Setting the Record Straight on Digital Mortgages

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The Whole is Greater than the Sum of its Parts When it Comes to Digital Mortgage Solutions and eNotes

Having worked in the mortgage industry for over 30 years, I've pretty much seen it all. As a mortgage technologist, I've watched vendors and lenders alike create hype around various technologies and new buzz words over the years, only to see so many of them never gain adoption or provide value. Sometimes, the rollout is flawed or it's an outright failed go-to-market strategy. I recall when the likes of Service Oriented Architecture (SOA), Software-as-a-Service (SaaS), Platform-as-a-Service (PaaS), cloud-based computing, and so many others instantly became attractive terms and acronyms with mortgage technology vendors flocking to incorporate them into their marketing speak—whether they delivered on their promises or not.

Collaborating closely with the GSEs, investors, lenders, servicers, warehouse lenders, and many other industry participants, I've worked to forge ahead and evangelize the far-reaching benefits of a comprehensive "eMortgage" process, a term that has essentially been replaced by "digital mortgage." No matter what you call it, it's always been about replacing and automating paper-based processes with automation.

Now we're living in a world of digital mortgage. We've seen many new and small software companies pop up, driving hard to attract lenders with slick marketing speak and often low price points for what is sometimes immature, unproven technology.

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Many of these newbies don't have the much-needed mortgage industry domain experience needed to succeed, as some vendors stumble once they become immersed in the overwhelming minutia, nuances, and complexities of the mortgage manufacturing process. On top of that, even some well-established mortgage technology vendors have jumped on the "me too" digital mortgage bandwagon.

Who can blame them? It's a shiny new object that lenders are naturally drawn to. How can we forget TRID readiness? Remember when so many tech vendors became TRID compliant virtually overnight, offering some sort of solution—of varying degrees? However, that was far from reality; it was mostly just vendor marketing speak.

The mortgage industry has slowly but surely been working to achieve a true end-to-end digital mortgage process that is fully integrated and 100 percent paperless. But the reality is that, while progress has been made over the past few years, the industry as a whole still isn't fully grasping everything that is needed to create a total, seamless, comprehensive and scalable digital mortgage solution. Many vendors are still falling short.

Of note, however, is that some of the new entrants that automate the point-of-sale have, in fact, done an outstanding job. Being able to instantly pull and validate things like VOE, VOI, VOA/banking information, IRS/tax returns, etc. while at the point-of-sale has definitely been a huge help to supporting the digital mortgage cause to elevate the borrower experience. But there is a lot more that needs to happen thereafter, such as a full eClosing.

Is digital mortgage about the borrower experience? In part, yes. But it also encompasses so much more. Value is gained for nearly all the participants in the digital mortgage process, but only if it's done right. What do I mean by right? The technologies cannot be siloed, poorly integrated, or offer just enough automation to address bits and pieces of the process in order to get by for now. Digital mortgage for the consumer is starting 'e' and staying 'e' with the same common and consistent end-user experience.

The Digital Mortgage Challenge

There is no way to say this tactfully. It's the tech vendors that created the problem and continue to create confusion in the marketplace. I can't be more pointed when I say that the mortgage industry, for the majority of vendors, is a big, fat fail. It isn't the lender's fault.

Many digital mortgage technology providers (both newbies and established vendors) are offering one-off pieces of the overall process. These solutions are merely workarounds that most often create inefficient stopgaps in the workflow, communication challenges, integration breaks, compliance risk, solution deficiencies, and other problems.

Use of an eVault Isn't a Digital Mortgage

Some applications create initial excitement and address components of the overall problem. For instance, lenders can jump into the digital mortgage arena and store their loans in an eVault, but that doesn't mean the promissory note includes all of the necessary documents to ensure a legally compliant closing.

Some solutions just OCR docs and store them in an eVault, which isn't always 100 percent accurate; anytime you are manipulating a source document, there is always the risk of errors and omissions that could easily get lenders into trouble at a later date. And what if something changes? How are they adjusted and properly tracked to ensure a full audit trail and electronic evidence of compliance within an eVault?

A Complete Digital Mortgage Solution

Put simply, make sure that you are dealing with a vendor that has a proven, single-source solution that supports all documents and functions that you need to deliver a complete digital/paperless process to the consumer and across multiple lending entities.

This all starts at the time of application with MISMO SMART Doc creation and management (TRID compliant initial disclosures to the borrower and the LE/Loan Estimate). You, of course, need eSign technology to securely and compliantly allow the borrower to sign all documents throughout the mortgage process.

Lenders must also implement a comprehensive eClosing technology platform, where the LE/Loan Estimate and CD/Closing Disclosures are automatically compared and matched for any change of circumstance and TRID compliance. eNotarization capability needs to be integrated into the documents and the process as well. MERS eRegistry of the note is a requirement. All documents, signatures, and proof of compliance must be stored in a certified eVault.

Also, seamless integrations must exist with the lender's LOS platform to auto-generate smart documents (embedded signatures and notary tags) from the start, as well as integrations with the title company software platforms to do the same with their documents. Delivery of not only the eNote but all critical closing documents to investors/GSEs is made to be quick and easy. A fully integrated platform and process includes everything from the warehouse lenders to eMods and refis within the servicing system as well as what I consider a cradle-to-grave, lights out digital mortgage technology solution.

It's a total, fully paperless digital mortgage—one that doesn't involve lots of different vendors doing their best to work together—whether it's de novo software providers, aggressive fintechs, on down to the long-time mortgage technology incumbents.

We need to deliver actual, comprehensive solutions to the industry that are fully integrated and scalable, not bits and pieces/hybrid offerings. Put simply, they just fall short of achieving a total solution. It's a menagerie of vendor hodgepodges, which are mostly light applications that only address parts of the overall digital mortgage process.

Digital Mortgage Hype versus Reality

Beyond a shadow of a doubt, I feel that the mortgage industry was steered in the wrong direction from the beginning by tech vendors that were all too eager and rushed to launch and market some sort of digital component offering. By and large, many tech vendors did so in order to effectively compete. Marketing puffery can easily trick unsuspecting ultra-busy lenders.

Going completely paperless really boils down to two factors:

1. Implementation of a comprehensive digital mortgage technology solution; and
2. Lender adoption of e-automate everything, not just pieces of the process. The mortgage industry still faces an uphill adoption curve.

There are, however, some complete end-to-end solutions available on the market today from single-source vendors. Those lenders that implement the right end-to-end digital mortgage technology now will have a significant competitive advantage over those who remain in a wait and see mode or those that merely dip a toe in the water, adding a multitude of different hybrid vendors. It just doesn't work well and by no means is it a long-term digital mortgage loan production, workflow, and back-office business strategy.

Before buying any type of digital mortgage technology, be sure to fully educate yourself and conduct deep-dive due diligence on everything you will need to implement a successful total digital mortgage solution from soup to nuts. Think of where you want to be 18-24 months out. Implementing a short-term solution will likely later need to be replaced by a complete solution. Your long-term viability and success depend on making the right choice the first time.

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Tim Anderson is the Director of eServices for DocMagic, Inc. He has held executive management positions with LPS, Stewart, Fidelity, FreddieMac and HomeSide Lending where he ran the eCommerce Division and worked at technology companies like Dexma, Microsoft and Tuttle Information Services. He was also the original founder of the eMortgage Alliance which promoted MISMO standards for delivering legal paperless processes.

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