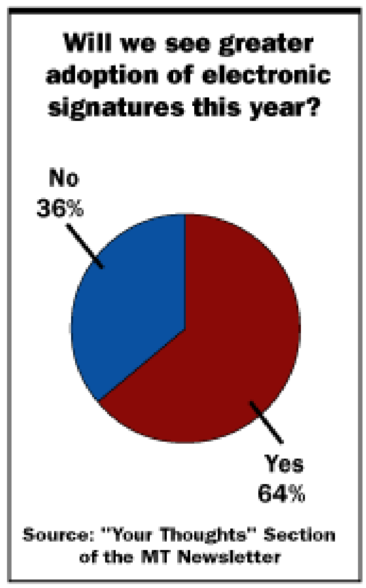
The Year of Electronic Signature Adoption

By Anthony Garritano, Editor, Mortgage Technology Newsletter

Many industry experts predicted that this will be the year of the electronic mortgage at the MBA Tech Show in San Diego, Calif. last week. However, before e-mortgages can see mainstream adoption the industry has to first accept the use of electronic signatures. Both E-SIGN and UETA legislation has been in place for some time now that both establish the legality of e-signatures.

Similarly, both GSEs, Fannie Mae and Freddie Mac, have published e-mortgage specifications that put an electronic note with an e-signature on par with a paper file. While the industry takes its time to adopt e-signatures on closing documents, there are interim steps that can be taken today to use e-signatures to gain a competitive advantage.



Now innovative lenders looking to lead the pack have adopted e-signatures on forms like disclosures to increase their volume, give them a competitive advantage and turn browsers into borrowers.

Chris Christensen, associate with PiersonPatterson, said that it's amazing that, "Consumers get better, more efficient disclosures on a bag of potato chips then on their mortgage. More consumers are becoming browsers today, which is why it is increasingly important that we start talking about e-disclosures."

However, there is the possibility of going down the e-disclosure path the wrong way. "It's possible to make something so secure that the borrower can't use it," warned Randy Prakken, SwiftView co-founder. "Also, it's possible to make something so user-friendly that it isn't secure. It's a balancing act.

"The key is not to overreach," he pointed out. "Lenders should design a system or process that provides an incentive for the borrower to do e-disclosures. There has to be a solid business proposition behind it for it to work for the borrower and for the lender to get some benefit.

"In terms of regulatory oversight, I believe more is coming," reported Mr. Prakken. "As a result, it is important to be proactive and start thinking about it before regulators starting pushing the lending community into a corner."

Wholesale and retail lender Stonecreek Funding Corp. is using e-signatures on their disclosures today. In total, 64% of 25 respondents to this publication believe that greater e-signature adoption should be expected this year.

"We believe in having strong technology to gain a competitive advantage," said Jon McGuire, director of business applications and development for Stonecreek. "We purchase 80% of our leads off of the Internet and were having trouble getting those borrowers to commit because by the time we contacted them, they had been contacted already by other lenders.

"We wanted to get that borrower off the street and to a closed loan as quickly as possible," he continued. "So, we set up a lead generation system to get those leads to our Los within seconds so they could call the borrower while they're still online and offer them the ability to do e-disclosures while their on the phone. This practice has doubled our conversion rate."

In the end, as Mr. McGuire stated, it is those lenders that adopt strong technology that will gain a competitive advantage. Surely, using e-signatures to at least get the borrower to consent on the disclosures is a sound business strategy that more lenders should be looking into as volume erodes.

Other columns by Anthony Garritano