



# Process Improvement

## Follow The Leader

I usually advocate for complete change, but in this case I think if lenders go with the flow it might serve them well.

By **Tony Garritano**

I have been critical of the industry's inability to move forward on eMortgages, or what is now called a Digital Mortgage, without other lenders going first. Today there is great buzz around going digital so I'm shifting my earlier concerns. To every lender today I say: Please follow the leader and go digital. My hope is that we have reached a tipping point where not going digital is more of a risk compared to finally making that transition to digital mortgages.

In order for lenders to make this transition there first has to be clarity around the term Digital Mortgage. "There is still quite a bit of confusion in the marketplace as to what a digital mortgage is actually comprised of," noted Dominic Iannitti, President and CEO at DocMagic, Inc. "Put simply, a truly comprehensive digital mortgage involves zero paper whatsoever, from start-to-finish. That means from the time the loan is originated at the point-of-sale to when the loan is closed and the eNote is delivered to the investor, nothing is papered-out. This includes fully paperless eClosings for borrowers, which absolutely must contain eNotarizations. Also, another important component of the digital mortgage process is an integrated mobile strategy."

Recently DocMagic, Inc. completed North Carolina's first 100 percent paperless eClosing. The DocMagic-driven eClosing was completed on Friday, May 5th at North State Bank and was carried out in the presence of borrowers Jason and Karen Boccardi, the North Carolina Secretary of State, a closing paralegal, an eNotary, and members of the media who documented the historical event.

Attorneys from the Hunoval Law firm attended via interactive video. The entire eClosing took only about 20 minutes to complete.

"Millennials in particular want the ability to start the origination process on a phone/tablet, check status, eSign documents and complete the closing process," added Iannitti. "That technology needs to be integrated with the document preparation provider, eClose technology vendor, LOS, as

well as other third party vendors."

DocMagic's Total eClose, which contains all the components to facilitate a fully compliant, 100 percent paperless digital closing, served as the single platform that enabled the entire transaction in North Carolina. eNotarization was facilitated by long-time DocMagic strategic partner World Wide Notary (WWN).

In fact, DocMagic facilitated four of the five statewide-first eClosings, as well as the CFPB's eClosing pilot program. The North Carolina eClosing was part of a state sponsored eClosing Pilot Program that was established in 2016 by North Carolina Secretary of State Elaine F. Marshall to create a best practices guide for mortgage lenders seeking the heightened security, speed and efficiency of eClosings.

There is still quite a **bit of confusion in the marketplace** as to what a digital mortgage is **actually comprised of.**

"For the record, a comprehensive digital mortgage is really just a new term for an end-to-end eMortgage process," stated Iannitti. "The reality is that most of the digital mortgage technologies that are currently available for lenders are hybrids, so paper is unfortunately still involved. However, the technology to go fully digital is here today. The biggest hurdle is still educating all the players on the benefits, the technology solution exist today. The CFPB was very helpful in evangelizing for lenders and vendors to embrace eClosings, which is now well on its way."

Valerie Saunders, Vice President at NAMB - The Association of Mortgage Professionals and President at Title ClearingHouse of Jacksonville, agrees that a digital mortgage is a mortgage that is transacted 100% electronically, including digital signing and electronic notarization, with no

semblance of paper, whatsoever. And while there is still jockeying among some over the definition of the term Digital Mortgage, nobody disputes the return on investment associated with adoption.

“Digital mortgages are a lot faster and more efficient than traditional mortgages,” pointed out Saunders. “It’s also a lot easier for lenders and settlement service providers to manage and keep mortgage files secure without all that paper.

“As far as the consumer goes, paperless mortgages allow more time for borrowers to review the documents they’re executing prior to affixing a signature. In a typical transaction, unless the borrower specifically requests it, the first time they’re seeing those documents is when they’re at the closing table. With a digital mortgage, borrowers can take the time to digest the information and ask questions well in advance of closing.”

That doesn’t mean that there are no hurdles to adoption. “I think the major hurdles are cost and necessity,” noted Saunders. “We need to remember the role that states and counties play in electronic mortgages. In order to transact a fully paperless mortgage, states need to allow for both electronic recordings and electronic notarizations, and counties need to be technologically equipped to accept those electronic documents.

“Technology is the foundation of a digital mortgage, so it plays a major role in how that experience is going to play out. That said, lenders and settlement service providers also play a key role in assuring that the digital mortgage experience doesn’t replace a personalized experience.”

Put simply, the digital mortgage is about the customer interaction. “Customers will interact how they want on their timetable,” noted Josh Friend, the founder and CEO of InSellerate, a Costa Mesa, California-based CRM provider that helps companies maximize their sales leads and convert them into closed customers. “The second part of the digital mortgage is the use of big data. Tax returns, pay stubs, w2s, etc. is all in the cloud. You need to

leverage platforms so that documentation can be downloaded through the web without the borrower having to provide that. Third, is the technology required to take in and process all the loan data. You want to make the mortgage process easier.”

InSellerate is a specialized customer relationship management system that delivers incremental sales and revenue by optimizing consumer direct lead channels, increasing prospect conversion and maximizing sales opportunities through an automated nurture program. With InSellerate, companies can immediately connect to leads while the prospects are actively in the decision-making process, manage their sales team real-time for maximum efficiency and ROI, and build strong customer relationships through trigger-automated nurture marketing campaigns. InSellerate is SSAE 16 certified and built to satisfy the most closely regulated businesses, including community banks with mortgage subsidiaries.

“The cost to originate has increased,” noted Friend. “Having accurate closing fees upfront will allow us to be more accurate at closing. The digital mortgage will also lower buybacks significantly. From the view of the consumer, if they can go online, see accurate pricing, fill out the documents and submit the trailing documents online, that would be a big benefit.”

So what will it take for digital mortgages to finally go mainstream? “You need to tie the business and technology together,” concluded Dr. Rick Roque, President and Founder of MENLO, a firm that advises mortgage lenders on their M&A strategies. “You have solid technology, but there are failures in how to apply that to the business process. It takes a unique intersection in how the business process can be designed and reimaged with the use of technology.

“Lenders have to look at the net tangible benefit. Lenders may go after the latest technology, but don’t look at how it can be operationalized. A digital mortgage is not a switch that just gets flipped. It’s a progression.” ❖



Lenders have to **look at the net tangible benefit.** Lenders may go after the latest technology, but don’t look at how it can **be operationalized.**

---

Tony Garritano is chairman and founder at PROGRESS in Lending Association. As a speaker Tony has worked hard to inform executives about how technology should be a tool used to further business objectives. For over 10 years he has worked as a journalist, researcher and speaker in the mortgage technology space. Starting this association was the next step for someone like Tony, who has dedicated his career to providing mortgage executives with the information needed to make informed technology decisions. He can be reached via e-mail at [tony@progressinlending.com](mailto:tony@progressinlending.com).