

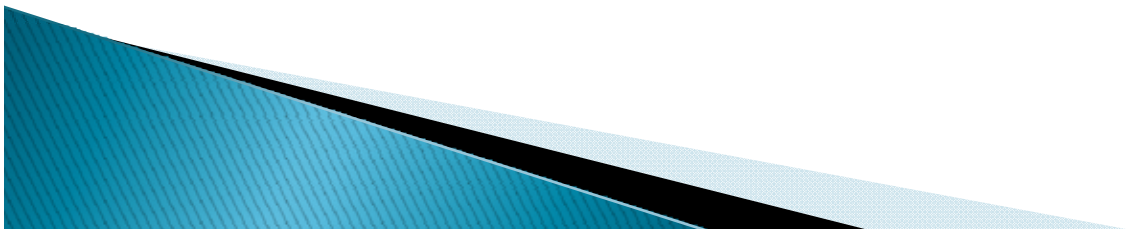
# **eMortgage Update**

Harry Gardner, SigniaDocs

PRIA Winter Symposium

Washington, DC

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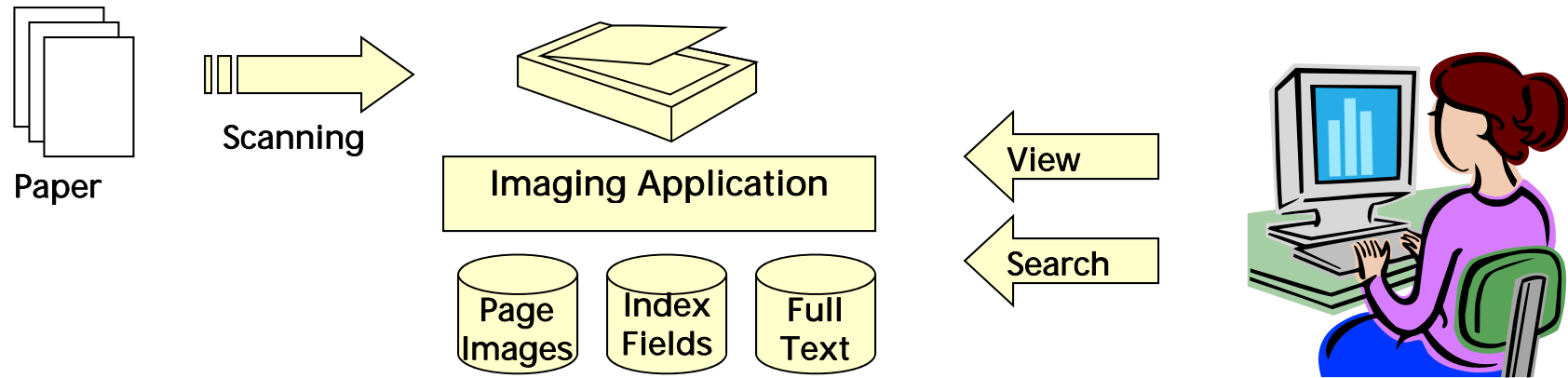


# Mortgage Industry – Paper-centric History

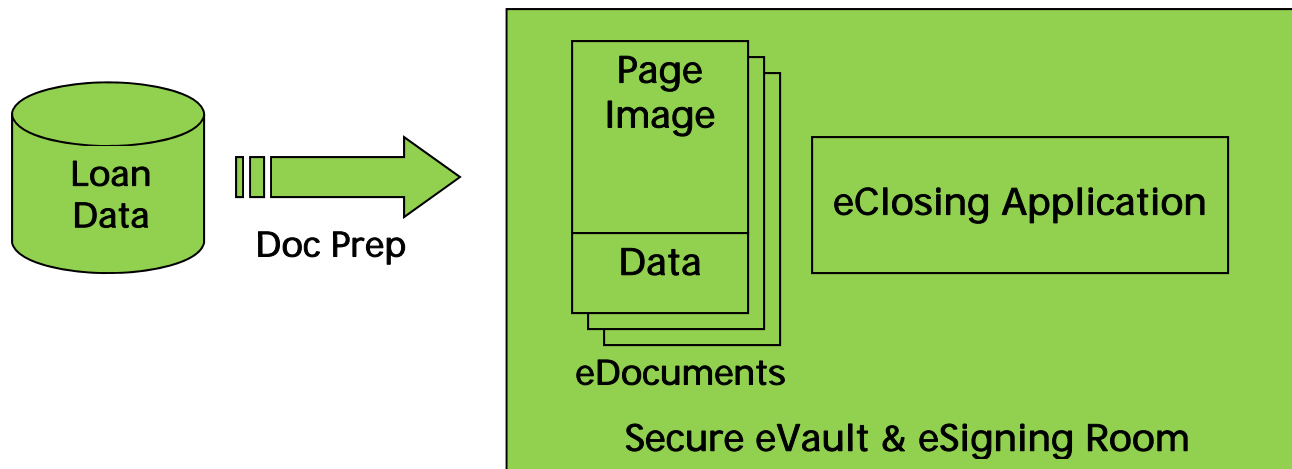
- Paperwork throughout the process
  - Application forms
  - Initial disclosures
  - Closing packages
- Operational issues and costs of paper
  - Securing private information (public records)
  - Physical possession of the ink-signed paper Note = legal ownership
  - Handwritten corrections at Closing Table
  - “Stare and Compare” post-closing quality audits
  - Paper custodial operations, delays
  - Overnight shipping costs
  - Lost Note Affidavits



# Document Imaging...



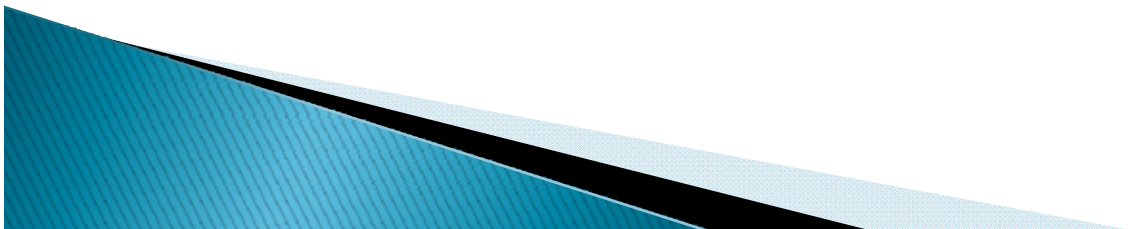
# ...vs. eDocuments



*Main difference: Imaging still starts with paper*

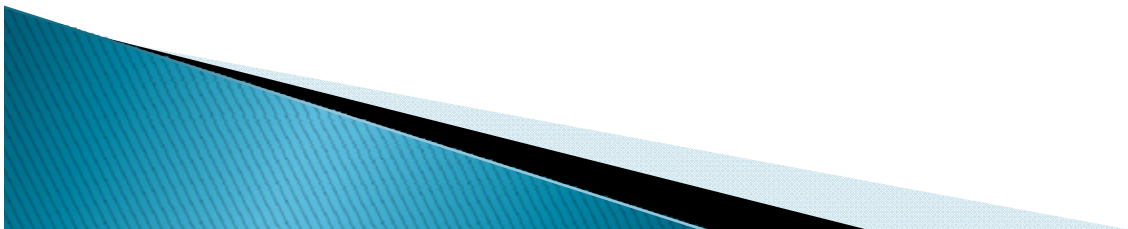
# Electronic Document Requirements

- Descriptive information (metadata)
- Visual representation
- Embedded data
- Linking of the data and the visual representation
- Electronic signatures
- Tamper-evident security
- Audit trail of changes



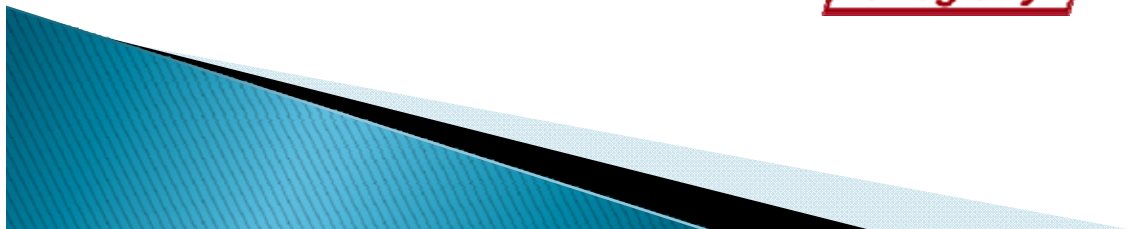
# eMortgage Infrastructure

- eDocument library
- eSignature engine
- eVault for secure storage / management
- eConnectivity to MERS® eRegistry & eDelivery
- Standardized data and document formats (MISMO®)
- eNotarization for notarized documents
- eRecording for recordable documents



# What is the MERS® eRegistry?

- ▶ A National eNote Registry
- ▶ The industry's response to the e-document requirements imposed by UETA and ESIGN
- ▶ The central database that identifies the current Controller (holder) and Location (custodian) of the Authoritative Copy of an eNote
- ▶ *Not* an e-Vault or eCustodian



# MERS® eDelivery

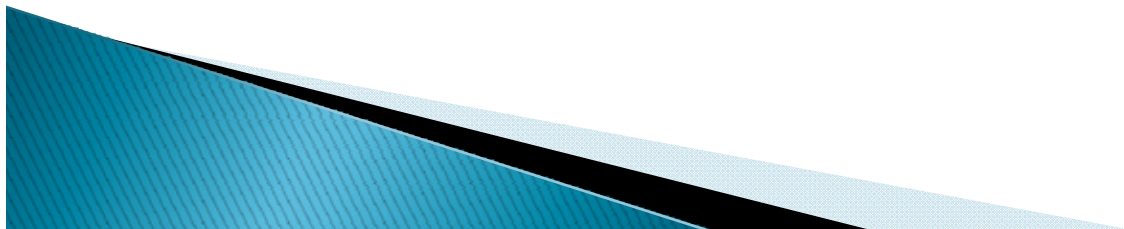
- ▶ Standardized delivery of electronic documents from one member to another
- ▶ Members use existing interface to MERS – eliminate multiple B2B custom interfaces
- ▶ Reuses MERS and MISMO standards of the MERS® eRegistry
- ▶ Required by Fannie Mae for delivery of eNotes



# The “Perfect” eMortgage



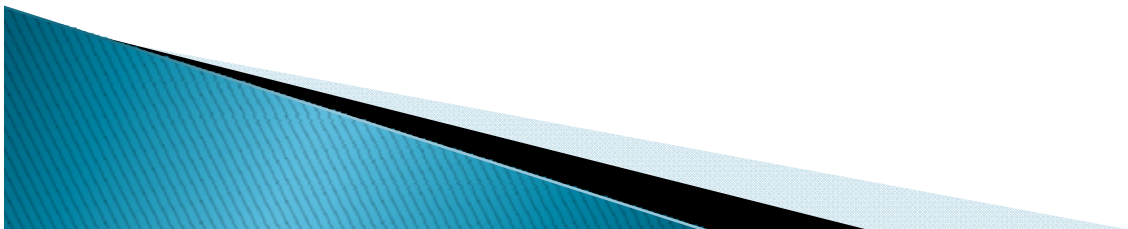
- All docs electronic:
  - Image-only
  - Image + some data
  - Intelligent image linked to XML data
- Signed, packaged, shipped, stored, accessed electronically
- Processes greatly streamlined
- Imaging infrastructure integrated





# eMortgage Landscape Today

- Fannie Mae and Freddie Mac accept eNote delivery (other investors now moving forward)
- MERS<sup>®</sup> eRegistry and eDelivery provide central infrastructure
- MISMO SMART Doc<sup>®</sup> Vers. 1.02 (eNotes) and Adobe PDF (for other docs) form semi-standardized eDocument structure
- eNotarization controlled at state level
- eRecording controlled at county level – 3,585 counties and recording jurisdictions in the U.S. (as you know!)



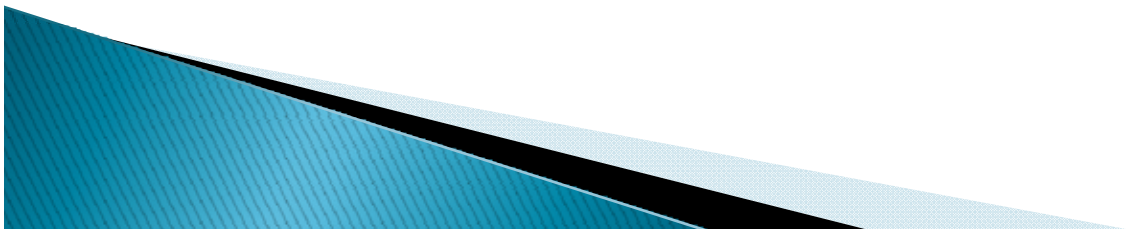
# eMortgage Value Proposition

- Efficiencies and reduced costs throughout the mortgage process
- Automated quality audits
- Data quality and transparency downstream (investors)
- Improved borrower experience
  - Review documents before closing
  - Faster closing process
- Eliminate lost Notes
- Eliminate re-keying, “stare and compare”
- Transparency into depth of loan, data quality
  - Increased fraud detection opportunities



# A Hybrid World

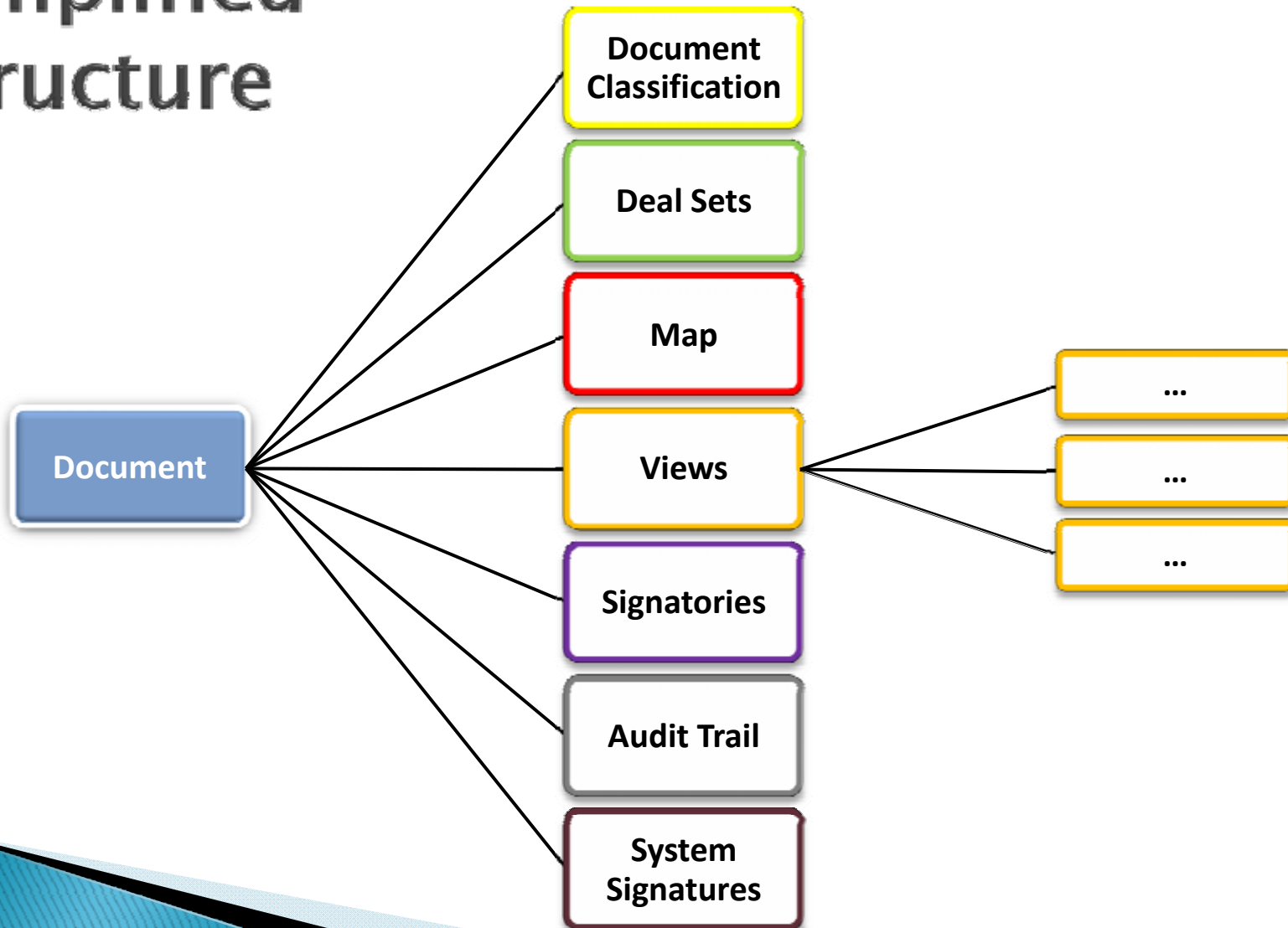
- ▶ Hybrid loans: eNotes plus paper closing docs
  - Custodians must manage paper documents and electronic documents for the same loan
- ▶ Hybrid pools: eNotes and paper Notes
  - eNotes generally identified by Special Feature Code



# SMART Doc V3

- ▶ MISMO “Document” concept, common throughout all workgroups
- ▶ Inherent part of the V3 Reference Model
  - No longer a separate specification
- ▶ Flexible structure
- ▶ Any VIEW format (PDF, XHTML, Word...) can be incorporated with XML data
- ▶ Allows multiple VIEWS within one Document
  - Example: Original (unsigned), Signed, Notarized, and Recorded versions

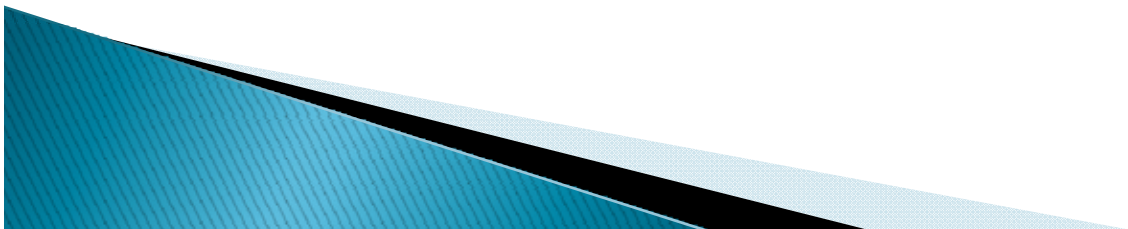
# SMART Doc V3 – Simplified Structure



# eMortgage Landscape of the Future

- SMART Doc V3 for all mortgage eDocuments
- All investors accept eNote delivery
- eRecording, eNotarization are universal
- Paper mortgages are the exception
- Mortgage forms are designed with “e” in mind

*MISMO developing I-Guides for specific eMortgage documents to encourage standardized formats with SMART Doc V3*



# Government / Regulatory Adoption

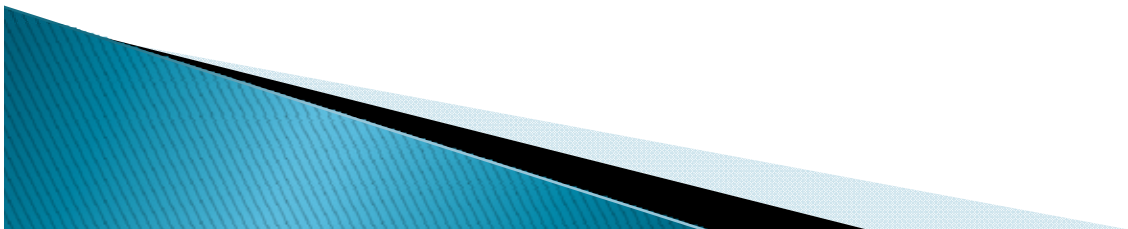
- MISMO data standards used as foundation for the Uniform Mortgage Data Program (UMDP)
  - Uniform Loan Delivery Dataset (ULDD)
  - Uniform Appraisal Delivery (UAD)
  - Now developing Uniform Mortgage Servicing Dataset (UMSD)
- IRS now accepting electronic 4506-T tax transcript requests
- VA recently stated that they would accept eSignatures broadly, based on the existing foundation of ESIGN & UETA
- CFPB (Consumer Financial Protection Bureau) has been very open toward using MISMO standard data and the SMART Doc<sup>®</sup> format for new uniform disclosure documents



# Conclusion

Mainstream eMortgage adoption is just 3-5 years away 😊

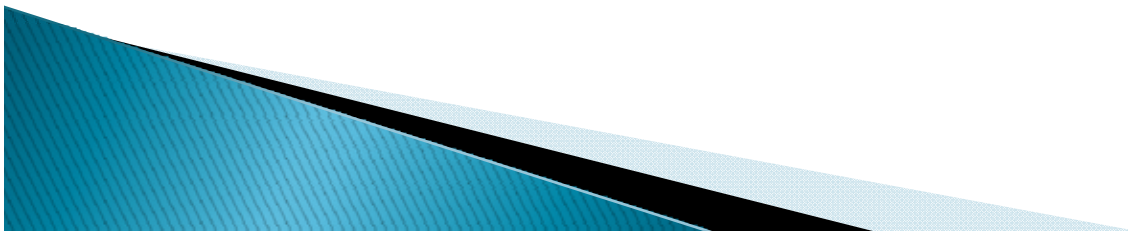
- Unprecedented level of government and regulatory adoption of MISMO standards bodes well
- Investor adoption growing (finally)
- MBA has restored awareness of the importance of technology and data standards (and has been key to government outreach efforts)
- MISMO / PRIA successful partnership continues





# Resources

- ▶ MISMO – [www.mismo.org](http://www.mismo.org)
- ▶ PRIA – [www.pria.us](http://www.pria.us)
- ▶ SPeRS – [www.spers.org](http://www.spers.org)
- ▶ MERS – [www.mersinc.org](http://www.mersinc.org)
- ▶ ESRA – [www.esignrecords.org](http://www.esignrecords.org)



# Questions?

Harry Gardner

President

SigniaDocs

202-409-5903

[hgardner@signiadocs.com](mailto:hgardner@signiadocs.com)

