E-signing pilot project aims to move e-mortgages forward

settlement services

National Real Estate Information Services (NREIS) — which provides transaction services such as title, settlement and appraisal to the mortgage and real estate industries — is working with World Wide Notary (WWN) on an e-signing pilot project that the company said may represent the next leap forward in e-mortgages.

WWN provides technology for personal and commercial business transactions needing notary services.

NREIS said it has supported digital document projects in the past. This pilot project, powered by WWN's DigaSign technology, will include more than 200 closing notaries and attorneys in five states.

A long time coming

The project is launching in cooperation with one of NREIS' lender clients.

About 50 of NREIS' signing agents and closing attorneys are already involved. Beta testing has started, and actual signings should begin by the end of the year, according to **Cristy Ward**, director of national accounts for NREIS.

E-signing technology has been around for several years now, and passage of the E-SIGN and Uniform Electronic Transactions Act (UETA) laws around 2000 gave electronic signatures the same legal weight as ink-and-paper signings. But the revolution has been slow to sweep the mortgage industry.

"A lot of times, lenders have not been able to keep up with some of the technology available to them, especially when you're talking about top-100 lenders," Ward said. "I think now they're starting to see some of the benefits. I don't think there have been a lot of people in the marketplace with this product."

Many lenders pinpointed inefficiencies in their processes and systems during the recent refi boom, and now they have time to address those with upgrades such as e-signatures, she added.

The technology

The DigaSign technology includes digital signatures as well as the digital certificate, release seal and signature of notary. Using the WWN DigaSign product suite, including a Windows-based application and a small biometric digital pen pad, more than 200 signing agents working with National Real Estate will delve into e-signing technology.

According to **Bob Rice**, CEO of World Wide Notary, the fact that the digital documents look like the printed versions should make it easy for users to work electronically with county recorders, which have historically been behind the tech curve.

NREIS said it has been doing e-recordings for years.

World Wide Notary said one area where it differs from other e-signing technologies is it includes notary certificates, which have to be filled out at the time of signing. A "smart certificate" is filled out at the signing session.

Using DigaSign, the closing agent or attorney can create a document for the seller and buyer to sign and post it to the server. Both parties get a document key and password. The notary is authenticated into the system. He logs in, and the consumer gives him the document key and password. The notary identifies the consumer, enters the information and selects him as the signer.

WWN also puts an electronic version of the notary seal and wet signature on the document. Because it uses public key infrastructure (PKI) as well, it provides for two kinds of e-signing, which WWN President **Jason Streit** said also makes the system unique.

"This pilot project will be the first time the industry will see a true electronic closing," Rice added.

According to Ward, the lender involved in the pilot project is also planning to use electronic notes.

Another company doing work with e-closings is Stewart. Its first e-closing took place in May of this year, combining its eClosingRoom electronic closing platform and SureClose online transaction management system to let the buyer and seller review and sign loan and other documents electronically before and during closing. They used a stylus on an HP/Compaq PC 1100 notebook computer to perform a "click to sign" process and a "sign-once, apply-many" signature capture process to add electronic signatures to the documents, including HUD-1 statements,

the attorney disclosure, survey documents, the privacy policy notice, 1099 and 1099 certification and a Stewart Title disclosure. Due to local requirements where the closing occurred, warranty deed and affidavit as to debts and liens were handled with a regular, paper-and-ink signature. The eClosingRoom technology was developed by Silanis Technology and Stewart Title Co.

Harland Financial Solutions is working in e-signature technology, as well. Its Pro Sign electronic signing solution is designed to eliminate the need to scan the most commonly used loan documents after closing. It works with Laser Pro, Harland's compliant lending solution. Using a signature pad, Pro Sign captures digitized signatures and applies them to each Laser Pro document during loan signing.

How does DigaSign compare to Stewart's electronic closings?

According to Ward, who previously worked as vice president of national accounts at Stewart, "What Stewart has developed is for their agent network. They haven't developed a technology for outside of that. I know they're working on that now," she said. "I think they're a little further away than we are, from a technology standpoint."

According to Rice, the technology is horizontal and can be used for any type of document in any industry.

For example, WWN is working with AutoRealty, a forms generation software provider for the real estate industry. By integration the products, users will be able to transmit contracts between Realtors and send them to mortgage and title companies. Using e-signatures at that early point in the process could be a boon to the real estate industry because systems could capture initial transaction data electronically for easy distribution.

What it means for lenders

The e-signing project will lead to efficiencies such as reduced processing costs due to fewer document errors or incomplete transactions, and therefore a decrease in rejected recordings, NREIS said.

Cost savings for lenders will come from electronic transfers and elimination of overnight shipping fees, the company added. Also, delivery and return times from the notary or consumer location should drop, with lenders receiving documents electronically within minutes of closing. Finally, compliance should improve through more thorough audit trails and easy notary journal completion, according to the company.

Another benefit to lenders will be faster cash flow.

"There's such a reduction in the amount of time between disbursement of funds to the borrower and the receipt of funds from the sale of the mortgage collateral to the investor that it will have a dramatic impact on the lender's cash flow," Ward said. "Whether they transfer the funds from other sources or borrow funds from a warehouse bank, the decrease in the amount of time to replenish a fund will lower their expenses. That dynamic applies to the number of loans that can be originated, especially if they have a fixed warehouse line. It would have been especially nice to have in the refi boom."

Previously, it took an average of five days to deliver collateral packages after closings. The pilot project will let lenders deliver that package in 5 minutes, she added.

"The benefit of the timeframe to the lenders has been the biggest focus," she said.

Do consumers care about technology innovations lenders and settlement services companies implement? There are benefits to consumers in slight reductions to closing costs, Ward said.

In addition, the consumers using the system only have to enter a signature or initials once, instead of signing dozens of pages separately. That means less time spent at the closing table.

According to Rice, settlement and closing agents that want to get started with the e-signing technology will have to invest in the DigaSign software and biometric pad. Users then have to send in information to authenticate themselves and list notaries in the area.

There are several user types in the system: notaries, designers and signers, as well as a notary journal entry features. The notary functions costs $295, the signer-only function is $175, the signer function is $275 and a journal user is $250. Except for the designer, those rates include signing pads. The costs are one-time fees.

When a document is created and posted to the server, there's a $5 fee. After it's signed and completed, there's another $5 charge. That's typically charged to the lender, which passes it on to the consumer.

Another step along the road to electronic mortgages

Electronic signatures could take the mortgage industry far in its quest for fully electronic operations. The technology helps companies eliminate printouts and multiple signatures of various forms at the closing table. According to Ward, the next obstacle is getting county recorders to accept more e-recordings.