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I recently saw a photo that highlights some of the problems with paper mortgages. A title company based in the Northeast was closed due to a snow storm. Outside of their office door were at least four boxes, each filled with loan documents, sitting in the snow.

While anecdotal, this image illustrates several of the problems with our industry operating in a paper-based world. It represents delays, rescheduled closing appointments, expiring rate locks, and sensitive personal information put at risk.

These are some of the reasons our industry needs to adopt digital mortgage closings. Others include massive operational efficiencies and giving consumers the digital experience they expect and demand.

I’ve been working in mortgage for 20 years, and the promise of digital closings being just around the corner has existed for at least that long. Putting a digital process into practice has turned out to be harder than anyone expected.

Challenges like the fragmentation of participants in a mortgage transaction, which this book explains, make industry-wide adoption of digital processes more difficult. It’s also clear that the industry is not aligned on how to talk about and approach digital closings. Even the term “eClosing” can mean very different things to different people.
This creates confusion and misinformation. There's a ton of information available on digital closings, but sources can contradict each other.

The industry is clearly excited about new digital closing technology, but it's hard to decipher what has actually gained traction and what can be used at scale.

There also aren't clear directions on how to execute digital closings. This is because mortgage is so complex and every organization operates differently. As a result, guidance on digital closings can be too general to be helpful.

If you want to succeed with digital closings, it's crucial to have credible, easy-to-understand, and accurate information that can help make the adoption process easier. This is why we created The Definitive Guide to Digital Closings.

At Snapdocs, we're committed to sharing straightforward and useful information that's backed by real traction, scale, and data. For this book, we drew from our own experience in building technology that processes over 1,000,000 closings a year, spent months on research, and interviewed the top industry experts and thought leaders.

It's our mission to empower all parties involved in the mortgage transaction to thrive in the digital age. Regardless of your job title or role in the industry, this book will provide guidance and education on the technology that's drastically improving the mortgage process for everyone involved.

Aaron King
Founder and CEO of Snapdocs
The tradition of meeting at the closing table is getting an upgrade. As the beginning of the mortgage process has been transformed with digital mortgage applications, more attention is turning to digital closings.

Even though much of the technology for digital closings has been around for years, the industry is still far from full adoption.

The mortgage closing is disjointed and complex. Unfortunately, the information around how to modernize it is also extremely difficult to understand. From understanding what digital closings are to investor acceptance, the industry is battling inconsistent information. A clear and uniform process for implementing digital closings is also lacking, as each organization operates differently.

Driven partially by the fragmentation of participants and technology, the difficulty of rolling out digital closings has overshadowed the immense benefits they can bring to borrowers and key stakeholders in the closing process.
Even with a convoluted narrative for how to implement digital closings, lenders and settlement companies who have chosen to make the move are taking advantage of this opportunity to differentiate themselves and provide a celebratory conclusion to the homebuying process. For those who are choosing to ignore the digital revolution, they not only risk falling behind in an industry that’s moving away from slow, traditional pen and paper processes, but they also risk losing customers.

This eBook aims to create a definitive source of truth on digital closings for the industry. This comprehensive guide delivers a clear picture of the current digital closing landscape, unpacks how to evaluate and successfully implement digital closing technology, explains where acceptance of digital closings stands with investors and warehouse lenders, and covers much more.

Given that legislation and technology around digital closings are still changing, this guide will be updated yearly to reflect the latest trends and developments. Supported by data, thorough research, and insights and experiences from the people who are leading the way in digital closings, this guide serves as an extensive and authoritative resource for the industry.
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About Snapdocs
What Is a Digital Closing?
A digital closing is a mortgage closing that has one or several digital components included in the process. At least some or all of the closing process must be digitized. Wet closings, hybrid closings, and eClosings are all types of digital closings. However, what makes each type of digital closing different from the others is the amount of the closing process that is digitized.

Types of digital mortgage closings

There are three main types of digital closings:

**Wet closing:** In a wet closing, all of the loan documents are printed on paper and signed and notarized in ink. The workflows around the closing are digitized, and the borrower can preview their documents before going to their in-person closing appointment. The documents that need to be recorded with the county can be sent via courier or mail. They can also be scanned and electronically recorded with the county.

**Hybrid closing:** A hybrid closing is a mix of a wet closing and an eClosing. Some of the loan package is signed or notarized in ink, while the rest is electronically completed. The documents that are wet-signed versus electronically signed are usually dictated by the lender or investor’s preferences. The borrower either electronically signs some of the documents before showing up to their closing appointment or they electronically sign those documents at the closing table. If the borrower electronically signs some of the documents prior to their closing appointment, they will only need to wet-sign the remaining documents when they’re at the closing table.
In a hybrid closing, the promissory note can either be signed on paper or digitized and electronically signed as an eNote. Because hybrid closings always have some documents that are wet-signed, they require an in-person closing appointment. The documents that need to be recorded with the county are either physically sent to the county recording office or they are electronically transferred and recorded.

**eClosing:** The closing process is digitized and the entire loan package is electronically signed and notarized in an eClosing. This includes the promissory note, which is known as an eNote when it is digitized. Because everything is done digitally, the closing appointment can happen either in-person or remotely via audiovisual technology. When completed, the necessary documents are electronically transferred to and recorded by the county.

### Types of Digital Closings

<table>
<thead>
<tr>
<th>COMPONENTS</th>
<th>WET</th>
<th>HYBRID</th>
<th>eCLOSINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document preview</td>
<td>eSigning eNote (optional)</td>
<td>eSigning eNote eNotarization IPEN or RON</td>
<td></td>
</tr>
<tr>
<td>eRecording (optional)</td>
<td>eRecording (optional)</td>
<td>eRecording</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>PAPERWORK</th>
<th>Pen &amp; paper and electronic</th>
<th>Electronic</th>
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</thead>
</table>

| CLOSING APPOINTMENT | In-person | In-person | In-person or remote |
Other terms to know

Digital closings have many moving parts. Here are some additional terms that are often used when talking about digital closings:

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital mortgage</td>
<td>A mortgage process that has any digital component. Any part of the mortgage process can be digitized, but the entire process does not need to be digital.</td>
</tr>
<tr>
<td>eMortgage</td>
<td>A completely digital mortgage process, spanning from the mortgage application to the sale of the loan in the secondary market. In an eMortgage, borrowers apply for their mortgage online and electronically sign the initial disclosures. When it comes to the closing, all loan documents are electronically signed, notarized, and recorded. This includes the eNote, which is electronically signed and stored in an eVault.</td>
</tr>
<tr>
<td>eSign</td>
<td>The act of electronically signing digital documents.</td>
</tr>
<tr>
<td>eNotarization</td>
<td>The act of electronically notarizing digital documents. Instead of a physical ink stamp and ink signature, a digital notary stamp and eSignature are used.</td>
</tr>
<tr>
<td>In-person electronic notarization (IPEN)</td>
<td>The act of conducting eNotarizations in-person.</td>
</tr>
<tr>
<td>Remote online notarization (RON)</td>
<td>The act of conducting eNotarizations remotely online. Instead of meeting in-person, consumers and notaries connect digitally through audiovisual technology, like a webcam.</td>
</tr>
<tr>
<td>eNote</td>
<td>An electronic promissory note that is eSigned. eNotes must be registered on the MERS® (Mortgage Electronic Registration Systems, Inc.) eRegistry and stored in an eVault.</td>
</tr>
<tr>
<td>eRecording</td>
<td>The electronic transfer and recording of completed loan documents.</td>
</tr>
<tr>
<td><strong>eVault</strong></td>
<td>An electronic repository used to securely store and transfer electronic documents, most notably eNotes. An eVault is required for eNotes.</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>eStrategy</strong></td>
<td>A business strategy for implementing technology and moving towards digital processes.</td>
</tr>
</tbody>
</table>
02
The History of Digital Closings
While the technology for digital closings has been around for a while, it’s been gradually adopted. The mortgage industry has seen true movement with digital closings only within the last few years.

**2011**

**March:** Virginia is the first state to adopt remote online notarization.

**QUICK FACT**

TRID is a law also referred to as the “Know Before You Owe” mortgage disclosure rule. Established by the CFPB, TRID set new rules for information that must be disclosed to borrowers before going through the process. It creates more lender-borrower transparency.

**2014**

**January:** The Federal Housing Administration (FHA) starts accepting eSignatures on mortgage loan documents generated by lenders — not just third-party documents.

**April:** Wells Fargo, the largest mortgage lender (as of 2018), begins accepting eSignatures on mortgage documents.

**April:** The Consumer Financial Protection Bureau (CFPB) introduces a pilot program to assess the benefits of eClosings for consumers.

**2015**

**January:** Larger media outlets, including US News and Forbes, begin coverage for eClosings as a driver for the transformation of the mortgage industry.

**June:** Google Trends indicates search volume for “eClosing” begins an upward trajectory.

**October:** TILA-RESPA Integrated Disclosure Rule (TRID) is instituted, pushing the industry towards more online and digital processes overall.

**2017**

**August:** An Illinois family electronically closes on a $290,000, 30-year mortgage — marking it the first completely remote digital closing in U.S. history.

Also in 2017:

- More states begin to adopt eClosings, including North Carolina (May) and Washington (October), which complete their first fully digital closing.

**2018**

**July:** eNotarization, a crucial feature needed for digital closings, becomes accessible to 265 million homebuyers in 15 U.S. states.

**December:** MERS® member institutions register 17,000 eNotes in 2018.

**2019**

**January - March:** The number of eNotes registered increases 4,967% since the first quarter of 2018, suggesting more hybrid and eClosings are being completed.

**August:** 2,023 counties accept eRecording, a number that continues to climb.

Also in 2019:

- More lenders and settlement companies are doing eClosings. While eClosings are no longer a novelty, they’re still in the minority. Most loans are still wet closings.

- More companies are offering and building an eClosing solution.
03
How Do Digital Closings Work?
Each type of digital closing works a bit differently. Here’s a high-level overview of how wet closings, hybrid closings, and eClosings occur.

**Wet closing**

- Loan information and closing documents are transferred from the lender’s LOS and/or document preparation provider into the digital closing software.

**Hybrid closing**

- The loan documents are separated into wet-sign and eSign packages, based on the lender or investor’s preferences.

- The loan documents that will be eSigned are annotated with fields for eSignatures, dates, initials, and anything else that needs to be filled in.

**eClosing**

- The lender loops the settlement company and the borrower into the closing when it’s ready, giving everyone visibility into the progress of the closing.

- If a signing agent is needed for the closing, the settlement company locates an available signing agent and coordinates the closing appointment.

- The borrower can preview their documents prior to the closing appointment.

- If permitted, the borrower can eSign some of their documents prior to the closing appointment.
The Definitive Guide to Digital Closings

**Wet closing**

- The closing appointment happens in-person.
- All the documents are signed and notarized in ink.
- The paper promissory note is physically sent to the investor or warehouse lender.

**Hybrid closing**

- The closing appointment happens either in-person or remotely.
- All documents are eSigned and eNotarized, including the eNote.
- The necessary documents are either traditionally recorded or eRecorded. If traditionally recorded, the documents are physically delivered or mailed to the county recording office for processing and recording. After recording the documents, the county physically sends the recorded documents back to the settlement company. If eRecorded, the documents are electronically sent to the county recording office and electronically recorded. After eRecording the documents, the county electronically sends the recorded documents back to the settlement company.
- The paper promissory note is physically sent to the investor or warehouse lender.

**eClosing**

- The closing appointment happens either in-person or remotely.
- All documents are eSigned and eNotarized, including the eNote.
- The necessary documents are electronically sent to the county recording office and eRecorded. After eRecording the documents, the county electronically sends the recorded documents back to the settlement company.
- The lender electronically shares the eNote with the necessary parties. If needed, the eNote is transferred between eVaults.
- Once all the documents have been completed, the documents that have been eSigned are immediately available to the settlement company and the lender for post-closing processes and funding.
- The eNote is registered with MERS® and stored in an eVault.
04
Why Digital Closings?
It’s no secret that mortgage is a slow-moving industry, where it’s far easier to stick with the status quo than to explore potentially risky new innovations. As a result, most closings continue to be done with pen and paper. There’s been some movement towards digital mortgage closings, with three key drivers creating much of the push towards digital:

**CONSUMER DEMAND**

**INCREASED LENDER COMPETITION**

**RISING LOAN PRODUCTION COSTS**

**Consumer demand**

Consumers are proactively seeking digital closings. Interestingly, this pressure isn’t just from Millennials. Gen Xers and Baby Boomers are also looking for a tech-driven homebuying process.

Across the board, homebuyers are looking for more digital and convenient options and fewer in-person and tedious requirements throughout the process. This comes not only in the initial steps of the mortgage process, but also towards the end. About 60% of borrowers who took out a home loan within the last two years preferred to review initial disclosures digitally, and about 50% wanted to review and sign their final paperwork that way. These figures grew compared to borrowers who took out a home loan three to five years ago, indicating that there’s an increasing preference for digital methods.

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**QUICK FACT**

In a 2017 survey, Baby Boomers were 3x more likely to think that technology improved the loan process when given an online portal.
Increased lender competition

It’s becoming tougher for traditional lenders to survive in the mortgage industry. Fintech lenders, who have “an end-to-end online mortgage application platform and centralized mortgage underwriting and processing augmented by automation,” are attracting more borrowers. They grew their market share by 30% from 2010 to 2016, and they now represent 8% of the total origination market.

Consumers are also actively exploring their choices, as online search has made it easier to find and compare lenders. When considering lenders, borrowers are tending to choose those who can offer digital options.

Increased competition is driving lenders to find ways to stand out, and many view digital closings as a way to do so. By offering a digital closing, lenders can differentiate themselves and deliver a great borrower experience, which can lead to better reviews and more referral business. Nearly 90% of loan officers say referrals from current customers are their most effective marketing tactic. As the closing is the final impression a lender can make on borrowers, it’s incredibly important for lenders to make the closing an easy and smooth experience.

When faced with a competitive market, many lenders also look for ways to reduce their costs. Digital closings can increase a lender’s efficiency, reducing their operating and loan production costs and putting them in a better position to run a profitable business. Lenders can even pass these savings along to borrowers in the form of lower closing costs or lower interest rates.
Rising loan production costs

Look at the trend in lending costs since 2012. Loan production costs have gone from $5,000 to nearly $9,000 per loan in 2018 — that’s an 80% increase in just six years. Independent mortgage banks and mortgage subsidiaries of chartered banks made $711 per loan in 2017. This has dropped to just $367 in 2018.

As margins diminish, lenders who aren’t generating enough profit are exiting mortgage lending altogether. Others are getting acquired by larger companies or even filing for bankruptcy.

“Lenders are rushing to technology because our margins keep shrinking every day and the only way to combat that is to be more efficient internally,” said Jan Valencia, Residential Mortgage Systems Project Manager at KS StateBank. “We’re not going to get better pricing from our correspondents. We’ve got to have the lowest rates and fees out there or we’re not going to get the deal.”

Digital closings offer a number of ways for lenders to streamline their business and operate more efficiently. For example, digital closings can reduce expensive document and signing errors, increase the number of closings a staff member can do, and eliminate manual and time-consuming tasks. By automating and digitizing as much as possible, lenders can run an incredibly efficient business, maintain their margins, and continue offering competitive rates and fees to consumers.
“Lenders are rushing to technology because our margins keep shrinking every day and the only way to combat that is to be more efficient internally.”

Jan Valencia
Residential Mortgage Systems Project Manager
at KS StateBank
05
The Benefits of Digital Closings
Digital closings promise huge benefits, including:

- Improved borrower experience
- Increased efficiency
- Lower costs
- Greater accuracy
- Increased security
- More environmentally friendly

Improved borrower experience

The mortgage closing is a stressful experience for many borrowers.

“I’ve been closing or supervising lender closings for 25 years, and the same borrower experience and pain points still exist today as they did 25 years ago,” said Jeff Henkel, VP Closing Fulfillment at Taylor Morrison Home Funding. “Borrowers arrive to settlement offices across the U.S. without being offered a choice to thoroughly preview all of their documents before showing up to their signing appointment. Most signing appointments are only booked for one hour and the borrower immediately has to dive into signing 100+ pages they’ve never seen before. While there are settlement agents that are great at thoroughly explaining every document, it still can feel fast-paced and rushed — full of unnecessary anxiety and apprehension, instead of a celebration of homeownership. The time has finally come to allow borrowers to preview their closing docs days before their [wet or eSign] signing appointments, giving them peace of mind and upfront document transparency.”
“Borrowers arrive to settlement offices across the U.S. without being offered a choice to thoroughly preview all of their documents before showing up to their signing appointment. Most signing appointments are only booked for one hour and the borrower immediately has to dive into signing 100+ pages they’ve never seen before.”

Jeff Henkel
VP Closing Fulfillment
at Taylor Morrison Home Funding
In 2014, the CFPB found that there are three major consumer pain points associated with the closing process. Consumers didn’t feel that they had enough time to review their documents, they felt overwhelmed by the paperwork, and they complained about finding errors in the documents.

Digital closings can help address all three pain points. With digital closings, borrowers have the opportunity to review documents prior to the closing. They have plenty of time to get familiar with the documents and ask questions. Borrowers may even catch errors on the documents before getting to the closing table. This gives the lender or settlement company time to fix the documents, which increases the likelihood of a successful closing.

As a result, borrowers who participate in an eClosing feel more prepared and empowered. They have a better understanding of the closing process, feel the closing process is more efficient, and feel more “in control” of their closing.

As more homebuyers initiate the mortgage process online and eSign initial disclosures, they also expect to be able to close the same way. Rather than jumping between paper and digital methods, lenders can offer a continuous digital experience to borrowers that starts at the application and finishes at the closing. This continuity increases consumer comfort, which can lead to repeat or referral business.

**QUICK FACT**

The CFPB’s 2015 eClosing pilot found that borrowers who participated in an eClosing felt:

- They better understood the closing process
- The closing was more efficient
- They were more in control of their closing experience
Increased efficiency

Digitization is leading to faster mortgage processes. The 2019 6th Annual Mortgage Service Index found that 60% of consumers reported completing the entire mortgage process in less than a month — faster than ever before. The efficiency gains that digital closings bring aren’t only experienced by borrowers, but also by lenders and settlement companies.

Here’s how digital closings are making the closing process more efficient.

**Less time spent at the closing table:** Digital closings can shorten the closing appointment to as little as 15 minutes. Rather than signing all their paperwork at the closing table, borrowers can eSign most of the documents ahead of time in a hybrid closing or eClosing. Using hybrid closings, First American Title’s Homebuilder Services Division has been able to cut the closing appointment time from 45–60 minutes down to just 20 minutes. Even simply offering borrowers the ability to preview their documents can reduce how long the closing takes. This is because borrowers will walk into the closing already familiar with the documents and with their questions answered.

**Less manual work:** Paper closings come with a lot of manual and time-consuming work, like downloading, printing, scanning, and uploading documents. Information on documents may need to be manually entered into electronic systems. If documents get lost in the mail or misplaced, there’s also the work of tracking them down. Altogether, these kinds of tasks take up a lot of valuable time. By digitizing documents and workflows, digital closings either automate or cut out much of this manual work.
**Faster funding:** Digital closings enable lenders and settlement companies to have instant access to completed documents. As a result, post-closing and funding processes can start immediately. Even in a hybrid closing, which requires the wet-signed documents to be mailed back, the majority of the loan package is eSigned and immediately accessible to lenders and settlement companies.

These individual efficiency gains add up. With digital closings, lenders and settlement companies can actually increase the number of loans closed per employee.

“We’re looking at technology to increase full-time employees' capacity,” said Valencia. “Say a closer can close 50 files in a month. If I’ve got technology that takes away extra phone calls, extra corrections, extra emails — maybe that same closer can close 75, so I can now grow my business without putting a new body in there.”

When you free up your staff’s time by reducing inefficiencies in the closing process, you can redirect them to opportunities that help grow the business. They’re also able to have more time to proactively help customers and build relationships with them.

**Lower costs**

There are many costs associated with paper closings. You have to pay for the paper, the ink, the physical storage, and any associated shipping costs — not to mention the manual labor required to manage this process.
By digitizing the closing process, lenders and settlement companies eliminate or severely reduce many of these expenses. It’s estimated that digital mortgages can save the industry $1 billion each year or an average of $1,100 per loan.

Since digital closings can increase an employee’s loan capacity, they also help reduce staffing costs. If you’re used to temporarily adding headcount to accommodate busy seasons, increasing an individual employee’s capacity can eliminate this variable cost and the time and resources that are spent training temps.

For lenders who are using a credit line, digital closings can also save them money on interest. Because digital closings enable loans to be funded quicker, lenders can sell their loans and pay back their credit line faster.

Greater accuracy

Mortgage closings are error-prone — just look at the numbers from the Q3 2018 Mortgage QC Industry Trends Report:

- The critical defect rate (the percentage of loans that are uninsurable or ineligible due to a defect) increased 11% from the previous quarter, reaching its second-highest level since TRID went into effect in October 2015.

- Critical defects attributed to documentation errors in the loan package increased 23% from the previous quarter, making it the fourth consecutive quarter to see such a sizeable change.
Digital closings can prevent document and signing errors. When borrowers are able to review their documents prior to the closing, they can catch document errors before they make it to the closing table. This gives lenders and settlement companies time to redraw the documents before the closing.

When errors are found at the closing table or in post-closing, this can result in more time at the closing, borrowers deciding not to sign, funding delays, or even another closing appointment.

With hundreds of pages in a loan package, it can be easy to miss a signature or notarization. When this happens, the documents may need to be sent back to the borrower or notary to fix.

eSigning and eNotarization technology can guide users to correctly sign, notarize, or fill in any applicable areas of the document. The documents can only be completed when all necessary fields are filled in. All closing participants can trust that the closing has been accurately and correctly completed, and quality control becomes less necessary.

Increased security

It’s much more difficult to misplace a digital document than its printed counterpart. There are almost endless possibilities when it comes to paper documents. They can find their way into kids’ backpacks, the shipping company could lose the package, or they could even be stolen from your mailbox or front doorstep.
With paper documents, it’s also nearly impossible to know who has accessed them. This makes it difficult to protect nonpublic personal information (NPPI), like social security numbers, addresses, and financial information.

Digital closings offer a number of security benefits, including a digital audit trail and tamper-evident technology. Audit trails track users’ actions, so you know who has viewed or signed which documents and when. Tamper-evident technology ensures the integrity of digital documents, providing proof if someone alters the document.

Plus, you can put restrictions on digital documents to limit access to NPPI. Each individual can access only the documents they need — nothing more, nothing less.

For example, when borrowers eSign the majority of the documents on their own, this reduces the amount of documents that needs to be shared with the notary. Notaries only see the documents that need to be notarized, instead of the whole package.

By reducing the number of people who have access to sensitive documents and information, this decreases a lender and settlement company’s risk.

More environmentally friendly

Hybrid closings and eClosings are a much more environmentally friendly approach to the closing process. It’s estimated that wet closings consume 960,000,000 pieces of paper every year. Switching to eClosings could save 1,200 acres of trees each year.
Being environmentally friendly can help lenders attract more customers, particularly younger generations. Millennials and Gen Z are conscious about their environmental impact on the planet. They’re even willing to **pay more for sustainable offerings**. Companies who share this same eco-conscious commitment have the opportunity to gain customers and build brand loyalty.
06
The Challenges to Digital Closing Adoption
While the benefits of digital closings are undeniable, there’s a few reasons why digital closings still haven’t been adopted industry-wide. These are the three main obstacles that make digital closings difficult to adopt:

**FRAGMENTATION**

The mortgage industry is highly fragmented and complex. Mortgage closings, in particular, involve multiple stakeholders: lenders, settlement, investors, borrowers, signing agents, counties, and states. Each stakeholder has different regulations, requirements, preferences, and technical capabilities.

Due to this fragmentation, adoption and acceptance of digital closings has been very gradual and will continue in this way.

For example, not all states allow eNotarization, and even fewer support remote online notarization. While the vast majority of counties in the U.S. allow eRecording, not all of them do. Also, not all investors will buy loans that were eSigned or eNotarized. This mismatched adoption rate prevents the industry from transitioning to eClosings completely.

It’s impossible for one party to choose and control all the other parties who they’ll work with on a closing, so you can’t only work with those who have adopted eClosings.

**QUICK FACT**

As of 2017, nearly 80% of the American population lives in a county that allows eRecording.
As a result, lenders and settlement companies need to account for all stakeholders and scenarios.

Not only does digital closing technology need to be adopted by multiple parties, but it also needs to be compatible with other software. This is extremely difficult when there’s hundreds of different technology systems being used by all stakeholders.

Lenders need to find a solution that’s compatible with their loan origination system and document preparation provider in order to automatically pull in loan information and documents. Similarly, settlement companies need a solution that works with their title production software.

In some cases, integrations might exist. However, the integration may not be as seamless as it should be. Integrations may still require development resources to set up, or they may break often and need constant maintenance. If there isn’t already an integration, one will need to be built, which requires a lot of technical resources and time.

**How to solve this challenge**

The best way to manage this fragmentation of stakeholders and technology is to find a digital closing solution that can bring together all parties, support all requirements and preferences, and connect to all crucial systems that are being used.

This isn’t easy though. All closing participants would need to adopt this digital closing technology. Lenders and settlement companies would need to be able to easily process all types of closings: wet, hybrid, and eClosings. The technology would also need to be agnostic to other systems.
More work

While moving to digital closings, in theory, reduces the amount of work involved, many lenders and settlement companies actually find that digital closings require more work than a traditional paper closing. Most digital closing solutions don’t automatically tag documents with eSignature fields. For hybrid closings, the loan documents also need to be separated into wet-sign and eSign packages.

If this isn’t automatically done with technology, either the lender or settlement company needs to do so. However, neither party wants to take on this additional work. Because digital closings typically require more effort, it’s far easier to continue doing paper closings.

Most digital closing providers that offer automatic document sorting and tagging rely on templates that need to be manually created and maintained, or they may require lenders to switch to a document preparation provider whose documents are compatible with them. Neither are ideal solutions.

Because there’s fragmented adoption throughout the industry, lenders also have to figure out whether each loan is eligible to be completed as a hybrid or eClosing, based on the investor, settlement company, signing agent, state, and county involved. The mental energy required to keep this information straight and manage different combinations of acceptance makes digital closings not worth it for many.

How to solve this challenge

When considering digital closing technology, lenders and settlement companies should look for technology that doesn’t introduce additional work.
Instead of adding steps to the closing process and introducing more complexities, digital closing technology should automate manual work and simplify workflows.

Templates that automatically tag documents with eSignature fields are a start. However, they still require someone to set them up. They also need to be updated as documents change. Instead of using a semi-automated solution like templates, lenders and settlement companies should look for a solution that completely automates the process of sorting and tagging documents for eSigning.

By using various data points, digital closing technology should also intelligently route each loan to its most digital path. This reduces the cognitive load of having to determine what combination of digital components can be used for the closing and whether it’s a wet, hybrid, or eClosing.

**Idealistic implementation**

Many who are trying to implement digital closings are attempting to jump straight to the last page in the book, going from 100% paper closings to 100% eClosings. This isn’t scalable though, since the industry isn’t at a point where all stakeholders in the closing process accept eClosings.

Commonly, lenders and settlement companies who attempt to transition to eClosings in one big step end up only doing a few eClosings. They continue doing the vast majority of their loan volume as wet closings. This provides no value if you’re a lender or settlement company doing hundreds or thousands of closings each year.
By doing just a handful of eClosings, you don’t see the massive efficiency gains that eClosings can bring. Some borrowers may get an eClosing, but the customers who they refer may not be able to have the same experience. The benefits of digital closings are only realized when doing them at scale.

As a result, lenders who implement eClosings aren’t seeing immediate value from their investment. With high implementation expenses, lenders’ loan production costs are actually increasing, instead of decreasing. “That’s why it’s more expensive. Because people are paying for and implementing technology that’s not actually providing value at the gates,” said Aaron King, Founder and CEO of Snapdocs.

**How to solve this challenge**

Instead of jumping to eClosings right off the bat, lenders and settlement companies should focus on digitizing their wet closings and implementing hybrid closings first. This is where they can see the most immediate value, since there are no blockers to digitizing wet closings and few blockers for hybrid closings. Hybrid closings can be done at scale today. In fact, lenders like Evergreen Home Loans are doing thousands of hybrid closings in 2019.

It’s also crucial for lenders and settlement companies to carefully analyze and understand digital closing technology and pick a vendor that truly solves their problems. By selecting technology that goes beyond eClosing features and actually solves your pain points, you can ensure that the technology you implement delivers value quickly.
07
Misconceptions About Digital Closings
Since digital closings are still a novelty, there’s a lot of inaccurate information and hesitations about them. These are the most common ones heard throughout the mortgage industry.

**JUMP TO A MISCONCEPTION**

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My state doesn’t allow hybrid closings or eClosings

Lenders and settlement companies sometimes mistakenly believe that the state they’re operating in doesn’t allow hybrid or eClosings for a number of reasons. This is often because they’re confusing eNotarization with eClosings, or they’re confusing eNotarization with eNotes. There’s also some confusion on how being in a dry or wet funding state impacts digital closings.

When it comes to state acceptance of digital closings, lenders and settlement companies should be looking at the individual components that are needed for a hybrid or eClosing.

eSigning is recognized and considered valid by all 50 states in the U.S., due to the Uniform Electronic Transactions Act (UETA) and Electronic Signatures in Global and National Commerce Act (ESIGN). This means that there are no state issues with eSigning closing documents, including the eNote. Hybrid closings with and without the eNote can be conducted throughout the country.

On the other hand, eNotarization is not accepted in all states. Remember, there are two forms of eNotarization: IPEN and RON. Most states accept IPEN, although it’s often further restricted to counties that accept eRecording. Even fewer states accept RON; however, the number is growing.

To achieve the full eClosing, eRecording is also needed. eRecording acceptance varies by county, instead of by state.
Whether a state is a dry funding or wet funding state, it doesn’t impact whether the state accepts digital closings. This is because dry funding and wet funding refer to when all the loan documents need to be completed, but doesn’t specify how the documents should be signed.

To sum it up, you don’t need to look to state regulations when adopting hybrid closings. This is why hybrid closings can be done at larger volumes today. For eClosings though, you do need to take into account what each state allows.

As a lender, my investors don’t accept digitally closed loans

Lenders often believe their investors don’t accept eSigned or eNotarized loans. While every investor has their own requirements, there are actually many investors who are buying digitally closed loans of varying degrees today.

For lenders who want to adopt digital closings, it’s crucial for them to work with their investors to understand what they do and don’t accept. Many investors, including all of the government-sponsored enterprises (GSEs), accept eSigned documents. There are some that accept eNotes and a select few who accept eNotarized documents.

Because most investors accept eSigned documents, lenders can do large volumes of hybrid closings. When possible, they can even incorporate an eNote. Most lenders shouldn’t have major issues selling hybrid loans in the secondary market. However, eClosings are a different story.
eClosings incorporate eNotarization, and eNotarized documents are the biggest blocker to selling eClosed loans in the secondary market. This is expected to change over time though. Similar to how investors have slowly been accepting eNotes, more investors should also accept eNotarized documents as eClosings gain more acceptance.

As a lender, I need to have an eVault in order to do digital closings

Setting up an eVault is quite an undertaking, but not necessary for digital closings. In a hybrid or eClosing, eSigned documents can be stored securely in an eVault, but don’t need to be. The only document that does need to be stored in an eVault is the eNote. As a result, lenders only need an eVault when they’re doing hybrid closings that include an eNote or eClosings.

Even if a lender wants to do eNotes, they don’t need to have their own eVault. “Lenders can originate and service eNotes as long as they have access to an eVault, and that can be through a third-party who provides an eVault. In fact, there are some lenders who are able to use that model to originate and service eNotes. So, you don’t have to have an eVault of your own,” explained Rajasekhar Penugonda, eMortgage Program Lead at Freddie Mac.
I’m already doing digital closings, since borrowers are eSigning initial disclosures

Providing borrowers with the ability to eSign initial disclosures is a great first step towards digitizing the mortgage closing, but it doesn’t end there. Initial disclosures are an important but small part of the entire mortgage closing. There’s still the entire closing package that needs to be signed, which includes title documents.

When borrowers eSign their initial disclosures, a natural next step for them is to eSign their closing package. Digitizing only part of the mortgage closing creates a confusing and disjointed borrower experience. Borrowers may wonder why they’re not able to eSign the closing package when they could eSign initial disclosures. The closing package can contain hundreds of pages, so eSigning the closing package is where the most benefits can be seen.

I have to use a Fannie Mae or Freddie Mac-approved technology vendor for digital closings

Both Fannie Mae and Freddie Mac have a list of technology vendors who support eClosings. These lists are useful places to start when you’re looking for digital closing technology, as the vendor may have gone through a basic security and technical review in order to be added to the list. However, they aren’t the only places to go when gathering information, since these lists aren’t necessarily comprehensive.

By talking to peers, reading industry news, and attending industry events, you can discover digital closing technology that may be missing from Fannie Mae and Freddie Mac’s lists.
What’s most important is that the digital closing solution you choose meets your own internal security, compliance, and technical reviews and helps you achieve your goals. If you’re a lender who sells loans to Fannie Mae or Freddie Mac, it’s also important to make sure that you can continue doing so when transitioning to digital closings.

**Digital closings are only worth it if I’m doing eClosings**

“[T]his is a misconception a lot of lenders have. They think that the eClosing has to be all or nothing,” said Penugonda. If you’re focused just on eClosings, you’re missing out on the immense value you can get from digitizing all wet closings and doing large volumes of hybrid closings.

Digitizing a wet closing often means that borrowers can now preview their documents before getting to the closing table. Instead of seeing their loan documents for the first time at the closing, borrowers can now take their time reviewing the documents and asking questions beforehand. Although they’ll still need to wet-sign the entire closing package, they’ll feel much more comfortable signing.

With hybrid closings, lenders, settlement, and borrowers benefit even more. “I see huge value in the hybrid because most likely, you’re only having the note and the mortgage wet-signed. So, the chances of those documents being missed or incorrectly signed dramatically decreases,” explained Kristin Miller, VP Operations at States Title.

There’s fewer pages that the borrower needs to wet-sign, making it “much more digestible for the borrower.” Miller added, “hybrid closings would be of huge value to the consumer and their experience, but also to our process, getting funding authorization, and funding on time.”
“Hybrid closings would be of huge value to the consumer and their experience, but also to our process, getting funding authorization, and funding on time.”

Kristin Miller
VP Operations at States Title
Given that eNotarization adoption is not as widespread yet, Penugonda believes that a successful implementation of digital closings today involves processing all your closing documents through a digital closing solution, except for the notarized documents.

“If you’re able to do that, that’ll give you the biggest bang for your buck. If you’re able to extend that to include the notarized documents as well, that’s even better,” he said. However, he specifically pointed out that you don’t have to hold off on digital closings until eNotarization is more widely supported. “You can achieve efficiencies with digital closings without waiting for those [eNotarized] documents.”

Digital closings require more work

The additional work that digital closings typically come with is one of the biggest challenges to digital closing adoption. Most notably, hybrid closings require someone to separate the eSign documents from the wet-sign documents. eClosings and hybrid closings require someone to annotate or tag the documents with fields for eSignatures, dates, initials, and other information that needs to be filled in.

This work is typically done manually. Some digital closing solutions have developed either semi-automated or fully automated ways to do this work though.

Some solutions use templates, which require initial set-up. Someone needs to set up the templates, dragging and dropping each eSignature field onto the document so that future documents can automatically have those fields applied to them.
Other template-based solutions require someone to provide coordinates of where the eSignature fields should be placed on the document. In general, the set-up process for template-based solutions is time-intensive, and templates require updates as documents change.

Instead of developing semi-automated solutions, the best digital closing technology can intelligently and automatically sort documents into wet-sign and eSign packages, as well as tag them for eSignatures. This is typically done by leveraging AI, which can detect where eSignature fields need to be placed and add them automatically. This is more efficient than templates. As a result, lenders and settlement companies don’t have to take on additional work in order to offer a hybrid or eClosing.

**Digital closings create an impersonal closing process**

With more automation and fewer human touchpoints, many fear that the closing process will become impersonal. However, besides speed, convenience, and security, borrowers still want **personal interaction**. This is true for Millennials, Gen Xers, and Baby Boomers.

To be most successful, it’s important to find a balance between online and in-person interactions and capitalize on the areas in the mortgage process where consumers really want personal touches.

By automating time-consuming tasks, digital closings actually free up loan officers and settlement agents so they have more time to dedicate to managing customer relationships, answering questions and educating customers, and providing great service that can lead to repeat or referral business.
Digital closings also provide loan officers and settlement agents with increased transparency, so they know where the borrower is in the closing process. This can help them deliver proactive customer service. For example, if they see that the borrower hasn’t previewed their loan documents one or two days after being notified to do so, the loan officer or settlement agent can reach out to see if the borrower is having any problems.

Digital closings are less secure

Both digital and paper closings aren’t 100% tamper-proof. Digital information is susceptible to data breaches, while paper can get easily lost or copied. However, there are many more sophisticated ways of protecting digital information.

There are a variety of digital authentication methods, including single sign-on (SSO), multi-factor authentication, and biometrics, which ensure that only appropriate users can access the information that’s intended for them.

Here are other ways digital closings mitigate risk:

- Instead of sending documents over email, documents can be securely transferred through an encrypted platform
- Access to private and sensitive information can be restricted to certain users
- Users are held accountable for their actions through audit trails
Digital closing technology will automate away my job

As more sophisticated technology is developed and the industry looks to automate as much as possible, some may naturally be concerned about their job security. If digital closing technology can do things like automatically prepare documents for eSigning, guide the borrower through eSigning their documents, and catch errors, what work will be left for humans?

Miller assured, “No, we’re not eliminating jobs so that the bot or machine learning can replace you. We’re implementing technology solutions so that the process is more streamlined and so that you can focus on applying your expertise where it’s needed. We’re going to eliminate all of the data entry and mindless work that you’re doing, and we’re going to have you focus on the work that requires a higher level of title or escrow knowledge that a bot or machine learning is just never going to have.”

Digital closing technology can automate manual and repetitive tasks, creating more time to solve challenging problems, build relationships with borrowers, and handle jobs that require more knowledge and expertise.

Lenders and settlement companies can shift around their resources to devote more staff to revenue-generating roles. Evergreen Home Loans was able to do this, moving five employees to growth opportunities, after implementing digital closing technology.
The majority of closings will be fully digital in the next few years

Experts have been saying this exact statement for years (some predicted it for 2019) and it’s yet to come true. While the industry has made progress with adopting eClosings in the last few years, it’s been much slower than many expected, and the majority of closings today are still completed as wet closings. It’s unlikely that everyone will embrace eClosings in the next few years, as the previously mentioned hurdles to industry-wide adoption still need to be overcome.

Lenders and settlement companies need to be flexible as the industry slowly goes through this transition period. Digital closing adoption isn’t like a light switch — you can’t just turn it on and go from zero to 100. Instead, you need to account for a gradual transition where wet closings will still occur and some closings are done as hybrids or eClosings. Over time, the number of hybrid and eClosings will increase as more stakeholders learn about and accept them. Only then will eClosings become the standard.
How to Get Started With Digital Closings
Due to archaic internal and external processes built on years of performing closings a certain way, the transition to digital closings won’t happen overnight. It’s important to take the time and steps needed to ensure the outcome isn’t simply more digital features that don’t get used or create more complexity. Instead, digital closings should be making the closing significantly better for everyone.

What do you want to accomplish?

The first step toward digital closings begins with a conversation to identify what you want to accomplish. Whether the decision to pursue digital closings comes from the CEO or is a collective choice, every company has its own unique needs and characteristics that it has to account for when adopting digital closings.

When KS StateBank decided to look into digital closings, Valencia said, “We wanted to wait, but we didn’t want to be behind the curve. We decided to start looking at digital closing technology, but we wanted one that fit our vision.”

KS StateBank isn’t the only lender that saw the opportunity to outpace their competition. Evergreen Home Loans echoed similar sentiments, saying they witnessed an increasing industry appetite for digital closings. The vast majority of Evergreen Home Loans’ business consists of purchases and working with more than 1,000 settlement agents, who each have different processes and levels of technical sophistication.
“We want one flow, one process. Everybody’s always working in the same environment, whether it’s a hybrid or a full wet-sign closing package.”

Tamra Rieger
COO at Evergreen Home Loans
Tamra Rieger, COO at Evergreen Home Loans, explained that they decided to move forward with eClosings for two main reasons. First, she said, “Customers were coming to expect the convenience of eSigning since they were already using the technology in other financial transactions. In addition, they were already eSigning our initial disclosures.” Second, she said that it was something that made sense after implementing their LOS. “We had a paperless file all the way through the process. Then, you would get to the end at closing, and you were handling closing documents in paper,” she said.

Choosing to make the switch, Evergreen Home Loans wanted to use digital closing technology to have one flow and one process for any type of closing, whether it’s a hybrid or a full wet-sign closing package. They also wanted the efficiency benefits that come with everyone, including their settlement partners, working out of the same environment.

When CU Home Mortgage Solutions (CUHMS) decided to make the switch to digital closings, L. Rovena Schneider, Processing Supervisor at CU Home Mortgage Solutions, said that one of the biggest things they were looking for was a secure and transparent experience for the borrower throughout the closing. This is because the closing is where borrowers can typically get lost. Their biggest motivators to transform their process were speed, accuracy, and ease of use, which in turn would make the experience more enjoyable for borrowers.

You need to figure out what value digital closings bring to your own business. List out the unique challenges and problems you want to solve for with digital closings. Whether you’re trying to improve the borrower experience or increase internal efficiencies, deciding what you want to accomplish with digital closings will help you approach finding the right technology provider and adopting digital closings.
Finding digital closing technology

Between the industry’s busy conference circuit and industry publications, there are a lot of avenues to find readily available information on digital closing technology. When you’re at conferences or industry events, talk to peers and walk the exhibit hall to get an initial understanding of the options that are out there. Ask other attendees whether they’re doing digital closings and what their experience is with digital closing solutions.

Establishing a timeline

Implementing digital closing technology generally takes a few months, at the minimum. If you factor in the time it takes to research solutions, gather internal feedback, reach a consensus with stakeholders, and conduct security checks, the entire process can take a year or more.

Fast-moving companies with a dedicated team focused on adopting digital closings can move quickly. For many companies though, exploring digital closings may just be someone’s side project.

As each company is different, it’s important to align your expectations for adopting digital closings with the resources available at your company and how digital closings are being prioritized within your business. Keep in mind that timelines can also get delayed due to a variety of factors.

For CUHMS, they’ve been working on building out their digital mortgage process for the past two years. They started with improving the borrower experience at the point of application. The next big step for them was the closing, which took approximately nine months to launch.
While Schneider said that it could be possible to get it done in six months if there’s a larger staff dedicated to the process, she believes lenders need to take the time to do a deep dive into each vendor. They should evaluate each vendor individually to determine who can provide the best value and service.

“Don’t let all the bells and whistles throw you. Do your homework, and know what you are expecting to gain from the process prior to starting the demo process. Put in the effort to get demos of each digital closing product, prior to making a decision,” she said.

When CUHMS went through the process, they picked a team of individuals to investigate the different options available for eClosings and e Vaults. They initially identified the critical efficiencies and borrower benefits they hoped to obtain. Then, they selected their top five vendor options and scheduled demos of each product. From there, they narrowed the selection down even further, asking their top three favorites for a true representation of the product they would be buying.

It’s important to properly prepare for the time and investment it will take to find the right match. Whether it takes six months or a year and a half, dedicate the right team and resources to the process, and make sure everyone understands the scope of work and detail that needs to go into the search.
Evaluating and Selecting Technology
As an early adopter of digital closings, Rieger said there were only a handful of vendors when Evergreen Home Loans started considering digital closings. This is no longer the case.

With the increasing interest in digital closing technology, the number of vendors stepping up to meet this interest has grown rapidly. Having more choices can make it more difficult to choose the best solution for your company though.

“You really have to know how to pare it down. You can get the most value by figuring out who you’re going to talk to and who you shouldn’t talk to. Today, it’s more overwhelming to select because there are so many [digital closing solutions],” said Rieger.

By going into the evaluation and selection process with clear goals, a basic understanding of different types of digital closing technology, and a strategy for whittling down the choices, you can set yourself up for success.
# JUMP TO A TOPIC

## Types of digital closing technology

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## Gathering feedback from external partners

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## Questions to ask vendors

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## Vendor vs. partner
Types of digital closing technology

To grasp what type of digital closing technology you need, you first have to understand the types of digital closing solutions that are out there, along with their benefits. There tends to be confusion around what classifies as digital closing technology, since it’s easy to think anything digital used for the closing is considered digital closing technology.

Below, we’ve broken down the main types of solutions that are mistakenly thought of as digital closing technology and the three categories that digital closing technology typically falls under. You can use this as a reference for easily figuring out whether a solution you’re considering will help you reach your goals.

Technology that is often confused with digital closing solutions

There are two types of technology that are often mistaken as digital closing solutions: eSigning technology and closing collaboration rooms. Both address only a portion of the entire closing process. By themselves, eSigning technology and collaboration rooms won’t provide a digital closing.

**eSigning technology**

While eSigning is a key component in hybrids and eClosings, eSigning technology by itself doesn’t equal a digital closing or mean that the vendor can execute a digital closing. eSigning is just one component that’s needed for an eClosing.

Companies often make the mistake of thinking that if they have eSigning technology, they have digital closing technology.
In most cases, they are only using **eSigning for initial disclosures.** They haven’t leveraged eSigning for the final closing package and are missing other digital tools for the closing process.

When researching technology options, look at eSigning technology as only part of the entire digital closing equation.

**Closing collaboration rooms**

Serving as a central workspace for parties involved in the closing, collaboration rooms create a secure place for lenders and settlement companies to transfer and manage documents and data. Document management and sharing is just one part of a mortgage closing though.

These digital rooms are also often built for just lenders and settlement companies — not borrowers. There may be tools like chat functionality, audit trails, and secure document exchange, but these tools are geared toward streamlining and bringing transparency to the closing for lenders and settlement. Closing collaboration rooms leave out features that are necessary for borrowers to have a digital closing experience, like document preview and eSigning.

**Three main categories of digital closing technology**

As the number of digital closing offerings increases, it can be difficult to understand the differences between them. Based on their characteristics, most of them can be placed under one or more of the following three categories: secondary focus products, add-on closing tools, and comprehensive digital closing solutions. When exploring digital closings, you can use these categories as a helpful framework for thinking about digital closing technology.
### Secondary Focus Products

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<td>Offer robust features for lenders, settlement, and borrowers</td>
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**Secondary focus products**

With the increased interest in digital closings, companies that specialize in other parts of the mortgage process are beginning to build digital closing technology as a way to capture more business. Because these companies have been focused on serving other parts of the mortgage process, like origination or document generation, they may not be an expert in the closing. Digital closings are a secondary focus for them.

Although the closing might not be their strong suit, they could better integrate with a lender or settlement company’s existing systems if they already partner with them. This could result in easier integrations and fewer data transfer issues.
If you aren’t already using the vendor for its primary purpose, there’s a risk that you’ll need to switch. For example, if the digital closing technology a lender has chosen doesn’t work with their document provider, they will need to either choose another digital closing solution or switch to another document provider. This can be costly and time-consuming.

**Add-on closing tools**

Add-on closing tools can act as a quick fix to get your company on board with digital closings. These tools do one or more components of digital closings really well, like eNote or RON. However, because they typically specialize in a certain part of digital closings, you’ll need to put together multiple tools in order to offer eClosings.

You can add these tools to your current process, but they often create more work and steps for your team. By cobbling together multiple tools, you end up having to juggle different workflows and technologies.

**Comprehensive digital closing solutions**

Since eClosings haven’t been adopted by all stakeholders, lenders and settlement companies have to be able to manage all three types of closings: wet, hybrid, and eClosings. Comprehensive digital closing solutions not only support all types of closings, but they also connect all closing participants, offer robust tools for all parties, and even digitize the processes around closings.
Lenders, settlement, and borrowers all benefit when using a comprehensive digital closing solution. Lenders and settlement are able to improve internal efficiencies, while providing an exceptional borrower experience.

Gathering internal input

Digital closing technology has a lot of touch points within a company, and it should positively impact each role. To ensure the success of digital closings within your company, it’s crucial to get input from all levels of the company.

The importance of getting feedback from end-users

When KS StateBank first started looking at eClosing capabilities, Valencia said she had to make a spreadsheet with all the different capabilities since it was all so overwhelming. To help narrow down all the options, she created a user group that was made up of the company’s closers and post closers. They determined the capabilities that were most important to them and would make the most impact on the company’s closing process.

“The internal consideration was really where I first started looking and trying to decipher who had the efficiencies that we were looking for,” said Valencia. What was important to KS StateBank’s closers was if the vendor would move them into the full eClosing as it gets more widely adopted in the industry. On the other hand, the post closers cared about how quickly they could get the completed loan documents so they could sell the loan in the secondary market.
Many digital initiatives come from the top of a company, like the president or a C-level executive. While the people who steer the direction of a company need to recognize the importance of digital closings, it’s the end-users of the technology who feel the most impact and will have to adopt the new technology. It’s important to take these individual contributors and managers into consideration, as they can help you identify the biggest areas for improvement and provide clarity on what to prioritize.

**Distinguishing between short-term vs. long-term needs**

Even though it was important to KS StateBank that the current functionality of their future digital closing platform would work with the direction they were headed, they also wanted a partner that was forward-thinking and had a product roadmap. Recognizing that most companies wouldn’t have everything they wanted, KS StateBank decided to break up their evaluation process into short-term needs and long-term needs.

As more stakeholders adopt and embrace technology for the closing, it’s important for companies like KS StateBank to know that their vendor will still be able to keep up and provide the best tools as these changes happen.

In the short term, Valencia said they really looked at features that they could use on any loan and any geographic location. For the long term, their goal was to have full eClosing capabilities, such as eNotarization, eRecording, and eVault.

KS StateBank’s goals for the long and short term can serve as a good jumping-off point for your company’s unique needs.
Determining must-haves vs. nice-to-haves

With the internal feedback you’ve gathered, you’ll probably end up with a decent wish list of what your company wants from digital closing technology. Your short-term and long-term needs can help you narrow down this list. You can also prioritize items on your wish list by figuring out which capabilities are needed to support your goals versus which ones simply sound appealing.

“You’ll get a little bit of information from everyone. We probably talked to seven vendors. They are all really good, but they are all just a little different. You have to know what is important to you when you’re talking to them. You need to know where your priorities are,” said Rieger.

Without distinguishing between must-haves and nice-to-haves, you risk never being able to find the right solution.
**Must-haves**

+ **Works with your core systems, like the LOS, document provider, and title production software.**

  Digital closing technology shouldn’t slow down or disrupt your processes. Look for technology that can automatically intake loan information and documents, so you don’t have to manually transfer information and files between systems. Digital closing technology has to work with a lender’s LOS and document provider and with a settlement company’s title production software. Otherwise, you’ll create more work, decreasing your chances of successfully adopting digital closings.

  “Having it [digital closing technology] be compatible with our LOS and having it be able to use our current doc service provider was a must-have. We didn’t want any disruption in some of our workflow.”

  **Jan Valencia,** Residential Mortgage Systems Project Manager at KS StateBank

+ **Modern and simple digital closing features for borrowers.**

  One of the biggest benefits of digital closings is an improved borrower experience. Ensure that the digital closing technology you choose goes a level beyond closing collaboration rooms and actually makes the closing more efficient, transparent, and convenient for borrowers. Look for features, like document preview, eSigning, and messaging, that are easy to use and thoughtfully built to ensure adoption by borrowers.
“The fact that the borrower can preview documents was huge for us. We wanted the borrower to benefit from the ease of use and seeing what documents they will sign prior to their appointment time.”

L. Rovena Schneider, Processing Supervisor at CU Home Mortgage Solutions

**Easy to use for key stakeholders.**

To avoid adoption challenges, make sure the technology is user-friendly and intuitive for every person involved in the process, including lenders, settlement, and borrowers. If intensive training is needed for the digital closing technology, keep in mind that internal and external adoption of it may be slow and require a lot of dedicated effort.

**Automatic tagging of documents for eSignatures.**

Digital closings can create more work for lenders and settlement when it comes to preparing the loan documents for eSigning. To avoid manually adding eSignature fields to documents, look for digital closing technology that can automatically do this. This makes it easier for you to offer hybrid closings and eClosings. AI technology has the power to completely automate this process, sorting documents into wet-sign and eSign packages and tagging documents with eSignature fields. While AI is the ideal method, template-based technology is an alternative that offers some automation capabilities. Templates require some manual work, as someone needs to set them up and maintain them as documents change.
“We’ve been able to look at a bunch of different ones [digital closing solutions] and learn what we like and we don’t like. As a settlement agent, the solution has to have good AI that can intelligently take in documents and assign the signature fields where they need to be. That saves a ton of time for us.”

Nathan Bossers, COO at Boston National Title

**Secure login and authentication.**

It’s important that the digital closing technology you choose meets your company’s security standards. This should, at a minimum, include a way to authenticate users. With so much NPPI involved in a closing, all parties play an important role in keeping sensitive information secure. Also, borrowers should feel confident about their information being safe.

**Audit trails to track changes and users’ actions.**

With paper closings, you have no idea who has viewed the documents or made copies of them. This is one area where digital closings offer more security than paper closings. Audit trails are essentially records of activity. They can be used to see who has accessed a file, what changes were made and by whom, and when an action was taken.
Strategic and achievable adoption plan.
Your digital closing partner should have a concrete plan for how you’ll reach full adoption of their technology. This needs to not only include how to roll out the technology internally, but also how to onboard external users. Since there are so many participants in a closing, success requires everyone who is involved to adopt the technology.

Defined and attainable plan for doing digital closings at scale.
Technology is only one part of the equation in being successful with digital closings. You also need a plan for how you’ll digitize 99% of your closings. After spending a lot of time and money on digital closings, you won’t see ROI if you’re only doing a few digital closings each month or in a year. Although eClosings haven’t been accepted industry-wide yet, lenders and settlement companies can digitize wet closings and even do large amounts of hybrid closings today. Your digital closing partner should be invested in your success, working with you to achieve digital closings at scale.

Nice-to-haves
Existing adoption among lenders and settlement.
A common challenge that lenders face is rolling out digital closings to their settlement partners. Settlement companies face the same challenge with their lender partners. The adoption process is much easier for both if they know their current partners already use the digital closing solution they’ve chosen.
Little to no development work or technical resources needed. If the digital closing solution you’ve chosen requires development work or technical resources for implementation, this can slow down your progress. Integrations take time to build and can often break down, requiring maintenance over time. Finding a plug-and-play solution that doesn’t require much technical work to implement is preferable.

Chat or messaging functionality. Digital closing solutions that provide a way for all closing participants to communicate with each other can reduce emails and phone calls. Additionally, by having one place where you can see all closing information and send messages, there’s less switching between different communication channels.

“We really wanted to have a platform that was easy to communicate with all parties in the same place. We really felt like it would increase our closers’ capacity and was a big motivator for internal efficiencies.”

Jan Valencia, Residential Mortgage Systems Project Manager at KS StateBank

Automatic document sorting for hybrid closings. Since hybrid closings involve some wet-sign and some eSign documents, the closing package needs to be divided up based on the lender or investor’s preferences. Instead of doing this manually, you may want to find a digital closing solution that can automate this, saving you much-needed time.
+ **eNote and eVault.**

Many view eNotes and eVault software as must-haves for digital closings. However, they’re only needed for eClosings and hybrid closings that include eNote. You can do large volumes of digital closings without them by focusing on digitizing wet closings and doing hybrid closings without eNote first. Even without eNotes, lenders can experience tremendous efficiency gains. Also, while acceptance is growing, eNotes aren’t accepted by all investors and warehouse lenders yet.

“At first, I was looking for someone who had everything – eClosing platform, the eVault, the eNote. I’ll be honest. It became overwhelming. We changed to a two-phase process. We focused on an eClose platform first and then would add a full eMortgage later with an eNote.”

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+ **eNotarization capabilities.**

Acceptance of eNotarization, which includes IPEN and RON, varies greatly by state, county, and investors. If you choose to implement eNotarization, you may find that you can only use it for a few loans. As a result, eNotarization is something to consider when selecting digital closing technology, but is not needed in order to get value from digital closings today. However, if the digital closing provider doesn’t currently offer eNotarization, you should check to see if they plan to offer it in the future as acceptance grows.
“We wanted a company with hybrid capabilities that was doing digital closings, but also looking to the future to incorporate eNote and eVault. We also look for vendors who are aligned with our values when it comes to technology; they are forward-thinking, agile, and open to our feedback on how to improve the process.”

L. Rovena Schneider, Processing Supervisor at CU Home Mortgage Solutions

**Single sign-on (SSO).**

The mortgage process is already complex for borrowers. When borrowers have to sign into and manage multiple accounts, this can create additional confusion and hassle. Single sign-on gives users one login that they can use to access different systems, like their online mortgage application and closing. Lenders don’t need to offer single sign-on in order to achieve a digital closing. Instead, it’s a great bonus when lenders can give borrowers one seamless experience for the entire mortgage process.
Must-haves and nice-to-haves in a digital closing solution

It can be easy to come up with a long wishlist of what you’d like to have in a digital closing solution. However, lenders and settlement companies need to be able to reduce this list and distinguish between what’s absolutely necessary and what’s simply nice to have. Otherwise, they risk never being able to find the right digital closing technology for their business.

Use this checklist of digital closing must-haves and nice-to-haves as a guide when evaluating vendors. If your company has decided on additional must-haves or nice-to-haves, you can add them in to the blank spaces.

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FILL IN ANY ADDITIONAL MUST-HAVES IN THE BLANK SPACES BELOW

FILL IN ANY ADDITIONAL NICE-TO-HAVES IN THE BLANK SPACES BELOW
Gathering feedback from external partners

Collaboration between lenders and settlement is one of the most important aspects in a successful transition to digital closings. While settlement is the one who conducts the closing, both lenders and settlement are heavily involved.

Whether you’re a lender or a settlement company, the digital closing technology you choose will need to also be adopted by the other party. Getting input from all of the lenders or settlement companies whom you work with can get messy and be difficult to manage.

Instead, select just a few of your partners to get feedback from. These partners can be the lenders or settlement companies whom you’re closest with or whom you do the most business with.

When lenders drive adoption

When looking at digital closing technology, lenders should leverage the knowledge and experience that settlement companies have. Settlement agents can provide insight into the biggest pain points and areas for improvement in the closing. By getting input from their settlement partners and by selecting a solution that brings value to settlement, lenders can also ease the adoption process.

When KS StateBank was choosing a vendor, Valencia said they talked to the five preferred settlement agents whom they work with and asked for their opinion.
Based on his experience working with lenders to roll out digital closings, Nathan Bossers, COO at Boston National Title, shared, “I’d like to be involved as early as possible, before the decisions are made on the [digital closing] platform. That’s when I’m a settlement agent who’s doing significant volume with a lender. If a lender is using me for two percent of their closings, I don’t expect them to involve me in the conversation.”

When lenders involve their settlement partners as early as possible in the process, Bossers said that this allows him to “give them [lenders] some input on what’s been working and what has not been working for other lenders.”

Even if lenders don’t plan on involving their settlement partners in the evaluation and selection of the digital closing technology, giving settlement a heads up can help ensure that their partners have enough time and resources for a successful rollout. For example, Bossers described that when Boston National Title is involved late in the process, “They’re [lenders] going to do this [digital closings] next month, but now I’ve got to go out and train 8,700 notaries all across the country on how to do this.”

Angie Ashton, Escrow Officer LPO at Chicago Title Insurance Company, said she runs into multiple systems that are either very complicated or only half working, which is frustrating and can cause a delay in fundings and unhappy clients. This was echoed by Bossers, who said that some systems are clunkier than others.
Bossers mentioned that sometimes lenders forget that settlement also has closing documents. If the chosen solution isn’t able to automatically add eSignature fields to title documents, this creates more work for settlement. Bossers even said, “A lot of times, what we’ve ended up doing with some [digital closing] platforms is . . . we just send our title docs to be wet-signed as well because the platform just doesn’t take our documents very easily or it just takes too long to get them in.”

To buffer against these potential problems, lenders should consult at least some of their settlement partners early on in the process of adopting digital closings. This can help guide lenders to a product that’s proven to not only benefit them and their borrowers, but also their settlement partners.

After implementing a digital closing solution, it’s also important for lenders to follow up with their settlement partners. Ashton said lenders should go back to their escrow officer and ask what is working and what is problematic for the transaction. Following up with settlement can help increase the long-term success of a lender’s move to digital closings.

**When settlement companies drive adoption**

Most digital closing initiatives are currently driven by lenders. “What we have been seeing in the market is that our lenders want to control that [digital closing] experience and have it consistent throughout, regardless of who the settlement agent and title company are,” said Bossers.
Digital closing decisions have also been “forced into the lender’s hand,” as Bossers put it, due to the originator’s secondary market strategy. “[T]he investors will have varying requirements, and therefore, will help determine what the lender is actually doing. This can make us [settlement companies] three or four steps down in the decision-making process.”

However, Bossers also said that there may be times when settlement companies can lead the digital closing initiative with specific clients. When this is the case, there’s an advantage for settlement.

When settlement is “owning the process and building on behalf of our lender clients, this will expedite implementing the [digital closing] solution and going live with it. . . . if you leave it to the lender, they have so many other important goals to reach. . . . By internally taking it on, we can take that off of the lender’s shoulders,” said Miller.

To lead the digital closing initiative, Miller said that digital closings are “part of the conversations we have with our current clients and potential clients. We gauge if they’re interested, and if they are, we figure out how to start exploring that [digital closing] solution with them.”

Regardless of who leads digital closing adoption, settlement companies find themselves in a world where they need to be solution-agnostic. Miller explained that settlement needs to be prepared for when lenders come to them with a solution and for when they want to propose a solution to their lender clients.

Settlement companies need to be able to manage multiple digital closing solutions, since every lender could want to use a different solution. There’s a number of ways to handle this.
Boston National Title has lender-specific internal teams. Bossers explained that each team becomes “used to handling that lender’s specific portal — whatever solution they’re using.” At States Title, Miller looks to integrations to make sure that the closing process would be the same across different solutions. Miller gave the example that if there was “digital closing solution one and digital closing solution two, the internal process that my employees manage and complete would look exactly the same as any other.”

Questions to ask vendors

The only way to uncover whether a digital closing solution is the best choice for your company is to thoroughly vet it and ask questions. As you start seeing demos and talking to vendors, come prepared with questions on what the technology can do for you and what successful implementation looks like for their customers and for you.

Below are some questions to ask the vendors whom you’re considering. These questions can help you make sure that vendors follow through on what they say their offerings are. Having gone through this vetting process, Rieger said one thing she was most surprised about was that technology vendors would make false promises on their capabilities. “They went as far as promising a demo of an integration that didn’t exist. It was somewhat disappointing.”

Don’t limit yourself to these questions though. Use them as a starting point for uncovering information that’s critical to your success with digital closings.
Understanding features, capabilities, and value

1. **How does the closing process work with your solution?**
   Get the vendor to walk you through the closing process using their solution, going through the lender, settlement company, and borrower’s perspectives.

2. **How does your technology help me achieve my goals?**
   When you start talking to vendors, have the list of goals that you established for adopting digital closings handy. The right digital closing partner should help your company achieve your goals. In some cases, digital closing providers can even help you define or recalibrate your goals. However, you know your business the best, so it’s better to go into these conversations with an idea of what you want to accomplish.

3. **What features needed for an eClosing do you currently have?**
   Dig into their eSigning, eNotarization (both IPEN and RON), eNote, eVault, and eRecording capabilities to see if you will need additional vendors in order to provide eClosings.

4. **What features do you plan on building in the future?**
   As the industry transitions to digital, it’s important that the technology partner you choose is either meeting these changes or ahead of the curve. If the vendor doesn’t have all the capabilities for eClosings currently, they may have plans to build out those capabilities soon. “It was surprising that I really had to determine what vendors really offered. I had to figure out what was a current feature versus what features aren’t actually available but are on the roadmap,” said Valencia. You want to make sure that the provider is able to meet your short-term and long-term plans.
5 How are loan documents annotated with fields for eSignatures, dates, initials, etc.?
   The automated annotation of eSignature fields reduces the amount of work that closers and settlement agents typically have to take on when offering digital closings. Without the automation, lenders and settlement have to do this manually.

6 What can lenders, settlement, and borrowers see about the closing?
   Digital closing technology can turn the closing process from a black box into a transparent process for all parties. If the solution automatically surfaces important information about the closing to everyone and keeps them in the loop, it can help reduce confusion and back-and-forth communication.

7 How does your technology support the different county, state, and investor requirements?
   Regulations and guidelines around digital closings are constantly evolving. You need to be able to account for all stakeholders’ requirements. Check to see if your vendor will help you easily manage these different variations and stay on top of any changes.

8 Do you have any clients who have used your technology to successfully solve similar problems that we’re facing?
   A technology provider’s existing customers can provide you with some of the most powerful information you have to truly assess whether a new technology is the best for you. See if the digital closing provider has existing customers who are similar to you and if they’ve been able to solve similar challenges for those customers.
**9 How does your technology provide increased compliance and security?**

We’re operating in one of the most regulated industries. It’s vital that you maintain the highest level of security and remain compliant. Your digital closing provider should also have the same priorities, helping you reduce risk.

**10 What LOS and document preparation providers do you work with?**

*(Lender-specific)*

This is one of the most important must-haves. Be sure to check what LOS and doc providers the digital closing technology works with, so you create as little friction as possible when implementing digital closings.

**11 What title production systems do you work with?**

*(Settlement-specific)*

Working out of two different systems creates more work and inconsistent data, so it’s crucial that the digital closing solution is compatible with your title production software. “Implementing a technology solution without any integration would require my processors to go to another website, do the work on there, and leave the actual production system. I think that’s a little odd when we’re talking about using technology to streamline the [closing] process,” said Miller.
Uncovering implementation success and support resources

1. **What resources do you provide to help us roll out your solution internally and with our lender/settlement partners?**

   It’s a massive undertaking to roll out new technology. See if they have any training and support resources to help you implement the technology and roll it out to your partners. Because digital closings require adoption from multiple stakeholders, a digital closing provider who can provide a lot of implementation resources will increase your chances of a successful rollout.

2. **What resources do you provide to help us assist borrowers who are unfamiliar with digital closings and what they need to do?**

   Digital closings are still extremely new to borrowers. Also, borrowers may run into technical issues that require assistance from your digital closing provider. Figure out what support the digital closing provider offers to help your borrowers have a delightful and easy digital closing experience.

3. **When things break, what support do you provide and is there a service-level agreement (SLA)?**

   Your digital closing provider should be responsive and helpful. It’s even more important when things break and there are urgent issues. Check to see when they have support staff available, how they handle support emergencies, and whether they can guarantee support within a certain amount of time.
4 How long does it take your customers to get onboarded and doing their first closing through your solution?

Figure out how long it took their current customers to get up and running with their first digital closing. Weigh this against your estimated timeline for rollout. If it takes a long time to do just one digital closing, this may indicate that it’ll take much longer to fully adopt the technology.

5 What resources do you provide to help us understand which of our investors accept digital closings?

(Lender-specific)

Lenders who want to implement digital closings need to understand which of their investors accept eSigned and eNotarized documents. This can involve a lot of work, so welcome any additional help that your digital closing provider might provide to navigate digital closing acceptance in the secondary market.
Evaluating customer success

1. **How many closings are processed through your solution in total each month/year? Of those, how many are wet, hybrid, and eClosings?**
   See if their customers are successfully doing digital closings. You want to make sure they’re fully delivering on digital closings, whether it’s wet, hybrid, or eClosings, at scale.

2. **How many lenders and settlement companies are currently putting closings through your solution?**
   The more customers they have and the more digital closings they’re processing, the more likely they are to have an established, repeatable process for digital closing adoption. You can benefit from other lenders and settlement companies using the technology, as the input from everyone can create a better solution. It also helps if your partners have already adopted the technology.

3. **Of a lender or settlement company’s total loan volume, how much are they putting through your solution?**
   You want to know how much of a customer’s loan volume is actually being processed digitally through their technology. This is a measure of how successful the digital closing technology is. If their customers are only using the digital closing technology for a small percentage of their total loan volume, ask why. Remember, you won’t get much value from digital closings unless you’re doing them at scale.
How are you helping customers achieve full adoption of hybrid closings or eClosings?

Successful adoption of digital closings doesn’t mean just doing a handful of hybrid closings or eClosings. In order to really get ROI, you need to be doing digital closings at scale. The digital closing provider that you choose should be invested in the success of their customers and actively help them achieve full adoption of digital closings.

Do you have any current customers that I can talk to?

References are a powerful tool to leverage when evaluating new technology providers. Valencia emphasized the importance of reference calls to uncover what a vendor really offers. Not only do reference calls help you get an accurate idea of what it’s like using the product, but you’ll also be able to hear what it’s like to work with the digital closing provider.
15+ questions you need to ask digital closing technology providers

The only way for lenders and settlement companies to uncover whether a digital closing solution is the right fit for them is to thoroughly vet the technology provider. When receiving product demos and talking to vendors, make the most of your time by coming prepared with a list of questions.

Use these questions as a starting point to make sure the digital closing provider can deliver value to your business, is invested in the success of you and your external partners, and can follow through on their offerings. By asking the questions below, you’ll uncover information that’s critical to your success with digital mortgage closings.

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Vendor vs. partner

The best digital closing technology providers are not just vendors selling you a product. They’re your partner.

The digital closing technology you choose is going to be a long-term investment. Given the amount of work needed to implement digital closing technology in the first place, switching to another provider is going to require a lot of effort. Also, digital closings haven’t matured to where you can just set it and forget it.

As eClosings become more widely accepted and regulations change, workflows and technology will need to evolve. Not only do you need to respond to these changes, but your digital closing provider also needs to.

The vision and roadmap that the digital closing provider has will influence the direction your company goes in with digital closings. This is why it’s important to find a digital closing partner who shares a similar vision, is committed to your success, and provides room for your input, rather than a vendor who simply builds the next shiny thing.
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Investor Acceptance of Digital Closings
The unknowns of the secondary market present some of the biggest challenges for lenders. They have to figure out which pieces that make up a digital closing are accepted by their investors. While some investors have clear and published guidelines, there are many investors who do not. Investor acceptance of digital closings is one of the biggest barriers to entry for lenders.

In a 2016 Joint GSE eMortgage Outreach Survey conducted by Fannie Mae and Freddie Mac, both lenders and warehouse lenders said that the lack of broad investor acceptance limits adoption. While a few years have passed since the survey and there’s been more movement towards digital closings, lack of investor outlets is still a major roadblock for digital closing adoption.

The impact of liquidity

While there are more parties buying and servicing digitally closed loans than before, liquidity remains a barrier to widespread digital closing adoption in the secondary market.

Both Fannie Mae and Freddie Mac buy eSigned and eNotarized loans. This includes loans that contain an eNote. Even though Fannie Mae and Freddie Mac make up over half of the $10.4 trillion in mortgage debt, the historical hesitancy from Ginnie Mae and the eleven Federal Home Loan Banks to accept digital mortgages has caused other players in the secondary market to hold off too.
eNotes, in particular, have limited liquidity. “There are still only a handful of investors outside of the GSEs that will purchase one [eNote],” said Camelia Martin, Managing Director of eMortgage Services at Falcon Capital Advisors. When it comes to warehouse lenders, there are only 14 that will fund an eNote, as of November 6, 2019.

If needed, the eNote can be converted into a paper note, but it’s not ideal. “While an eNote can be converted to paper, that process is intended to be an option of last resort, a ‘break glass’ scenario if you will,” said Martin.

Acceptance of eNotes in the secondary market is starting to change though. In 2019, Ginnie Mae and the Federal Home Loan Banks (FHLBanks) made public announcements regarding eNote acceptance initiatives.

Ginnie Mae’s potential acceptance of eNotes could drastically push the industry forward with adoption, since their share of mortgage-backed securities in fiscal year 2018 made up 35% of the market. Their share of the market is also expected to keep increasing.

“Once Ginnie Mae makes the move, the acceptance will spread even more. People want a fungible process and for every loan to go through the same process,” said Jeff Bode, Owner and CEO of Mid America Mortgage. “The biggest challenge for us was best execution and getting the most value out of each loan, along with knowing when to do our best execution.”

It’s not enough for the GSEs, Ginnie Mae, and the FHLBanks to accept eNotes — and more broadly, digital closings. Lenders want to know that all of their investors accept digitally closed loans.
“The concern is there’s not enough liquidity in the market for eNotes, but as more entities enter the market, this will resolve itself over a period of time.”

Rajasekhar Penugonda
eMortgage Program Lead at Freddie Mac
To support this, “we need more non-GSE investor outlets,” said Penugonda. “The concern is there’s not enough liquidity in the market for eNotes, but as more entities enter the market, this will resolve itself over a period of time.”

The slow adoption in the secondary market is trickling down to the primary mortgage market. When lenders are originating a loan, they may not know who the loan will be sold or pledged to after the closing. Since there’s no guarantee that the investor with the best execution accepts eSigned or eNotarized documents, it prevents lenders from fully adopting digital closings.

Lenders do have some sway in the secondary market though. They can help move the needle by “simply communicating, simply making their investors aware that they’re interested in the digital closing process,” encouraged Penugonda.

How lenders can work with their investors

Martin advised, “Some of the most successful adoption efforts I’ve encountered were tandem efforts between counterparties. The opportunity to build the process out together creates some invaluable synergies between the two organizations, and they can benefit from the experience and learnings of both teams.”

Since adoption is constantly developing in the secondary market, it requires lenders and key market participants to watch for updates and work together. Given that there aren’t many existing resources that lenders can reference to easily see if their investors accept digitally closed loans, most lenders will need to talk with their investors directly.
One publicly available resource that lenders can check is the MERS® eRegistry Participants list. This list can serve as a good place to start when it comes to figuring out whether your investors and warehouse lenders accept eNotes. As of November 6, 2019, there are 15 investors and 14 warehouse lenders on the list.

eNotes are just one component of a digital closing though. Lenders also need to understand which of their investors accept eSigned documents and eNotarized documents, among other requirements. The best way for lenders to do this is to schedule a conversation with their investors.

Most lenders who are implementing digital closings are figuring it out for the first time. Going to your investors can be overwhelming. Where do you start with figuring out their preferences?

It’s best to come with a list of questions that help you get a clear picture of what restrictions, documents, and guidelines you need to abide by in order to sell your digitally closed loans.
To get you started, here’s a list of questions for you to bring to your investors:

☐ Have you accepted any eSigned documents from other lenders?
☐ What type of loans do you buy? (e.g. non-conforming, jumbo, ARM, VA, etc.)
☐ Are there any restricted documents that are not allowed to be eSigned?
☐ Do you have any eSign requirements that are specific to who is signing? (e.g. cosigner, joint signers, POA, trusts, etc.)
☐ Do you need to vet the digital closing solution, eSigning technology, or eNotarization technology and add them to an approved list, prior to accepting the eSigned/eNotarized documents?
☐ Do you have requirements for when the borrower is allowed to eSign? (i.e. the borrower can only eSign on the day of the closing)
☐ Do you accept eNotes?
☐ Do you accept documents that are eNotarized?
☐ Do you charge extra for eSigned or eNotarized documents?
Spotlight: Freddie Mac

Freddie Mac has been a key figure in encouraging the rest of the industry to adopt digital closings. “Freddie Mac has been supporting eClosings and eNotes since the early 2000s. We’re one of the pioneers in the eClosing and eNote space because we believe this process offers a lot of operational and financial efficiencies for our sellers,” said Penugonda.

Not only do they see the value that digital closings bring to lenders, but they also recognize how digital closings improve the borrower’s experience. “You want to make sure that anything we do has a positive impact on the end customer, which is the borrower,” said Penugonda.

In order to have industry-wide adoption of digital closings, Penugonda says there needs to be an ecosystem where doing a digital closing is extremely easy.

Doing a paper closing requires little effort, where “lenders don’t need to operate separate systems. They just simply have the borrower select the closing agent that they want to close the loan with, and then the closing agent conducts the closing for the lender.” This isn’t the case with digital closings today.

“You have to have a similar environment for an eClosing process as well,” said Penugonda. Only then will eClosings “become a mainstream process.”
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eNote Adoption
eNotes are an important component in digital closings worth calling out. These unique digital documents need to be stored in an eVault and registered on the MERS® eRegistry, which “identifies the current Controller (holder) and Location (custodian) of the Authoritative Copy of an eNote.” Also, eNotes not only need to be accepted by investors, but also by warehouse lenders.

Although eNotes offer many benefits, like data accuracy, reduced costs, and improved delivery times to investors, they’re not widely accepted at this time. One of the most notable companies that are helping to move the industry toward full acceptance and implementation of eNotes is MERSCORP Holdings.

**eNote acceptance by warehouse lenders**

Warehouse lenders, who provide retail lenders with credit to fund mortgages until the mortgages are sold in the secondary market, are in a unique situation. They’re experiencing a true paradigm shift in the way they do business. Bode explained, “the fundamentals for how warehouse lenders generate revenue are being altered since the length of time that a loan is outstanding is significantly decreasing, falling from an eight-day cycle to as low as two days.”

With digital closings decreasing turn times for lenders, there’s little incentive for warehouse lenders to accept eNotes. However, Penugonda said, “Revenue model was a major concern two to three years ago, but since then, several warehouse lenders have supported eNotes, so I don’t believe revenue model is a concern any more.” Instead, liquidity is the main concern that warehouse lenders have.
To address this concern, warehouse lenders are partnering with investors. In 2016, several eWarehouse banks, including FirstFunding and Merchants Bank of Indiana, partnered with Mid America Mortgage to accept eNotes. Jim Dunkerley, Founder and President of FirstFunding, commented, “We are excited about the marketplace enhancements made possible via a well-planned eNote strategy.” This partnership helped lenders feel more confident that their digitally closed loans would be purchasable.

It’s also possible that some warehouse lenders don’t realize there’s demand for eNotes. Penugonda doesn’t think that warehouse lenders are worrying about the legal enforceability of eNotes. “I think for them to know that there’s demand [for eNotes] is adequate. I think that’ll drive them to start supporting the eNote process,” he said.

The conversation around eNotes and digital closing acceptance needs to become more common between investors, warehouse lenders, and retail lenders. When people drive their business partners to adopt eNotes, or digital closings more broadly, awareness grows and it creates this ecosystem where the risk of not having enough liquidity is eliminated.
Spotlight: MERSCORP Holdings

As one of the initial drivers behind digital closings and eNote adoption, MERSCORP Holdings has been a major player in training and educating the industry. They’ve helped key stakeholders develop a strong plan for implementation, and they continually work to promote industry-wide adoption.

Christopher McEntee, President of ICE Mortgage Services, leads the planning and development of ICE’s residential mortgage-related business initiatives. McEntee shared valuable insights on the challenges to eNote adoption, how the industry can strengthen its adoption efforts, and how lenders can be successful with digital transactions.

Looking at the history of eNotes, McEntee said that we surpassed the high-water mark of eNote adoption in 2006 and 2007. “If you look at the arc of eNotes, it was growing right as the [financial] crisis was occurring. Then, we had the crash, so we spent approximately five to seven years just purely in recovery mode, which was compliance and Dodd-Frank implementation,” he said. After this recovery period, “you’re really just now seeing the reemergence of people looking at technology infrastructure [to support eNotes].”

Liquidity — particularly “what I call the five pillars of liquidity,” said McEntee — is one of the biggest challenges when it comes to eNote adoption. These five pillars are the GSEs, Ginnie Mae, the Federal Home Loan Banks, warehouse lenders and aggregators, and all other liquidity providers, which include REITs, whole loan purchasers, and private-label markets.
Having multiple outlets — ideally, all five liquidity pillars — for selling the eNote is important for adoption. “You want to get to a point where the eNote will be fungible as an instrument. I can fund against it. I can lend against it. I can repurchase it. I can sell it in whole loan bulk. I can sell it individually. Right now, that’s not the case, so most of the execution is occurring through the cash windows,” explained McEntee.

The fragmented nature of the industry and “the inherent complexity of mortgage production” can make industry-wide adoption of eNotes a challenge. McEntee described, “We have a lot of people who come to us and say, ‘This is what it’s like in the paper world, and we just want it in zeros and ones.’ It’d be great if we could make it that easy.” However, there’s legal, operational, and compliance considerations that need to be understood and worked through to ensure that the asset can still be sold, all compliance requirements have been fulfilled, and you ensure the authenticity of the eNote.

Given how much of an undertaking digital mortgages — and in particular, digital closings — can be, McEntee advised lenders to “find a business process within your bigger framework, introduce some technology, and see how that works.”

“It’s a big commitment and what we think is really essential is to ensure that your counterparties are onboard with it. We’ve seen a lot of people go out and try to do a lot really quickly. Then, they have to rethink mid-project — oh, well, this isn’t delivering the efficiencies we want.”
McEntee laid out what successful implementation looks like, encouraging lenders to start off with a vision of what the end state is in terms of cost savings, faster throughput, higher efficiency, or better customer service. Start with your key performance indicators and build with a cross-functional team.

“If I’m in state A today and I’m going to B tomorrow, I want to know why B looks better because I made this investment,” he said. “If I’m going to invest this much money in my infrastructure, I expect this much in return.”

By starting with what you want to see in the future, you can begin to assemble the technologies needed to help you get there. However, it’s important to recognize that it’s not just the technology that’ll get you to the results you want. McEntee pointed out that it’s “good planning in advance, enterprise-wide buy-in, cross-functional teams,” and “the people in change management that make it work.”
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12 Implementation Roadblocks
The next step after selecting a digital closing solution is what many might consider the most difficult part in adopting digital closings — implementation. This is where companies often fail, getting very little results or just mediocre results from their investment. For example, a common story in the industry is a lender or settlement company implementing digital closing technology and only doing 10 or 20 digital closings in an entire year.

With careful planning, intentional communication with internal and external stakeholders, and a well thought-out eStrategy, you can navigate many of the common implementation roadblocks.

Overcoming internal implementation challenges

The same amount of effort that went into selecting the digital closing technology should be applied to making sure your staff sees how digital closings can benefit them and are empowered to properly use the technology. When everyone knows what to expect and understands the value that digital closings bring them, you can reduce objections that typically come up when introducing new technology or processes.

“It’s important to get procedures in place with your staff to make sure they are comfortable with hybrid closings and explaining the benefits. With training, staff can move into digital closings at a pace that is comfortable for them, which in turn, puts the borrower at ease with the process,” said Schneider.

QUICK FACT
In 2019, lenders perceived the top three barriers to digital mortgages as system and vendor integration requirements, difficulty of getting loan officers to change processes and behaviors, and costs.
Valencia said KS StateBank made it a priority to get everyone excited about who they chose as their eClose provider. From there, they put together a pilot group so they could work out all the bugs and make sure they understood the workflow of the platform, before rolling it out to their whole staff.

**Overcoming partner implementation challenges**

The second part of the implementation process involves your partners. As conversations are happening with technology vendors, you can bring your lender or settlement partners into the fold so they can also understand how digital closings work and see the benefits.

You might be moving at full speed to close your loans digitally, but your partner could still be printing out documents. This is a common scenario and essentially undoes all the work that you’ve done to go digital. Successful implementation takes a group effort, where everyone shares the same commitment to digital closings.

Ideally, you’ve chosen a digital closing solution that creates little disruption to existing processes. However, transitioning from paper to digital inevitably requires some changes to the workflows that everyone is used to. “Be very careful about your communication. Loan officer and settlement adoption is critical, and you really need to do that hands on,” advised Rieger.

Whether it’s through webinars, training sessions, or video tutorials, there are many ways to ensure that you and your partners are not only knowledgeable about how to use the technology, but also eager to start doing digital closings. If you find that these aren’t enough, call your partners or consider visiting them in-person.
Leveraging your digital closing provider

Don’t forget that your digital closing technology provider has likely done many implementations. They can be a wealth of knowledge and resources when implementing digital closings across your offices and with your partners.

Your digital closing provider probably already has webinars, video tutorials, and written instructions created. They may also have workshops and on-site visits, where they spend time with your staff and train them in-person, incorporated into their implementation plan.

As a partner, your digital closing provider should also be invested in the implementation success of external stakeholders who are involved in the closing. They may have resources and support for onboarding your lender or settlement partners. A digital closing provider who can work with your external partners to implement digital closings will take a tremendous amount of work off your plate.
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What’s Next for Digital Closings?
Digital closings are a critical part of the future for the mortgage industry, even though “some people think it’s like a flash in the pan. It’s the hot new thing for everybody to do,” said Miller. They’re not a passing fad. In fact, Miller thinks digital closings are long overdue. As Martin put it, “The time to begin researching eClosing technology is yesterday.”

More organizations are opting for digital closings to meet consumers’ expectations of modern services, differentiate themselves in the market, and maintain their profit margins. With multiple factors pushing the industry toward digital and not many organizations doing digital closings at scale, there’s no better time than now to start your own move to digital. The companies who get a head start stand to reap the most benefits from digital closings, positioning themselves as innovators and leaders in the industry.

The mortgage industry isn’t struggling with digital closing adoption because of a lack of technology or even because of technological challenges that need to be solved. The technology has been around for years, and there are few technical barriers to doing digital closings.

Instead, the industry is battling a fragmentation challenge, which is making it difficult for digital closings to be adopted industry-wide. The real estate process is unique, with many participants involved in a single transaction. This makes it extremely difficult to choose or even predict the constellation of companies that will be involved in the closing.
With everyone at varying points of adoption, lenders and settlement companies have to keep tabs on every stakeholder and their digital closing preferences, requirements, and readiness. Despite having to account for all these variables, lenders and settlement can do digital closings at scale today by going after the obvious win — digitizing wet closings and doing hybrid closings. By laying the foundation for eClosings today, they can add on more elements of eClosings, like RON, as they’re more widely accepted.

“The industry has originated more than 95,000 eMortgages in the first 10 months of this year. So while 95,000 represents a tiny fraction of the overall mortgage market, the growth is more than 450% when compared to 2018,” said Penugonda.

“While the number of stakeholders implementing this [digital mortgage] process is going to exponentially grow in the next two to three years, the number of loans may still be a tiny fraction of the market. It’s because once a lender implements the process, they roll it out to their different markets — typically in phases — and that takes some time.”

Digital closings and mortgages are clearly growing. As the industry continues to evolve with the increased adoption of digital closings, this eBook will be updated annually to reflect the latest updates and insights.

If you have any thoughts on what should be in the 2020 edition of The Definitive Guide to Digital Closings, get in touch with us. Also, if you have any insights or experience with digital closings and would be interested in contributing to this eBook in the future, we’d love to hear from you. Submit your feedback and comments to us here.
About Snapdocs

Powering over 1,000,000 closings a year, Snapdocs is the industry’s leading digital closing platform. It is the only solution that has a proven track record of creating a single, scalable process for every closing, whether wet, hybrid, or fully eClose. Snapdocs arms lenders and settlement with the tools to fix underlying operational inefficiencies in the mortgage closing process, while also propelling them into the digital future through advanced automation and patented AI. With Snapdocs, lenders and settlement can close more loans faster, at lower costs, while delivering a better borrower experience.

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- Loan documents are automatically **sorted into wet-sign and eSign packages and annotated for eSignatures in 11 minutes**, on average.