



# E-DOCS: SAFE & SECURE

**Forget investors pushing e-doc adoption, e-docs are starting to go mainstream now because of Uncle Sam.**

**W**hat will it take for electronic documents to go mainstream? Some said it would take investors either mandating e-docs or offering lenders financial incentives to embrace e-docs. Some said the return on investment is too great for lenders to ignore. Some said once lenders dabble in e-docs they would see the advantages and force investors to accept e-notes. Some said once 100% of county recorders accept e-notes the lending industry would move. Some said the new tech-savvy borrower would demand the ability to transact with their lender electronically, forcing lenders to embrace e-docs. In actuality, it is fear that is pushing e-docs mainstream. Lenders are afraid that they won't be able to demonstrate they are in compliance with new regulations in a paper world.

**By Anthony Garritano**

New regulation—in particular MDIA and RESPA—is prompting lenders like Primary Capital Mortgage and others to adopt electronic disclosures now with the intent to expand their usage of e-docs going forward. “E-disclosures have been around for a while, but with MDIA a ton of lenders have started using it,” said Kelli Hutchinson, compliance and quality control at Primary Capital. “We started last July to comply with all the timing requirements and to have an automated document trail.

“From a compliance person’s perspective, I like it. How do you document the GFE was received? How do you confirm receipt of the TILA? There’s always been a question of how you document that in a paper world. With e-disclosures you have a trail. In my compliance mind, that’s a better situation.”

The story was similar at Supreme Lending. Scott Everett, the founder and president of Supreme, noted that e-disclosures have brought the company significant return on investment, as well as added control over their lending process. “We’ve been doing e-dis-

closures for about eight months. We chose to do e-disclosures for efficiency reasons. It’s also a more secure way to do business. Another added result is that it makes the client feel better about the lender. They feel protected.”

Understanding the new GFE and HUD-1 requirements is one thing, but any changes to how and when disclosures are made bring up obvious concerns over security. As disclosures are often the first documents that go back and forth between lenders and consumers, lenders need assurances that all sensitive information is protected. Increasingly lenders see e-disclosures as the answer to compliance.

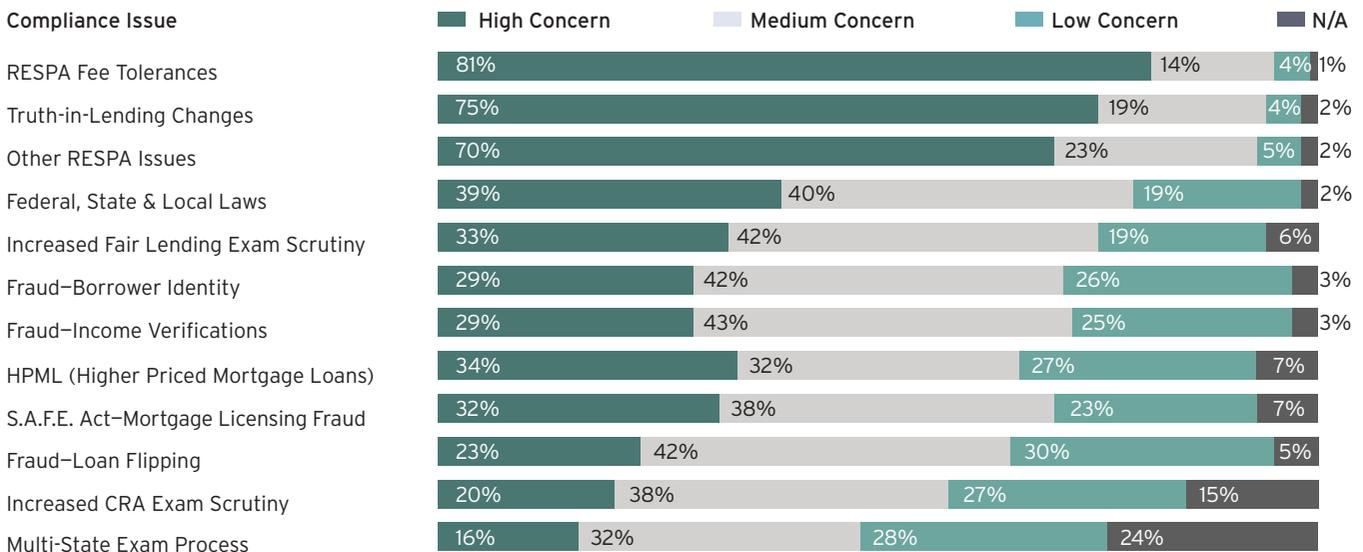
Marlo Newman, director of marketing at midtier lender The Lending Co., said the huge acceptance of e-disclosures is “all about fear, fear, fear. It’s all about compliance, compliance, compliance. Our goal is simple, so much business is coming to us online and we want to capture that business. I like that everything is disclosed and decisioned on time. To comply with new regulations, you can’t do it manually.

“The return rate on a FedEx is only

about 50%, but when we go electronic it’s 75% to 80%. I think compliance is going to push lenders over the edge on e-disclosures. Automating is huge for us because it cuts three days off our process. Our only value proposition as a small, regional lender is service. Realtors and brokers are also always worrying when we’re going to close so they can get their commission. This enables us to recruit better loan officers because they want tools like this. Lastly, it saves days on the back-end, too because we can e-deliver to investors. This is the only bulletproof compliance vehicle out there.”

The Lending Co. uses a newer technology tool from Cogent Road for its e-disclosure and workflow needs called Roomz Mortgage Enterprise, an Internet-based workflow management system that manages the progression of loan applications from origination to closing, enforces compliance and provides a communication platform. Roomz Mortgage Enterprise monitors application status, providing real-time updates and ensuring each step is completed in full compliance.

## COMPLIANCE CONCERNS MOUNT



Lenders were asked to rate their level of concern for each compliance issue. Data was gathered March 2-5, 2010. In total, 464 lenders were surveyed.

Source: QuestSoft.



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"As we talk about e-disclosures, there is a shift happening," explained William DiPaolo, chief executive officer at Cogent Road. "A huge benefit of e-disclosures is that you now have the data behind the disclosure at your disposal. You can analyze the disclosure data package, analyze it against thresholds and if it fails the loan officer can't send the disclosure until they adjust the fees. This stops the lender from having to re-disclose."

So, has e-disclosure adoption truly gone mainstream? It's well on its way says Randy Schmidt, president at point-of-sale automation vendor Data-Vision Inc. "We've been trying to push e-disclosures for a year or more, but since the new RESPA rules went into being, lenders now see the benefit. Lenders want to get disclosures out quickly. They don't want to get bogged down. Another issue is re-disclosure. Prior, if they had to re-disclose they'd do it at the closing table, but you can't do that anymore. New regulation has changed how lenders do business."

Midtier lender Sibcy Cline Mortgage Services uses Data-Vision for its e-disclosure needs. "We started seven or eight months ago with e-disclosures," said Claudia Adelhardt, operations coordinator at Sibcy Cline. "We did everything internally and having to track everything became cumbersome. We saw e-disclosures as a way to send things out securely and track things much easier. If you look at the cost of printing off packages for quality control vs. sending it electronically, it makes sense."

In defining the course of adoption, Richard Johnston, president at workflow automation vendor Acris Solutions, said, "The momentum started to gain in July of last year. Lenders have to sit there and ask, 'How is this going to work with this new regulation? All the new rules say we lenders have to have tons of disclosures.'"

And doc prep vendors have readied their technology so they are pre-

pared for the incoming demand. Laura LaRaia, an attorney for the legal team at doc prep MRG Document Technologies, noted, "With the crazed regulatory environment lenders—in order to move their business along—need to start investigating e-disclosures. RESPA slowed the lending process down to a crawl and lenders had to stop and re-disclose twice potentially."

Curt Dorman, president at doc prep IDS, added, "Once MDIA came to pass, that was a tipping point for e-disclo-

sure. People realized that they needed to make a change. Overall industry adoption has passed the early adopter stage. A year from now you'll see even more adoption and in a couple of years everybody will be doing it."

Dorman thinks the best way to define e-disclosure adoption is to look at the number of lenders that have opted to go back to a paper process after moving to embrace e-disclosures. He doesn't know of a single lender that has gone back to paper. **MT**

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