

It's Not Rocket Science!

Taking the Mystery Out of eClosings

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There's no mystery to eClosings. By discussing it, we can make it simpler to understand.

We'll talk about the benefits of eClose and "The Why" you should consider them, but the focus will be on "The How" of offering eClose to your members and what to pay attention to when you do.

Having worked in a credit union and for an eClose provider, my hope is you will find the information presented in this article clear, helpful and relevant.

THE WHY

There are 20-plus providers of eClose or eClose-like options today. Some make eClose their sole focus. Others have a different emphasis but offer eClose as an additional solution. Both preach similar benefits.

Benefits start with enhancing the member experience. A good eClose provider should give your members the ability to view their closing documents in advance, as well as after the closing date, from anywhere with Internet access.

The provider should also shorten the time it takes to perform the actual closing event, and provide added convenience by allowing for the eClosing to take place in-person or remotely—



meaning the member can be physically located anywhere, at home or even overseas. (Think, for example, about social distancing and business continuity.)

Operationally, a good eClose provider:

- Can help standardize how your loans close.
- Should have safeguards in place to reduce over/under signing or the need for trailing documents with greater data integrity.
- Provide you with instant access to all closing documents with audit trails so post-closing activities can begin sooner.

This all can create opportunities to reduce your cost-per-loan and drive new originations and membership.

THE HOW

A good eClose provider should offer all of the benefits described above (The Why). Additional expectations should exist around data security and creating a seamless or branded experience.

Be sure you ask about necessary approvals from states, investors, etc. From an eClose perspective, the most important integration is with the credit union's document provider because this is how your closing documents get efficiently "e" enabled (tagged for eSign, eNotary, etc.) and pushed back to your system of record post-closing.

There are offerings for when an integration is not present for "e" enabling documents, but accuracy and scalability comes into question. So, a best practice is to ensure your eClose provider is integrated with your document provider. (Your document provider may also have an eClose offering.)

Inclusion of your title partners, support, and how their documents are added varies among eClose providers, so pick the approach that works for you.

There is not a single eClose provider that has all components to do a full

eClose by themselves. Every provider either has built/acquired components, integrated for others, or white-labeled aspects to provide as close to an end-to-end solution as possible. It is up to you to determine which parts (a) are most important to your credit union and the member experience, and (b) fit well within your workflow.

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STATE AND COUNTY ROLES

A common misconception is, “My lending footprint stops my credit union from offering eClosings.” In reality, you can do some form of eClosing in every state and every county right now. Some states/counties, however, are more “e-friendly” than others.

States set the electronic notary (eNotarization) rules and requirements. Do they accept eNotarization? And if so, must it be performed in-person

(IPEN)? Or can it also be performed via remote online notary (RON)? For perspective, more than 40 states allow for IPEN now, and more than 30 allow for RON.

Counties control electronic recording (eRecording) requirements. More than 2,200 counties allow eRecordings today, covering an area where more than 85% of the U.S. population lives. The eRecording role has typically been performed by title, outside of the eClose solution.

There are several public websites that track eRecording. Your Loan Origination System (LOS) or other vendors you already use, including title companies/attorneys, may have rules in place for compliance.

HYBRID eCLOSINGS

If you lend in a region that is not “e-friendly” or only partially so, you can, at the very least, do hybrid eClosings. This allows you and your members to receive

some of the benefits already mentioned.

Hybrid eClosings are typically done in-person with some or most documents eSigned and some wet-signed. Most commonly, wet-signed documents would be the security instruments and the notarized documents.

Hybrid eClosings are also an easy place to get started because you do not need an eNote, eVault, nor eRegistry capabilities. And investor acceptance is widespread.

Hybrid eClosings are common today, but a growing list of lenders, including numerous credit unions, have started with (or progressed to) full eClosings—more than 1.1 million full eClosings to date—or a combination of.

FULL eCLOSINGS

When transitioning from paper closings or hybrid eClosings to full eClosings, there becomes a need for eNote, eVault and eRegistry capabilities.

- An eNote is an electronic promissory note.
- An eVault is an electronic vault which securely stores the entire loan package. The eClose provider delivers the

eClosed loan to the eVault of the credit union's choosing, and the eVault completes the eRegistry.

- From an electronic registration (eRegistry) perspective, there is a singular outlet, MERS, of which credit unions may already have a relationship. If not, you will need to start one to do full eClosings.

For the eNote and eVault, there are fewer than 10 providers. You credit union may have an existing relationship with one of them—they are typically provided by your loan document preparation company within your LOS.

If your existing loan document provider cannot generate an eNote, nor offer an eVault, then you can ask about their eClose timeline and wait (think hybrids) or look toward inserting an alternative provider that has both and can replace just the note or your entire

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THE CREDIT UNION EDGE

Credit unions can separate themselves from their competition because of their ability to efficiently incorporate eClose into their workflow and create adoption. Where some competitors are less able to influence loan officer adoption toward eClose and change, credit unions, which focus on a best-in-class member experience, have greater control on the loan process, especially when leads are from branches or your field of membership.

Additional unique advantages include CUSOs, like an affiliated real estate or title company, leveraging credit union employee notaries, and ability to lend your own money.



A paperless mortgage is here to stay, and acceptance is growing. Think about how many of your loan applications are taken online as compared to one, three or even five years ago.



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documentation library.

Experience levels vary greatly between eClose and eNote/eVault providers when it comes to full eClosings, so it's important to inquire.

Lastly, your eClose provider must have eNotary capability (IPEN and RON) to facilitate a full eClosing and allow you to progress beyond hybrids. Some have their own eNotary technology as part of their eClose solution so your title partners can participate. Others rely on third-party notary companies, which can impact scheduling, experience and costs.

INVESTOR ACCEPTANCE

Also, eClosings impact the ability to have saleable or pledge-eligible loans, so you must be aware of investor and Federal Home Loan Bank (FHLB) acceptance, if applicable. As already stated, hybrid eClosings have achieved widespread acceptance considering they typically include wet-signed security instruments.

It is still best to inquire directly with your investors or FHLB location on acceptance of hybrid and full eClosings. (Acceptance differs among the 11 FHLBs.) For full eClosings, there is less acceptance than hybrids, and even less when the full eClosing is performed via RON.



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There are public websites that track acceptance for full eClosings among investors and FHLB locations, which continue to rapidly grow. FannieMae and FreddieMac (and others) have been purchasing full eClosings for years.

From a loan product standpoint, conventional loans and home equity have long been accepted for hybrid and full eClosings, and in the fourth quarter of 2020, GinnieMae-insured loans became eligible for full eClosings, after previously allowing just hybrids.

For loans that you put in portfolio and will always keep, you control your own acceptance.