Widespread Acceptance of RON is Coming.

Lenders Can Prepare Now.

A few years ago lenders felt little urgency to implement electronic closings. But growing demand for convenience and technological enhancements in everyday life have driven a tremendous push to advance remote online notarization (RON) eClosings, completely paperless processes where consumers and notaries can close a loan virtually, with no need to interact in person.

The efficiencies of digital mortgages can save all parties time and money. However, there are downstream issues that keep the process from full-scale adoption. With lenders reaping the benefits of optimized loan processes, lowered costs, and reduced compliance risk, they see a completely digital mortgage as the new way to close every loan.

But if you haven't haven't started on the path to digital lending and find yourself playing catch-up, there are a few logical steps you can take to move from a primarily paper process to a completely paperless workflow that includes RON.

Right now, many lenders still can't complete every loan using only RON technology. Even if you have to start with smaller digital advancements, here is a tactical approach that can give your organization an efficient process to apply to every loan every time, whether you're a large lender with highly structured processes or a smaller lender that can be more nimble. Smart lenders are leaning into technology solutions that make the mortgage process easier for everyone involved, and will put themselves in postion to achieve RON eClosings wherever they are allowed.

Step 1

Implement a hybrid eClosing to cut out as much paper as possible

Many segments in the industry still rely on paper. After all, no investor has ever turned down a note because it was paper; in fact, in order to complete a closing and sell the note to an investor, some lenders are required to have two document classifications be papered out: the note, and anything requiring recordation and notarization.

But there is no reason that any other document in the loan package should still be papered out. Everything from the initial disclosure to the closing package should be electronic (i.e., e-enabled documents) with the ability to be eDelivered and eSigned.

A growing number of borrowers prefer digital experiences over in-person signing processes. So, to stay competitive, it's necessary to optimize processes. Switching the majority of documents from paper to digital cuts a massive document package to one that's a fraction of that size, with smart digital indicators at signing fields to ensure no signatures go missing. It reduces a prolonged, drawn-out ceremony to a matter of minutes. And it lessens the amount of time the borrower, settlement agent, and notary need to spend in person. Additionally, adopting these technologies is also simply a smart and efficient business strategy for the future.

At a minimum, lenders should begin doing hybrid closings — immediately. This is easily scalable and can be implemented in a short amount of time. Even if you can't go 100% digital today, some form of hybrid is a good start and puts you on the path toward a fully electronic closing.

Step 2

Set up an eVault and get started with eNotes

eNotes, the electronic equivalent of a paper promissory note, have become the well known and cost-effective evolution of wet-signed notes.

eNotes are rightfully popular for a variety of reasons. Paper notes are expensive to transport and maintain in a custodian vault, as the original note must be protected at all costs; a copy has no value. eNotes, however, have several built-in advantages:

- Since there is no original copy, they're impossible to lose or damage.
- eNotes can be transferred and eDelivered between MERS® members in mere seconds.
- They're protected by a tamper-evident seal, and the MERS® eRegistry stores each eNote's hash, providing a "fingerprint" that can be verified.

Major government-sponsored enterprises (GSEs) and the Federal Home Loan Banks system have been on board and accepting eNotes for several years. More and more lenders are moving beyond a hybrid eClosing to a fully digital closing process that includes an eNote. And considering the security and efficiency advantages of eNotes, it's a wonder the current shift didn't arrive sooner.

To store eNotes, you should work with a technology integration team to set up an eVault, a secure repository where lenders can access, manage, and store electronic records related to a mortgage transaction. You'll want to find one that has a direct integration with the MERS® eRegistry. Some eClose providers can provide proprietary eVault technology transactionally, with the ability to set up an eVault for short- or long-term storage.

It's fair to say eNotes will continue to rise in popularity. Any investor that doesn't accept eNotes will very soon be in the minority — and will lose business opportunities as a result.

Look for an eClosing provider with proprietary eVault technology that can be set up transactionally, with the ability for short-or long-term storage.

Step 3

Start implementing RON

Obviously, this step is optimal. But the fact is, if you've taken care of steps 1 and 2 — steps that can be done at scale and on every loan — then you're already 95% of the way toward a 100% paperless eClosing.

Completing those initial steps gives early-adopting lenders the flexibility to carry out process changes and implement RON eClosings in whichever jurisdictions allow it. Larger lenders who prefer to wait until RON is available in every state and county will still put themselves in position to deploy it when they're ready.

RON eClosings are on the rise; the process is more efficient, convenient, and secure than in-person notarization. Imagine if every time you bought something online from Amazon, someone had to check your driver's license before the transaction could go through; in-person notarization is a little like that. The strengths of a RON eClosing are evident to anyone who's ever purchased a home and been required to have a notary physically present.

RON is here to stay. It's just a matter of time before RON becomes the standard way a loan is closed. And if you complete the first two steps, you've put yourself in a strong position to execute on step 3 and use RON when you're ready to.

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