



Using eClosing Technology

Credit Unions Have Their Eyes on Several Prizes

By Jay Arneja
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A few years back, Ron Shevlin of Cornerstone Advisors penned a fantastically snarky article for The Financial Brand¹ in which he calls the so-called “fast-follower strategy” a myth, especially when applied to credit unions and their adoption of technology.

Even if Shevlin’s tone borders on the mean-spirited, there is value in his premise that a fast-follower strategy is not really a strategy at all; rather, the strategic move is for credit unions to deploy technology at the time it best serves its intended user, whether that means moving first, second or 10th with respect to competitors.

This is not to say, however, that credit unions can’t learn a thing or two from their first-mover peers.

A small but growing number of credit

unions are plugging the holes in their digital mortgage experience by implementing a host of “e’s” (eDisclosures, eNotarization, eSigning, eNote and

eVault storage) that make it possible to conduct paperless mortgage transactions from application to servicing.

Observing these frontrunners from the sidelines reveals a surprising degree of variety in how they’re putting “e” technologies to work. Here are just a few of the many use cases we’ve seen in the field.

1. Making life easier for members deployed overseas, traveling abroad or located far from a branch.

Requiring members to attend physical loan closings can be a significant personal and financial imposition. When a credit union doesn’t support

full eClosings that include remote online notarization (RON), its far-flung members must either bear the expense and inconvenience of travel or pay to secure a power of attorney and send an authorized agent to the closing table instead.

One credit union that serves a significant number of active military members cited its desire to solve this problem as the sole driver of its eClosing strategy. Another credit union based in Texas serves more than 26,000 geographically dispersed members with just three brick-and-mortar branches, so it similarly views eClosing as an essential member convenience.

2. Shifting dollars from operational expenses to member services.

When credit unions earn higher profits, they can reinvest those dollars in any number of ways, from hiring additional staff to introducing new member services and from upgrading technology to opening new branches.

One reliable way to increase profitability is to cut down on operational expenses, and eliminating unnecessary paperwork is a great place to start. The moment a credit union introduces online loan applications, its costs related to copier leases, ink, paper and document storage begin to shrink.

As more and more loan applications are completed digitally, the savings increase. To realize the deepest cost savings, credit unions need a reliable alternative to printing and storing thousands of pages of closing documents each month, and that means offering a digital mortgage experience that includes eNotes and eVault storage.

Of course, reducing paperwork is just one example of how a digital mortgage strategy enables cost savings. Capabilities like digital disclosures, eNotes and eVault can even provide long-term cost savings by extending process efficiencies into post-closing, servicing and the secondary market.

3. Better protecting members' financial data.

The promissory note is the most important document in the entire mortgage transaction. But like any other paper document, a paper promissory note can be lost, tampered with or destroyed.

Paper notes have been known to disappear during branch liquidations or even get tossed by overnight cleaning crews. A tamper-proof eNote, stored securely in an eVault, provides peace of mind for credit unions and members by ensuring a lasting digital legacy for each transaction.

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4. Keeping loan teams lean—without burning them out.

Compared to high-churn independent mortgage companies, credit unions are slow to lay off staff when volume is down, but they can also be slow to hire when volume is up. Since they don't rely on seasonal hiring and laying off, credit union mortgage teams have learned to run lean instead.

The number of loan units a small team of credit union originators can manage is impressive. But the record-breaking volumes of the past year tested the limits of even the most well-oiled mortgage teams, with some credit unions so swamped that they found themselves facing the “Sophie's Choice” of either working employees to the point of burnout or being unable to help every member who requested a refi.

In such situations, efficiency-building digital mortgage technology is a tool for opening up capacity that allows credit unions to keep running lean without compromising on employee well-being or member service.

5. Attracting new members.

Despite the fact that credit unions offer lower average rates than other types of lenders, most consumers still choose a non-depository for their mortgages. For many, it's a simple matter of convenience;

consumers expect to shop for their mortgages online with the same ease and convenience as ordering groceries from Instacart.

As credit unions have modernized their loan application processes, their share of mortgage origination volume has begun to grow. Now, market leaders are seeking new ways to stand out from the crowd.

One Midwestern credit union plans to be the first in its market to offer full eClosing complete with RON. For them, offering eClosings experience is a strategy for attracting new members through word-of-mouth referrals.

Credit unions' motivations for implementing digital mortgage technology are as varied and unique as the financial institutions themselves. If a better digital mortgage experience for members and loan officers isn't on your roadmap yet, you may want to consider the full array of competitive advantages you may inadvertently be ceding to competitors.

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Jay Arneja is senior product manager for SimpleNexus,² a homeownership platform that unites members with credit unions and settlement agents for a seamless journey from point of thought all the way through to closing. She has more than 25 years of experience building process and technology solutions for primary and secondary market mortgage operations.



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Footnotes

¹ <https://thefinancialbrand.com/59369/fast-follower-fallacy/>

² <https://www.simplenexus.com/>