

**News & Trends**

Technology's Role in Luring Back Investors  
Disaster Recovery, Continuity Efforts Mitigate Risk  
Calculator Provides More Accurate Closing Fees  
Financial Institutions Journey to Change Channel Operations

**MISMO Corner**

MISMO® Releases MXCompliance Title v2.3.2 Request and Response Certification  
MISMO Trimester Workgroup Meeting May 19-21  
I Want My eMortgage!

**New Products/Tech Briefs**

Tech Briefs

**MBA News**

MBA Commercial/Multifamily Servicing/Technology Conference May 13-16  
MBA Legal Issues/Reg Compliance Conference Apr. 28-May 1  
MBA Tech NewsLink Reprints

**Forum**

Globalization 4.x: The Reality of Sourcing the Flat Corporation

**MISMO Corner**

**I Want My eMortgage!**  
**Wesling, Colleen**  
**MISMO Program Director**  
**MBA Industry Technology**

If most loan originators today generate nearly all paper mortgage documents **electronically**, and, once they obtain borrowers' signatures, typically scan the documents back into electronic form, index and store them electronically, why do so many of us still need to sign dozens of paper documents in the presence of a notary at loan closing?

This question is especially pertinent because experience has shown borrowers have no qualms about electronically signing **eMortgages**. In reality, most are grateful for anything that makes the lengthy signing process easier (and saves them from having to put their signing arms on ice afterward!)

*Maybe it's because only conforming loans can have eMortgages? Or, perhaps the process of generating eMortgages is too complex or cumbersome. (After all, the eNote is not the same thing as an imaged document. An eNote must have been created electronically and eSigned; it must never have been in paper form.)*

Not so. An eMortgage can be created for any type of loan using **MISMO's SMART Doc®** or **Adobe PDF** documents, for which MISMO provides guidelines. Many eClosing products are

available that can generate and process electronic loan documents.

***Could the reason be that settlement agents, realtors or title insurers believe the security risk of eMortgages is too high?***

They shouldn't. With an eMortgage, a tamper-evident seal is generated at the moment of closing. Anyone can verify that the eMortgage has not changed at any time thereafter. If an error in any of the loan documents is discovered after eClosing, it can be corrected by following specific procedures that protect the integrity of the seal. Properly executed electronic documents offer far greater security capabilities than paper.

***Is it because the eDocs can't be recorded?***

That's not the reason, because an increasing number of counties perform eRecording, and several states have implemented state-wide eRecording portals. Even where eRecording is not yet available, hybrid eMortgages (eNote plus paper closing documents) can be recorded.

***Well then, the reason there are not more eMortgages must be that they are difficult to sell to investors.***

Not. Actually, **Freddie Mac** and **Fannie Mae** both purchase eNotes.

***Okay, I've got it now--the legal infrastructure needed to support eMortgages is not yet in place.***

No. Since 2000, most states have implemented legislation supporting the use of eSignatures, based on UETA, the **Uniform Electronic Transactions Act**. And for those states that haven't, the Federal E-SIGN law provides a nationwide safety net. Both E-SIGN and UETA specify that electronically signed documents cannot be denied legal enforceability just because they were done electronically. Therefore, eNotes are just as enforceable as paper notes, provided that the eSettlement process is done correctly. A key requirement is that those wishing to enforce an eNote must demonstrate that they control and can establish the authoritative copy of the eNote (the equivalent to the wet-ink-signed paper original).

***At last! This must be the stumbling block! It's impossible to determine which eNote is the original, because anyone can digitally copy it a million times.***

Wrong again. The **MERS® eRegistry** helps originators and investors meet statutory requirements by serving as the system of record and tracking the Controller (the owner) and the Authoritative Copy. If an eNote is registered in the eRegistry, its ownership can be transferred from originator to investor with full confidence.

***Okay, I give up. It seems like the infrastructure is available and there are no major stumbling blocks.*** Does some key component still need to be in place? I decided to ask the expert, **Harry Gardner**, MBA's vice president of industry technology and head of MISMO, if he could enlighten me.

"The good news," Gardner said, "is that industry adoption is growing steadily. The number of eNotes registered on the MERS® eRegistry has risen dramatically recently, with lenders such as AmTrust making their eMortgage technology available to their broker communities. Flagstar Bank has recently implemented their own multi-faceted electronic document solution that is also available to their brokers and correspondents.

"Right now Fannie Mae is buying eNotes in full production volumes. Freddie Mac has purchased some eNotes as well, and is working hard to reach a full production-level capability. We've also talked with **Ginnie Mae** about moving forward with eMortgages at this key time in their business. As more investors start accepting eNotes, more lenders will come on board. At the same time, if more lenders were implementing their own eMortgage capability, which would spur more investors to adopt. It's a bit of a circular challenge that way. While it is true that the initial transition from a paper to an electronic loan file requires some focused effort—both in technology infrastructure and staff training—the benefits are worth the cost. Every eMortgage

originated yields cost and time savings for every stakeholder in the process—from lender to settlement agent to borrower.”

“At this point, providing eMortgage education and success stories to top managers is critical,” Gardner said. “Transitioning to eMortgages is a business imperative in the long run. Business leaders may be unaware that the key infrastructure components are in place and implementation barriers have been removed. They may also view eMortgages as just another technology project, rather than a way to do their business cheaper, faster, and better.

“In the “e” world, all the documents are “filed” together in one central location. Stronger, more focused security can be imposed by controlling loan file access more centrally, with group roles, audit trails, and fine-tuned access rights. At the same time, loan processors can find and work on the loan file from any location—provided they are authorized to do so—dramatically reducing loan processing time.

“Today’s environment demands lenders to produce, almost instantaneously, data about every step in the loan life cycle. It’s tough to deliver when their staff must search through multiple copies of the loan file, can’t lay their hands on the original paper note for foreclosures, or must page through document after document to find the current loan custodian. On top of all that, because of the physical nature of the information, stringent controls are required to track, store, and dispose of paper documents.”

So that’s the eMortgage story. One day, the cost, time and effort required of organizations to allow parts of their loan process to stay in the paper world will become more costly and burdensome than implementing eMortgage technology. The managers who decide that day has come will be in the best position to emerge from this business cycle more agile, competitive and prepared for the next challenge.

For more information on eMortgages, see [www.mortgagebankers.org/emortgage](http://www.mortgagebankers.org/emortgage).

## About MBA Tech Newslink

Publisher: Cheryl Crispen, Senior Vice President - Communications and Marketing

Director of Online Publications: Mike Sorohan [MSorohan@mortgagebankers.org](mailto:MSorohan@mortgagebankers.org)

Deputy Editor: Michael Murray [MMurray@mortgagebankers.org](mailto:MMurray@mortgagebankers.org)

Senior Staff Writer: Vijay Palaparty 202/557/2904 [VPalaparty@mortgagebankers.org](mailto:VPalaparty@mortgagebankers.org)

Advertising Opportunities: Bill Farmakis 203/834-8832 [bill@jlfarmakis.com](mailto:bill@jlfarmakis.com)

Any reprints or other use of these articles in whole or in substantial part, in any medium, requires advance written permission from the Mortgage Bankers Association. For reprint information on stories in MBA Tech Newslink, please contact Joanna Vulakh at 1-800-394-5157 x25.

MBA Tech Newslink, a weekly electronic publication, is a member benefit free to employees of MBA member companies, and available by paid subscription to non-members. For membership information, visit MBA’s website at <http://www.mortgagebankers.org/AboutMBA/membership>

1919 Pennsylvania Ave., NW  
Washington, DC 20006-3404  
(202) 557-2700



Copyright © 2008

[Mortgage Bankers Association](#) | [Privacy Policy](#) | [MBA Tech Newslink Legal Information](#)

To subscribe, visit

<http://www.mortgagebankers.org/NewsandMedia/MBATechNewslink/TechNewslinkSubscribe.htm>.

To stop receiving this newsletter, [opt out](#) of future *MBA Tech Newslink* mailings