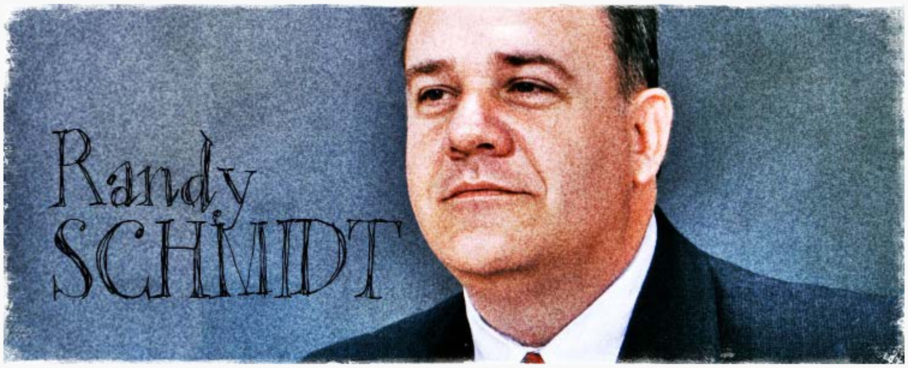

Electronic Documents: Signed, Sealed And Delivered

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The concept of taking paper documents and turning them into electronic documents has been around for quite a while. What started out as lenders electronically transmitting their closing packages to the closing table to have them printed out and wet signed has evolved into a fully electronic process for both closing and disclosure documents. But recent events have made delivering documents electronically become more mainstream.

The first is Technology. Advancements in electronic signing and transmission technologies make the process of sending electronic documents easy. Previously, special documents had to be setup in advance in order to contain electronic signatures. Today, virtually any document that you can print to a printer can be electronically delivered to and signed by the recipient. Previously, expensive software or servers had to be installed and maintained to process documents electronically. Today, much of this processing has been moved to the cloud. The benefits of moving processes such as this to the cloud is that the costs of the infrastructure, hardware, security, redundancy, etc. can be shared among all users of the service. Many providers offer monthly subscription or pay per use pricing. Only paying for services that you are actually using is a great way to manage your costs as the market fluctuates.

The next factor that is driving adoption of electronic documents is acceptance. While consumers have been using electronic documents in other industries for years, many in the mortgage industry were reluctant to make that switch. One of the primary reasons given was that not all investors or government agencies were accepting electronic signatures. Documents such as the IRS's 4506-T still required an actual handwritten signature. And since lenders still needed to mail out a package containing a paper document to be signed, it didn't make sense to do some documents on paper and others electronically. But with most major investors onboard and the IRS now accepting electronic signatures on the 4506-T, the last remaining hurdle has been eliminated.

The final factor is regulatory compliance. On January 18, 2014 a change to Regulation B (ECOA) went into effect that requires lenders to provide borrowers "…copies of each such appraisals or other written valuation promptly upon completion, or three business days prior to the consummation of the transaction (for closed-end credit) or account opening (for open-end credit) whichever is earlier." Where previously lenders would deliver these documents at the closing table, they must now deliver them prior to closing. The only exception is if the borrower signs a waiver of their right to receive these early. So whether you are delivering the appraisal, or asking the consumer to sign a waiver, doing this process electronically not only assures your compliance with the regulation but also provides an audit trail for your auditors.

So given the advanced state of document technologies, the current acceptance level with investors and government agencies, and the new regulatory environment that exists today it is easy to see that now is the perfect time to take the plunge into the world of electronic documents.

About The Author

Randy Schmidt is President of Data-Vision, Inc. and is responsible for overall operation and strategic planning for the company. Randy became involved in the IT side of mortgage banking almost 30 years ago and has been involved in numerous projects on both the origination and servicing side of the business. In 1993, Randy co-founded Data-Vision, Inc., in Mishawaka, Indiana as a Web design company. He then combined his previous mortgage experience with Internet knowledge to bring the speed, power and availability of the internet to the Mortgage industry. He can be reached at rschmidt@d-vision.com

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