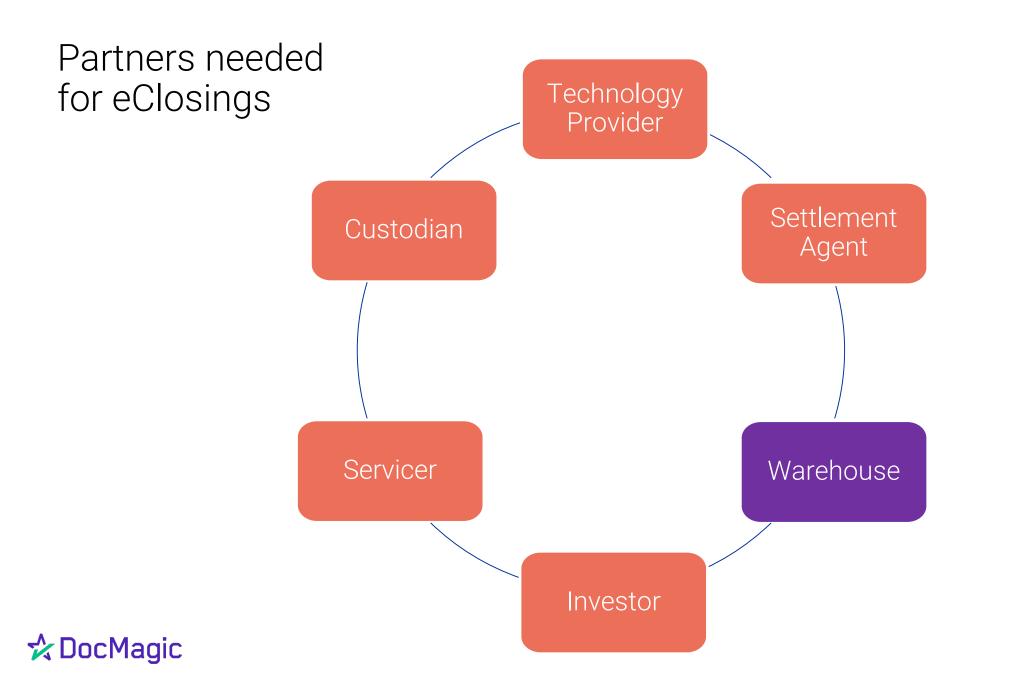
#### Things to Consider

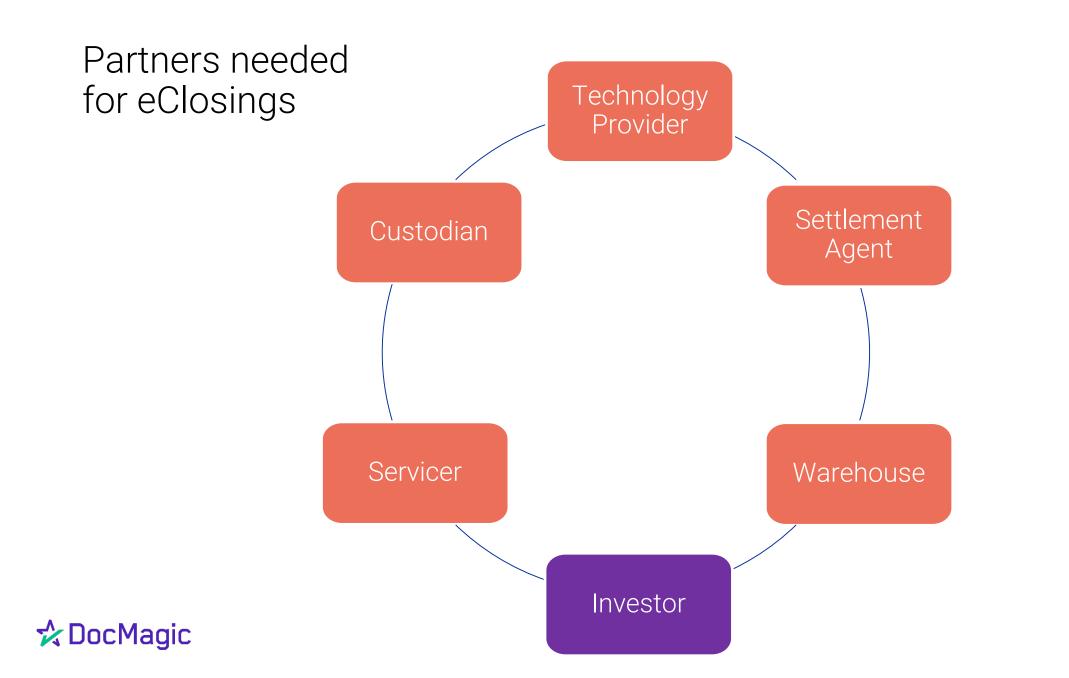
- How will you fund the loan?
- Who will service the loan?
- Who will you sell the loan to?

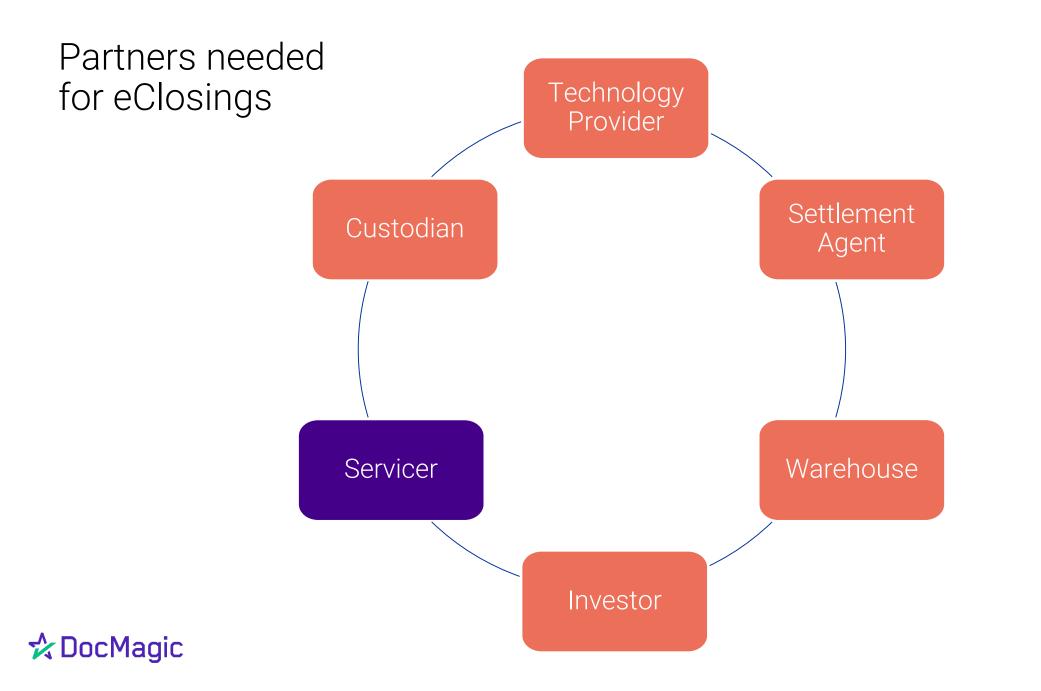


### eClosing Platform









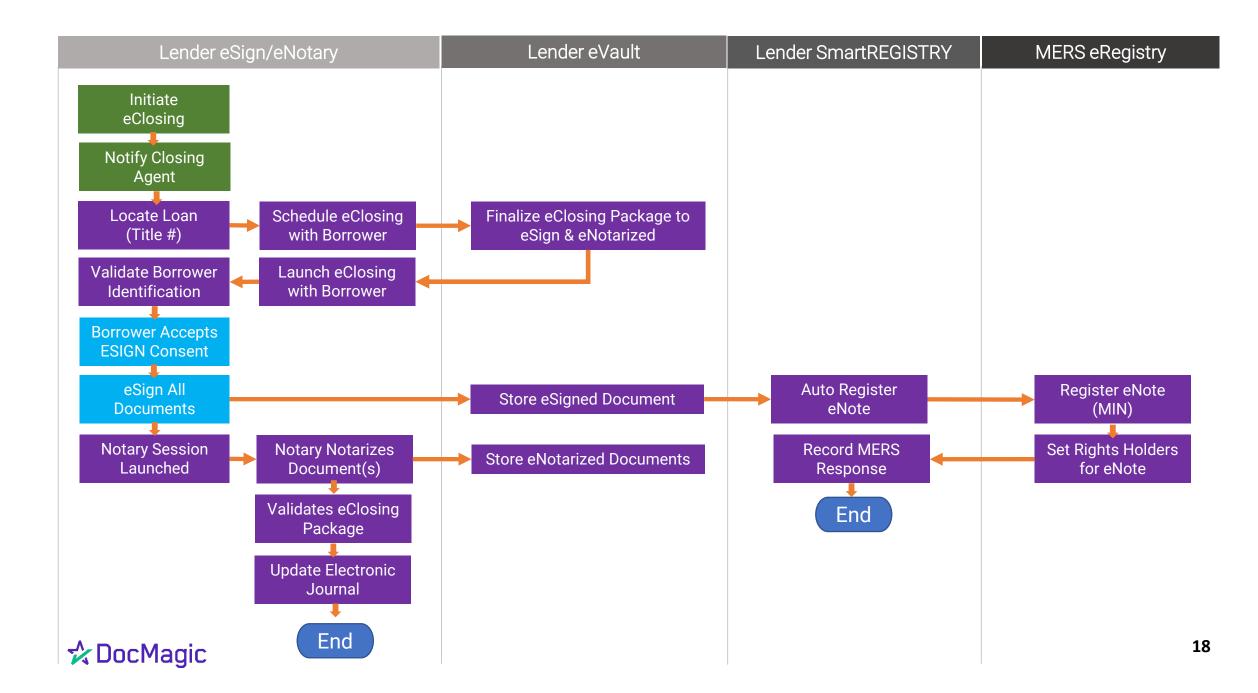
### Digital partner readiness

| Digital Partners       | Status  | Resource  |
|------------------------|---|---|
| Investors              | <ul> <li>Several aggregators are ready to fund eNotes</li> <li>GNMA announced an eMortgage pilot (to begin in 2019)</li> <li>FHLBs are working on it</li> </ul> |   |
| Warehouse<br>lenders   | Several warehouse lenders ready to fund eNotes  | https://sf.freddiemac.com/working<br>-with-us/electronic-loan-<br>documents/emortgage-enote-<br>warehouse-lenders |
| Servicers              | Several servicers and sub servicers ready to service eNotes   | https://sf.freddiemac.com/working<br>-with-us/electronic-loan-<br>documents/emortgage-enote-<br>servicers         |
| Document<br>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/ind<br>ex.cfm?pageid=1  |
| eNotary                | Several states support eNotary process  | https://www.pria.us/i4a/pages/ind<br>ex.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 <a href="https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-review-approval-requirements">https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-review-approval-requirements</a>
- 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
   O Upload and prepare Title Documents
- eSign documents (e.g. eNote) and apply tamper-evident seal
- Perform or integrate with eNotarization
  - o In-person eNotary
  - o Remote Online eNotary
- eVault functionality and integration with MERS eRegistry

#### 🛠 Doc Magic

## 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



#### What's inside an eNote?

Audit Trail - History of events and activities for the document

MISMO Document Class Compliant

#### **C**DocMagic

| . NOTE<br>MIN: 999930787730818762 NOTE<br>(For Electronic Signature) |   |               |
|--|---|---------------|
| September 11, 2015<br>[Date]   | SOMECITY<br>[City]                                  | CA<br>[State] |
| 456  | SOMEWHERE AVE, ANYTOWN, CA 12<br>[Property Address] | 2345          |

#### 1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$162,000.00 (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is DOCMAGIC TOTAL ECLOSE SOLUTION, A CALIFORNIA CORPORATION. I will make all payments under this Note in the form of cash check or money order

I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

#### 2. INTEREST

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of 3.875%.

The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 6(B) of this Note.

#### 3. PAYMENTS

(A) Time and Place of Payments

I will pay principal and interest by making a payment every month.

I will make my monthly payment on the 1st day of each month beginning on November 01, 2015. I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before Principal. If, on October 01, 2045, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make my monthly payments at 1800 WEST 213TH STREET, TORRANCE, CA 90501 or at a different place if required by the Note Holder.

#### (B) Amount of Monthly Payments

My monthly payment will be in the amount of U.S. \$761.78.

#### BORROWER'S RIGHT TO PREPAY



nents of Principal at any time before they are due. A payment of Principal only n I make a Prepayment, I will tell the Note Holder in writing that I am doing so. Prepayment if I have not made all the monthly payments due under the Note. or partial Prepayments without paying a Prepayment charge. The Note Holder the amount of Principal that I owe under this Note. However, the Note Holder accrued and unpaid interest on the Prepayment amount, before applying my nount of the Note. If I make a partial Prepayment, there will be no changes in monthly payment unless the Note Holder agrees in writing to those changes.

is loan and which sets maximum loan charges, is finally interpreted so that the cted or to be collected in connection with this loan exceed the permitted limits, be reduced by the amount necessary to reduce the charge to the permitted limit;



#### Viewable relationshiplinking data

#### System applied tamperevident 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**

# ☆ DocMagic

# Thank you



#### Brian D Pannell

Senior Implementation Executive

520-428-5862 bpannell@docmagic.com