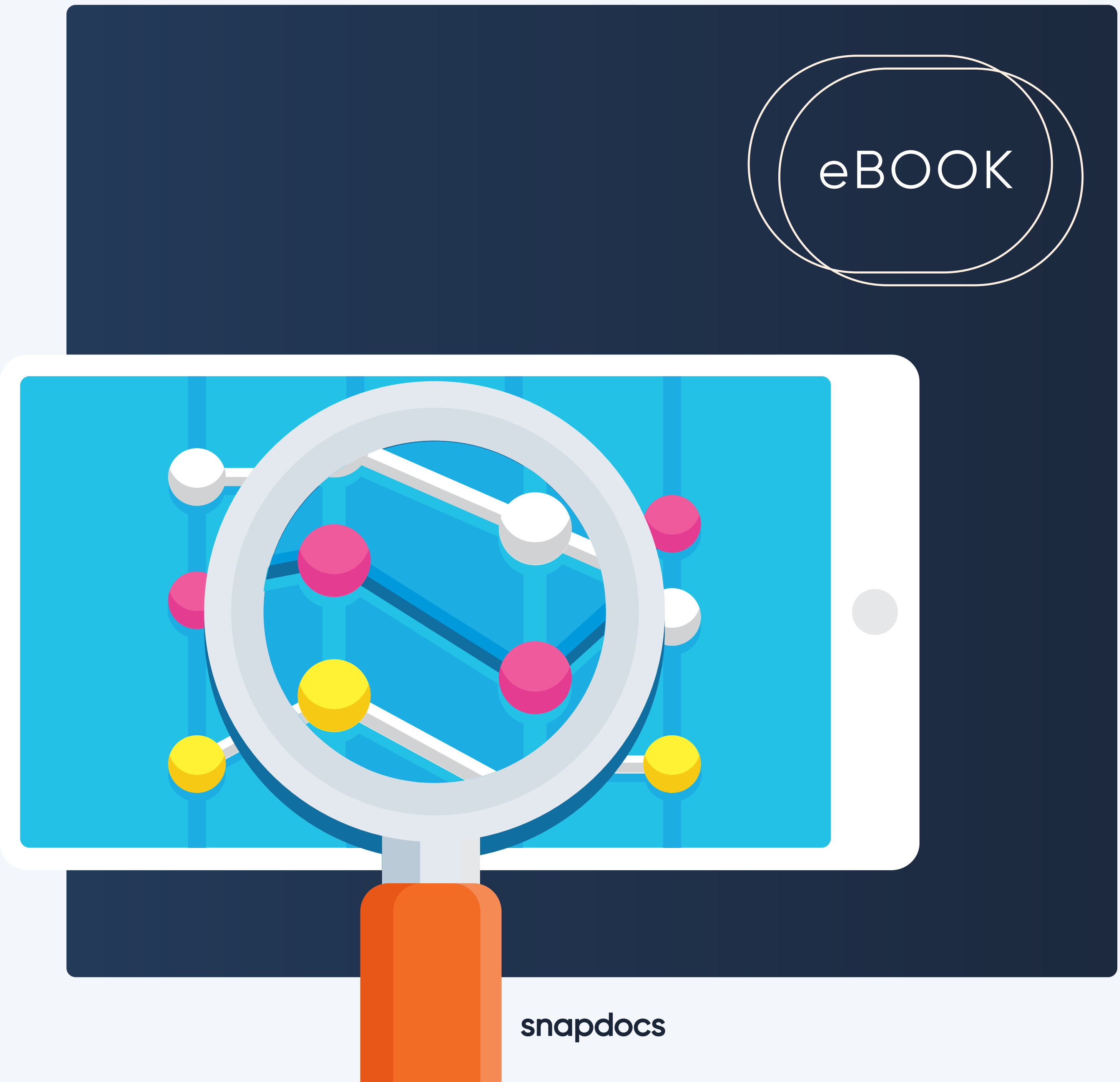
The 5 R's of e-Eligibility for Mortgage Closings

A Framework for Determining the Extent to Which a Lender's Mortgage Closings Can be Digitized



snapdocs

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What you'll learn from this eBook

- Leading lenders are digitizing mortgage closings to offer borrowers a competitive experience and to realize capital efficiencies
- Variances and ambiguity in digital mortgage closing policies, regulations, and other restrictions cause lenders to struggle with scaling the digitization of their closings
- A loan's e-Eligibility, comprised of five key factors, expresses "how digital" a mortgage closing may be
- Lenders can use e-Eligibility information to optimize their approach to digital mortgage closings

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About this eBook: Tools and Information to Better Manage e-Eligibility

At this point, most lenders know they must digitize closings. Borrower preferences have shifted to where 81% of consumers now prefer a digital experience. And lenders are realizing operational efficiencies in a time when low housing inventory and the potential for increasing rates are likely to squeeze margins.

81%
of consumers now prefer a digital experience.

But, the complexity and ambiguity of e-Eligibility are causing many lenders to default to suboptimal closing methodologies. What is e-Eligibility? It's the factors that enable, restrict, or at the very least influence the extent to which a loan may be closed digitally (aside from a lender's capabilities and borrowers' willingness to participate).

Without the right tools and data, performing a comprehensive evaluation of e-Eligibility is a significant undertaking. This is true for any lender. But, it's especially true for larger lenders, where e-Eligibility intricacies only exponentiate with scale.

Having read this piece, you'll better understand the five key factors of e-Eligibility and how to account for them within your organization. We've written this briefing for leaders at lending organizations who are charged with implementing a digital closing solution, as well as the staff who facilitate digital closings:

Leaders in Operations, IT, and Closing, can apply e-Eligibility to select the optimal closing solution and manage the change required to implement digital mortgage closings

Leaders in Secondary Marketing can use this framework to align their organization's digital closing efforts to their execution strategy

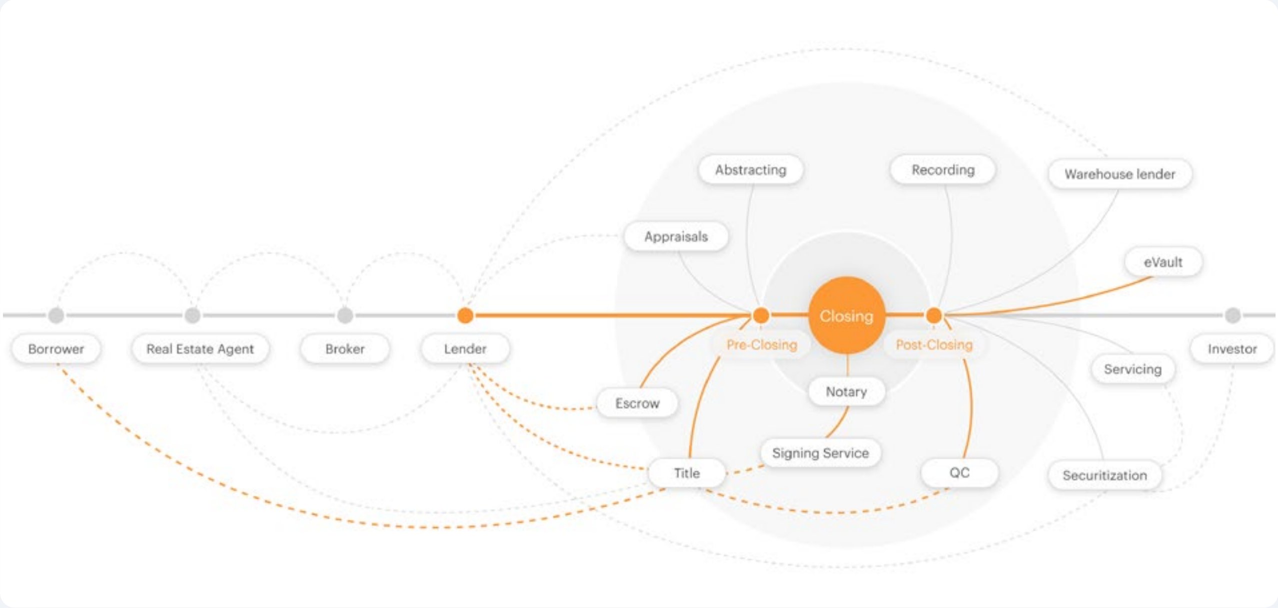
Leaders in Quality Assurance & Compliance can apply e-Eligibility factors to update compliance policies and quality control monitoring frameworks

Loan officers that recognize the competitive advantage that digital mortgage closings offer can leverage e-Eligibility to better educate borrowers on their closing options

Leaders from across the mortgage industry can feel empowered to advocate for more transparency and uniformity in digital mortgage closing policies and practices.

But, e-Eligibility isn't just for lenders. By taking the time to understand e-Eligibility, everyone that participates in a mortgage loan's lifecycle can be a better counterpart and partner to lenders as they digitize their closings.

By digitizing mortgage closings, lenders are taking a critical step towards providing an easier and more accessible experience for everyone involved in the closing process. Together, we can better empower homeownership.



In 2020, the mortgage industry faced two significant challenges that catalyzed the industry's shift to digital mortgage closings. The COVID-19 pandemic resulted in nationwide social distancing measures, which complicated the logistics of in-person mortgage closings. At the same time, historically low interest rates caused loan origination volumes to soar to unprecedented levels. Combined, these forces placed significant demand on the resources of lenders, settlement agents, and other stakeholders in the mortgage closing process.

To cope, lenders scrambled to implement digital mortgage closings to both improve operational efficiency and reduce (or eliminate) in-person contact at the closing table. But, lenders quickly learned that digital mortgage closings fall on a spectrum, and the degree to which a closing could be digitized varied by transaction. This variance was due to factors such as the loan's investor, loan type, property location, and other counterparty or stakeholder policies and capabilities. And not all of these factors were within lenders' control.

Fortunately, digitizing closings didn't require an "all or nothing approach." Even incremental solutions enabled lenders to reduce time at the closing table and streamline lending operations.

Those who **adopted digital closings** during the COVID-19 pandemic took the first step in transforming a centuries-old process into the modern experience that borrowers have come to expect.

Defining e-Eligibility

There are 5 key factors that enable, restrict, or at the very least influence the extent to which a loan can be closed digitally (aside from a lender's capabilities and borrowers' willingness to participate). These factors are referred to collectively as the loan's e-Eligibility:

The 5 Rs: Factors of e-Eligibility

Requirements

Counterparty Requirements: whether the investor, warehouse lender, or other counterparties that the lender will deliver loans to will accept electronically signed (eSigned) and/or electronically notarized (eNotarized) closing documents. Depending on the type of counterparty, this could be a matter of the counterparty's policies, or it could be a matter of their technical and operational capabilities, or both.

Recording

County Land Recording: whether the local county recorder's office will accept eSigned and eNotarized closing documents for recording. If any of the recordable closing documents will be eSigned, the corresponding county land recorder's office needs to permit the use of electronic recording (eRecording), or have provisions to accept representations of eSigned and eNotarized documents for recording (commonly referred to as paper-out recording).

Restrictions

Title Underwriter Restrictions: whether the title underwriter imposes any restrictions on digital mortgage closings. Title underwriters might have their own policies related to digital mortgage closings, but they are primarily concerned with the use of eNotarization. They could, as an example, impose more stringent eNotarization requirements than those of permissible via other e-Eligibility factors as a means to mitigate risk.

Regulations

eNotarization Regulations: whether the state laws and regulations permit the use of eNotarization, generally in-person electronic notarization (IPEN) or remote online notarization (RON). IPEN is the act of conducting eNotarizations in person, while RON eliminates the need to meet in person. With RON, the notary and signer meet virtually using a platform that enables two-way audiovisual technology, similar to a webcam, to conduct an eNotarization. In addition to legal and regulatory enablement by states, state agencies might impose requirements that eNotarization platforms be approved to facilitate eNotarizations in that state.

Readiness

Settlement Readiness: whether the settlement agent is enabled to facilitate digital mortgage closings. Settlement agents typically follow instructions from the lender on how to facilitate the loan closing (as long as that guidance does not conflict with laws, title underwriters' requirements, or borrowers' preferences to eSign their closing documents). So, this factor primarily refers to whether the settlement agent is sufficiently enabled to facilitate the digital mortgage closing, through system access, training, and clear instructions from the lender.

We address these factors in detail later on in "The 5 Rs: A Framework for e-Eligibility" section.

Obstacles to Addressing e-Eligibility

Unfortunately, managing e-Eligibility isn't always straightforward. For one, it's rapidly evolving. Also, the data around e-Eligibility is fragmented across the industry.

In 2020, the number of states that have passed legislation to enable RON jumped from 10 to 30, and the number of electronic promissory notes (eNotes) registered on the MERS(r) eRegistry increased by more than 250% compared to 2019.

250%
increase in eNotes registered on the MERS(r) eRegistry

Ginnie Mae also launched their eNote acceptance program, joining the ranks of other large investors including Fannie Mae and Freddie Mac that have been accepting eNotes for well over a decade. Lenders should expect frequent updates to e-Eligibility requirements as more and more states, counties, and counterparties enable digital mortgage closings. While these changes are generally net positive in terms of their support of digital mortgage closings, the frequency and complexity of these changes require lenders to stay compliant and current.

Furthermore, lenders that offer digital closings must account for e-Eligibility throughout their entire lending operation. From enabling loan officers to set borrowers' expectations to managing the loan's liquidity on the secondary market, e-Eligibility impacts nearly every part of the lending cycle. Accordingly, e-Eligibility must be woven into lenders' policies and operational frameworks.

Six Obstacles to Addressing e-Eligibility

Here are a few key issues holding lenders back:

1. **Accessibility.** e-Eligibility requirements are not readily accessible to lenders. The information is fragmented across trade association websites, industry publications, and counterparties' policies or bulletins.

2. **Ambiguity.** e-Eligibility requirements are not always clearly articulated. This leaves lenders to sometimes have to interpret incomplete or vague requirements. In some cases, requirements can be circular, pointing to one or more other stakeholders' requirements which need to be cobbled together to clarify the right outcome.

3. **Variability.** e-Eligibility requirements aren't always consistent across counterparties and stakeholders. They can also vary based on numerous other factors such as state, county, loan type, loan amount, and document type. For example, an investor might accept a RON closing using an out of state notary, but a title underwriter might require that the RON be performed by a notary licensed in the property state.

4. **Rate of Change.** e-Eligibility requirements across all factors are rapidly progressing. Although these changes are typically net positive, the rate of change adds complexity as lenders attempt to keep pace.

5. **Actionability.** After lenders gather e-Eligibility requirements, they still need to operationalize the application of the requirements. They must establish policies and procedures to account for both external and internal e-Eligibility requirements, and maintain system rules to avoid leaving staff to interpret and manage complex e-Eligibility requirements on a day-to-day basis.

6. **Pitch.** The nearer a lender gets to "the bleeding edge" of digital mortgage closings, the stiffer the headwinds. To illustrate, a full eClosing involves the use of eNotes, eNotarization, and eRecording. This combination requires lenders to account for a range of e-Eligibility factors, with most being outside of the lenders' control.

Applying e-Eligibility

Lenders can manage these e-Eligibility factors in several ways:

Optimizing eClosing implementation. Lenders who have not yet implemented digital mortgage closings can apply these factors to their unique profiles to determine which digital mortgage closing types are accessible and achievable.

Maximizing eClosing utilization. Lenders that already support digital mortgage closings can manage e-Eligibility factors at the transaction level. This way, they can maximize the digitization of each loan closing, limiting wet-signed paper documents whenever possible.

Managing compliance risk and liquidity. Lenders can mitigate compliance risk and protect the liquidity of their loans by managing both internal and external e-Eligibility factors well before closing. For example, a lender might apply more stringent e-Eligibility parameters to a loan closing so that its secondary marketing teams can maximize their execution strategies. Contrastingly, if the lender is certain of the loan's end-investor, they can confidently maximize the digitization of a given closing in line with that investor's policies.

Gaining first-mover advantage. By staying apprised of counterparty, stakeholder, or legislative progress in one or more e-Eligibility factors, lenders can be ready to incrementally expand their digital mortgage closing programs alongside this progress.

Why Address e-Eligibility?

Now's the time to digitize mortgage closings. Despite the complexity and variability of e-Eligibility factors, mortgage industry stakeholders are rapidly digitizing the closing process. Recent developments have both paved the way for digital closings as well as helped to clarify the otherwise heterogeneous landscape of e-Eligibility:

- In 2020, four Federal Home Loan Banks (Des Moines, Dallas, Chicago, and Topeka) announced their eNote acceptance programs. Since then, Indianapolis, Atlanta, Boston, and Pittsburgh have followed suit.
- Ginnie Mae also launched its digital collateral program in 2020 initiating its acceptance of eNotes and eNotarization
- Many states have passed RON laws in recent months--recall that the number tripled to 30 in 2020 alone
- 2020 was a record year for eNotes, with 462,671 registered on the MERS(R) eRegistry. This shattered the previous record set in 2019 of 127,178, a 261% YOY increase.

85% As of March 2021, 2,217 counties support the use of eRecording, representing more than 85% of the US population.

Lenders implementing digital technology to gain a competitive edge with borrowers and a more efficient closing process must grapple with e-Eligibility in order to scale. What's the impetus to scale? Essentially, the more "digital" a lender's closings, the better:

Lower costs. Physical documents take more resources to produce, transfer, and manage. For example, many investors will fund an eNote within one business day of delivery, reducing dwell times and improving capital efficiency. Costs associated with tracking, shipping, or scanning paper documents are completely eliminated.

Greater operational efficiencies. Documents that are eSigned eliminate manual steps and inherently reduce errors. Staff won't get bogged down chasing down errors, lost documents, and missing signatures. This empowers lenders to process more loans, faster. Furthermore, by better understanding the e-Eligibility of their loan portfolio, a lender can more precisely forecast the resources and tooling required to close loans.

Better borrower experience. The closing is the last touch point a lender typically has with the borrower during the loan origination process, increasing the value and impact of the closing experience. As we mentioned earlier, the overwhelming majority prefer digital experiences. By digitizing the closing process, lenders can offer borrowers the choice and ensure a consistent and convenient experience with its borrowers throughout the closing.

Stronger partner strategy. By addressing e-Eligibility, lenders will also empower staff to optimally engage their network of partners and stakeholders throughout the closing process. For instance, a lender might be more inclined to work with investors or warehouse lenders that help them realize the full benefits of digital closings.

e-Eligibility in the Three Core Types of Digital Closings

There are countless permutations of closing types, but they all fall into three core categories: Wet-Ink Closings, Hybrid eClosings, and Full eClosings. The optimal choice is typically the most digital closing possible based on the loan's e-Eligibility.

Wet-Ink Closings

In a Wet-Ink Closing, all of the closing documents are printed on paper and signed and notarized in ink. However, lenders may still use some digital components, ranging from automated workflows or notifications to enabling the borrower to preview their closing documents before attending the in-person closing appointment. While lenders gain some efficiencies from a digitally-enabled wet closing, they will not realize the benefits from eSigned closing documents or virtual closing appointments.

Wet closings are typically selected when:

- The borrower opts out of eSigning closing documents
- The e-Eligibility of a loan is constrained by several factors
- The e-Eligibility of a loan significantly impacted by one primary factor (e.g., the investor will not accept any eSigned closing documents)
- The lender does not have a solution implemented to support eSigning closing documents

Hybrid eClosing

In a Hybrid eClosing, at least one or more closing documents are eSigned and the remainder are wet-ink signed. This means that the borrower might be able to eSign some portion of the closing documents before the in-person closing appointment. Hybrid eClosings might involve eNotarization, depending on whether any documents requiring notarization are eSigned. And hybrid eClosings can also include eNotes, if the promissory note will be eSigned.

The type of Hybrid eClosing can vary based on which e-Eligibility factors apply. For example, an investor might accept eNotarization and permit all closing documents to be eSigned, and the state and the title underwriter might permit the use of eNotarization, but if the county is unable to record eSigned and eNotarized documents, then the security instrument would need to be wet-ink signed.

Hybrid eClosings are typically selected when:

- The e-Eligibility factors allow some portion of the closing documents to be eSigned.
- The lender is not able to determine which investor the loan will be delivered to before closing, but most if not all of their investors will accept some (and in many cases the same) closing documents to be eSigned.

Hybrid eClosings are the most common type of eClosings lenders use today, accounting for more than 77% of loans closed on Snapdocs. Lenders offering Hybrid eClosings needn't manage as many e-Eligibility factors. They also benefit by limiting the variability in the types of eClosings they must operationalize, making Hybrid eClosings a popular option for lenders that are just starting to digitize their closings. Most importantly, lenders can offer Hybrid Closings to incrementally improve the borrower's experience and begin realizing operational efficiencies gained from eSigned closing documents.

Full eClosing

In the best of circumstances, when all five e-Eligibility factors align, lenders may fully digitize the loan closing process. In a Full eClosing, all closing documents are eSigned and eNotarized, and the paper promissory note would be replaced with an eNote. The closing appointment may occur in-person or remotely, using IPEN or RON respectively.

For a Full eClosing to be viable, each of the five e-Eligibility factors must provide a clear path for lenders to digitize. The investor must allow the use of eSignatures on all closing documents and accept the form of eNotarization utilized (IPEN or RON). The state and title underwriter must also permit that form of eNotarization. The county must support eRecording or accept paper representations of eSigned and eNotarized documents for recording. Since Full eClosings include eNotes, the warehouse lender and investor must accept eNotes and the servicer, subservicer, and custodian must also be able to support eNotes, as applicable. Lastly, the settlement agent should be enabled to support or facilitate the Full eClosing.

The Trail to Full eClose with RON is Marked by e-Eligibility

The spectrum of digital mortgage closings

\- → +

	Wet	Hybrid	Full eClose
eSigning	✗	✓	✓
eNote	✗	✗ / ✓	✓
eNotarization	✗	✗ / ✓	✓
eRecording	✗	✗ / ✓	✓

Lenders tell us that the "degree of digitization" matters. Generally speaking, the more lenders digitize a closing, the fewer costs they incur, the less time it takes to process, the better the experience for the borrower, and the lesser the likelihood of an error or lapse in security protocols.

80%

Lenders using Snapdocs generally see an 80% reduction in post-close quality control efforts, and are able to process 40% more closings than they would have using traditional closing methods.

* **This is why mastering e-Eligibility is so valuable:** doing so enables lenders to better forecast the optimal closing type per loan and thereby maximize the benefit they gain from their technology investments.

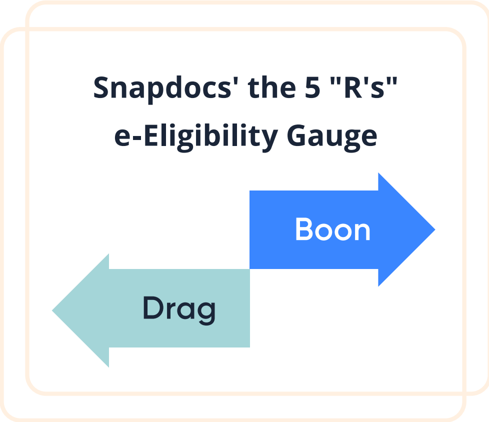
It's OK if a lender investigates the e-Eligibility of their loans and learns that Full eClosings aren't yet achievable at the rates they had hoped. They can still start digitizing at least some components of their closing processes, by facilitating Wet-Ink Closings using digital technology or by implementing Hybrid eClosings. In doing so, they learn valuable lessons that prepare them for the inevitable future of fully digital mortgage closings. Early adopters are refining infrastructure, processes, and workflows. They are familiarizing themselves with e-Eligibility factors and the use of eClosing technology, and will be poised to more quickly adapt their digitization efforts alongside broader adoption by their counterparties and other stakeholders.

By contrast, lenders who are underinvesting in digital closings and in managing e-Eligibility factors are making a risky bet. Borrower preferences have already shifted. Competitors are digitizing. Laggards risk losing market share. And those that rush their digital transformation risk a costly and error-prone exercise.

For any type of digital closing, lenders benefit from having the right tools and experts availed to them. With Full eClosings, these resources are a must.

The 5 Rs: A Framework for e-Eligibility

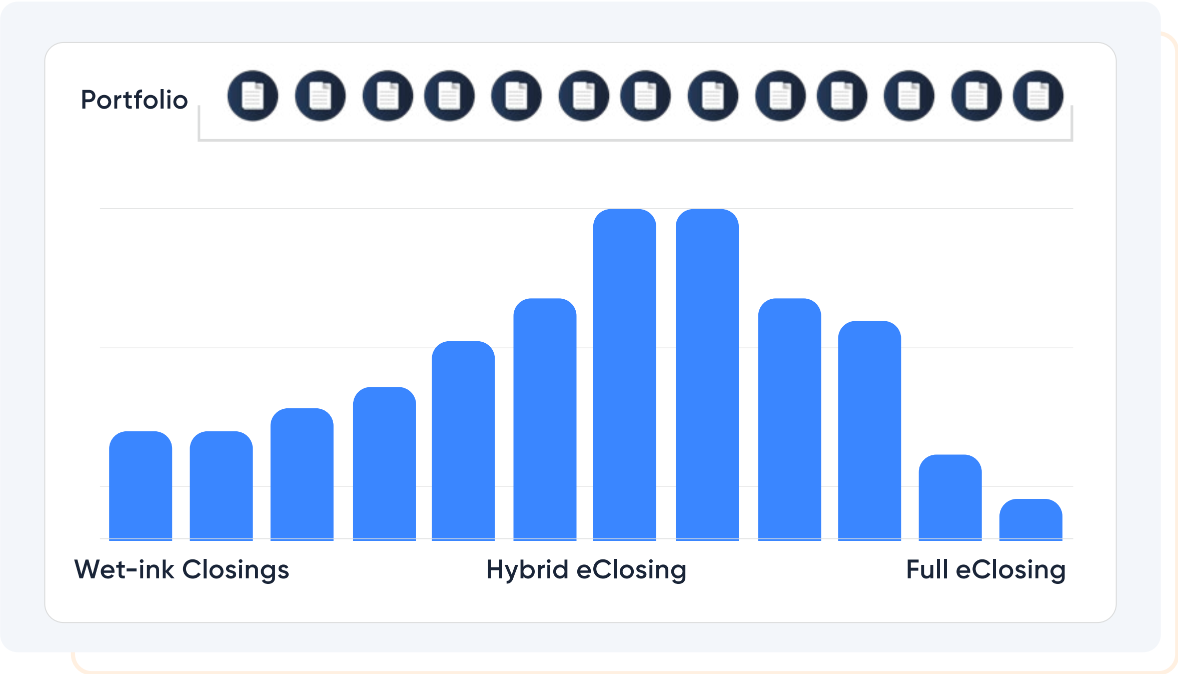
There are five factors that determine how digital a particular mortgage closing can be:



1. County Land **Recording**
   eRecording Acceptance by public land records
2. Counterparty **Requirements**
   Counterparty Acceptance of eNotes and other signed docs
3. Title Underwriter **Restrictions**:
   Title Underwriter Requirements for insurance and permitting
4. Settlement **Readiness**
   Settlement Agent adoption of digital closings
5. eNotarization **Regulation**
   State-specific eNotarization requirements

Those five factors can vary from loan-to-loan. The image below is an example of how each of the 5 Rs of e-Eligibility can have a different level of impact on a closing.

When you look at a particular loan through the lens of these five factors, you can determine what type of digital closing is the best fit. Ultimately, these considerations help you determine "how digital" a lender can be for every transaction.



The degree to which an e-Eligibility factor enables, restricts, or influences how digital a closing can be can differ on a lone-by-loan basis. For example, if the investor accepts all documents to be eSigned and the state allows for eNotarization, but the county cannot record eSigned and eNotarized documents, any recordable documents must be wet-ink signed and traditionally notarized. However, you can likely still have a Hybrid eClosing in this case. Whereas, if the investor does not accept any eSigned closing documents, the application of the other e-Eligibility factors become irrelevant: we've hit a full stop and that loan must be fully wet-ink signed (an increasingly rare scenario). These are high-level examples of the myriad dependencies, among other logical relationships, in which the five key factors coexist. So, understanding how the factors of e-Eligibility interact is just as important as understanding them alone.

How to Read this Section

Definition: A brief description of the factor

Primary Stakeholders: Who influences the factor

Objects: The closing documents impacted

Systems: The tools used by all parties

Mortgage Cycle: The position in the mortgage closing process

Decision Power: Whether or not the lender has influence over the outcomes

Boons: Circumstances favorable to eClosings, with "++" being highly favorable and "+" being moderately favorable

Drags: Circumstances unfavorable to eClosings, with "--" being highly unfavorable and "-" being moderately unfavorable

Sources of Variability: Attributes that might change the nature of the given circumstances and thereby the favorability of the factor to eClosings

Process: The loan closing process undertaken when full eClose

Considerations: Key issues worth highlighting

County Land **Recording**

Definition: Whether the county land recorder's office is able to accept recordable documents that are eSigned and eNotarized

Primary Stakeholders: Settlement agents, county land recording offices

Objects: The closing documents impacted

Systems: eRecording Platforms

Mortgage Cycle: Post-closing

Decision Power: None--the county land recorder's office typically corresponds with the county in which the property is located

Boons:
++ eSigned and eNotarized closing documents accepted for recording
\+ Paper representations of eSigned and eNotarized closing documents accepted for recording

Drags:
\- eSigned and eNotarized closing documents, including paper representations of such documents, are not accepted for recording

Sources of Variability: County, document type, document format, eNotarization type, use of in-state or inter-state notaries, eRecording types, and paper-out recording provisions

Process: Copies of eSigned and eNotarized closing documents are electronically submitted to the county land recorder's office for recording utilizing an eRecording solution, or paper representations of the eSigned and eNotarized closing documents are physically submitted to the county land recorder's office for recording.

Considerations: There is spectrum as to the extent to which a county might record eSigned and eNotarized closing documents:

1. The county accepts eRecording for all recordable document types
2. The county does not accept eRecording, but allows recording of a paper representations of eSigned and eNotarized closing documents
3. The county accepts eRecording, but only for certain document types

If the county will not accept the eSigned and eNotarized closing document (or a paper representation of it) for recording, that document would need to be wet-ink signed.

Over 15 Jurisdictions	6-15 Jurisdictions
100% Jurisdictions	No Jurisdictions

County-level acceptance, per PRIA

Counterparty **Requirements**

Definition: Whether the lender's counterparties (defined as investor, warehouse lender, servicer, subservicer, or custodian) are enabled by policy or capability (as applicable) to accept eSigned and eNotarized closing documents.

Investors' policies may impact any and all of the closing documents' ability to be eSigned or eNotarized, as applicable.

Whereas, warehouse lenders' policies are primarily concerned with whether the promissory note is wet-ink signed or electronically signed (eNote).

Servicers, subservicers, and custodians must be enabled to receive or have access to copies of eSigned and eNotarized closing documents, but limitations are primarily related to the use of eNotes and associated with these counterparties' capabilities to do so, rather than explicit policies.

Primary Stakeholders: Investors, warehouse lenders, servicers, subservicers, and custodians

Objects: Loan collateral file, comprised of closing documents and other artifacts associated with the loan, as applicable to the counterparty

Systems: Loan origination systems, closing systems, proprietary collateral delivery and document storage systems, eVaults, MERS® eRegistry, MERS® eDelivery

Mortgage Cycle: Post-closing

Decision Power: Moderate. While lenders have some control over the counterparties that they transact with (such as subservicers and warehouse lenders), other counterparties may be dictated by the loan type, or the ultimate investor may not be known until post-closing. Also, if a lender does not use a warehouse lender or retain loans in their own portfolio, or services its own loans,, aspects of this e-Eligibility factor might not apply.

Boons:
++ Investor accepts eNotes
++ Investor accepts other eSigned closing documents, including the use of eNotarization (IPEN and/or RON)
++ Warehouse lender will fund eNotes
+ Servicer is enabled to accept eNotes
+ Subservicer is enabled to accept eNotes
+ Custodian is enabled to accepts eNotes

Drags:
-- Investor does not accept eNotes
-- Investor does not accept other eSigned closing documents, including the use of eNotarization (IPEN and/or RON)
--Warehouse lender will not fund eNotes
- Servicer is not enabled to accept eNotes
- Subservicer is not enabled to accept eNotes
- Custodian is not enabled to accepts eNotes

Sources of Variability: Loan type, document type, borrower type, eNotarization type, property state

Process: Generally speaking, a copy of the loan collateral file consisting of closing documents and other artifacts associated with the loan, are distributed or made accessible, as applicable to the counterparty's role.

For eNotes, a copy of the eNote is delivered to certain counterparties, through MERS® eDelivery and rightsholder positions on the MERS® eRegistry are transferred to the counterparty, as applicable to the counterparty's role.

If the note is a paper promissory note, certain counterparties, such as the warehouse lender or investor, will require that it (or its designated custodian) receive the original wet-ink copy of the promissory note endorsed to it or endorsed in blank.

Considerations: For certain types of digital mortgage closings, the investor may require that the servicer also retain a copy of the digital mortgage closing audit trail and transfer this audit trail to future servicers. Additionally, for digital mortgage closings with RON some investors may require that lenders (or the lenders' assignees) retain access to the audio-video recording associated with a RON for a specified period of time.

Title Underwriter **Restrictions**

Definition: Whether the title underwriter imposes any restrictions on digital mortgage closings

Primary Stakeholders: Title underwriter, settlement agent

Objects: Closing protection letter

Systems: Title production systems, proprietary title underwriter systems

Mortgage Cycle: Pre-closing

Decision Power: Weak--The title underwriter, while performing a service that benefits the lender and ultimately the investor, is contracted through settlement for its services. Further, aside from refinance transactions, the borrower typically selects the settlement agent.

Boons:
++ The title underwriter accepts all forms of digital mortgage closings where legally permissible without further limitations unique to digital mortgage closings
+ The title underwriter accepts certain forms of digital mortgage closings, with limitations

Drags:
-- The title underwriter imposes significant restrictions on digital mortgage closings beyond what is legally permissible
- The title underwriter imposes some restrictions on digital mortgage closings

Sources of Variability: Loan amount, loan type, document type, property type, borrower type, eNotarization type, eNotarization platform

Process: Title underwriters provide settlement agents with guidelines they must follow

Considerations: With respect to digital mortgage closings, title underwriter requirements are primarily associated with the use of eNotarization. They may impose more stringent limits than those legally permissible to mitigate risk. For example, title underwriters might require that the eNotarization be performed on a platform that has been reviewed and approved by the title underwriter. Or, they might require the use of an in-state notary for a RON transaction even if not expressly required by law.

Settlement **Readiness**

Definition: Whether the settlement agent is enabled to facilitate digital mortgage closings

Primary Stakeholders: Settlement agents

Objects: Closing documents

Systems: Closing platform

Mortgage Cycle: Pre-Closing and Post-Closing. The settlement agent facilitates the closing of the loan, which may include managing signing appointments, disbursing funds, and submitting documents for recording.

Decision Power: Moderate to High-Although the lender may not select the settlement agent (commonly the case with purchase transactions), settlement agents typically follow instructions from the lender on how to facilitate the loan closing (as long as that guidance does not conflict with laws, title underwriters' requirements, or borrowers' preferences to eSign their closing documents).

Boons:

++ The settlement agent is sufficiently enabled to facilitate the digital mortgage closing, through system access, training, and clear instructions from the lender

Drags:
- The settlement agent is not sufficiently enabled to facilitate the digital mortgage closing (e.g., inadequate system access, training, or instructions from the lender).

Sources of Variability: Settlement agent's relationship with the lender, or its prior experience with digital mortgage closings.

Process: The lender provides the settlement agent with sufficient information to enable the settlement agent to facilitate the closing, including information about the borrower and the loan, the lender's closing documents, and any corresponding closing instructions. For digital mortgage closings, this enablement may also take the form or access or training to support the lender's digital mortgage closings.

Considerations: Since the settlement agent conducts the closing based on the lender's guidance, this factor is generally within the lender's control.

Lenders can empower settlement agents to be a boon to their digital closing efforts by implementing solutions that are both readily accessible to settlement agents and also intuitive for them to use. Lenders should also ensure that they provide clear instructions to settlement agents on how to facilitate their digital mortgage closings.

eNotarization **Regulations**

Definition: Whether the state permits the use of eNotarization

Primary Stakeholders: States, notaries

Objects: Closing documents that require notarization

Systems: RON platforms, IPEN platforms

Mortgage Cycle: Typically at closing, and during the in-person or remote closing appointment, as applicable

Decision Power: None-state laws dictate whether and what types of eNotarization are permissible in that state.

Boons:
++ The state permits both forms of eNotarization (IPEN and RON)
+ The state permits at least one form of eNotarization (IPEN or RON)
+ The state permits (or does not prohibit) out-of-state RON

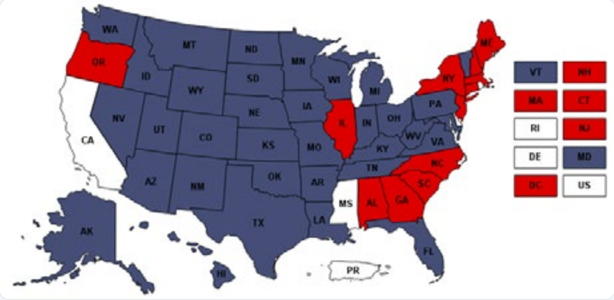
Drags:
- The state does not permit IPEN
- The state does not permit RON
-- The state does not permit IPEN or RON

Sources of Variability: State-specific eNotarization requirements, eNotarization platform, eNotary-specific requirements/certifications.

Process: The notary attends the closing appointment, verifies the borrower's identity, and applies his/her signature and notarial seal to the closing document.

For Wet Closings, or closings with IPEN, the notary and borrower are co-located and the notarization occurs at an in-person closing appointment. For closings with RON, the notary and borrower are not co-located. Instead, the borrower and notary meet virtually and the notarial act is carried out through a live audio-video feed, similar to a webcam. s For Wet Closings, the notary uses traditional wet-ink and seal to notarize the paper document. For Hybrid or Full eClosings facilitated by IPEN or RON, the notary electronically notarizes the document.

Considerations: With respect to eNotarization, the primary consideration is whether the state permits IPEN and/or RON. Otherwise, the use of eSignatures is enabled in all 50 states through a combination of federal and state laws. Also, some states require that the eNotarization platform be approved for eNotarizations in that state.



States with enacted RON Laws

States in Session with Active RON Bills

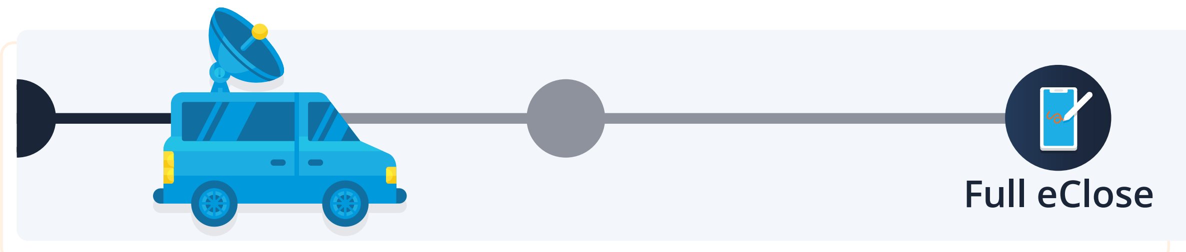
No Current Activity

State-level Acceptance, per the [Mortgage Bankers Associations]

First Steps Lenders Must Take to Address e-Eligibility

Lenders that are trying to make the transition to digital mortgage closings might feel they are blazing new trails. They recognize the direction they need to head in, but they don't always have a complete map. The map seemingly changes daily and they can't readily ascertain where the terrain will be paved or rocky. Which vehicle should they take? What is the best route for them to take?

In this analogy, the closing solution is the vehicle, and e-Eligibility is the map that tells lenders which route to take. That route might look different from lender-to-lender and it might change as a lender progresses in their journey towards Full eClosings.



We've seen many lenders adopt closing solutions that don't fully realize the potential of their digital programs. Some platforms are optimized for one type of digital closing, limiting how much a lender can digitize other closings types. Other platforms are inflexible to the inevitable changes that come with a digital closings program, requiring that the lender continually invest valuable time resources to add new providers and technology components.

An eClosing solution should be both flexible and smart. Flexible enough to support every closing type the lender needs, from Wet-Ink to Full eClosings and everything in between. And smart enough to help the lender navigate these e-Eligibility factors and select the best closing type for each transaction.

How Snapdocs Can Help

Snapdocs recognizes that closings fall on a spectrum. That there isn't a one-size-fits-all approach, and that in order for lenders to truly scale their digitization efforts, their closing solution needs to meet them where they are, and help them chart the best course towards digital mortgage closings.

If you're now or will soon be managing the e-Eligibility of your loan portfolio, Snapdocs can help. We've designed our 5 Rs Framework as a means of aggregating, analyzing, and actioning the data required to advance the digitization of the mortgage closing process. It's how we approach each engagement with industry-leading lenders who are working to maximize the digitization of their closings.

Not only can we help you assess your organization's unique e-Eligibility profile, but we can also help you prepare for digitization by answering key questions, such as:

- Which implementation approach gives you the highest probability of success towards achieving your digital mortgage closing goals?
- How might the automation gained from digital mortgage closings result in capital efficiency?
- What processes might look different with digital mortgage closings?
- How can you enable your teams, including loan officers, processors, and post-closing staff to support your digital mortgage closing initiatives?
- When and how should engage your counterparties to garner their support, participation, or obtain their approval (as applicable) such that they enable and not hinder your progress towards digital mortgage closings?

What is the best way to engage with settlement agents to ensure they are informed and empowered to facilitate your digital mortgage closings?

Start now by sharing with us just a few details about your lending landscape and we'll deliver a rapid assessment of "just how 'e' you can be," including a roadmap and business case for digitizing loans.

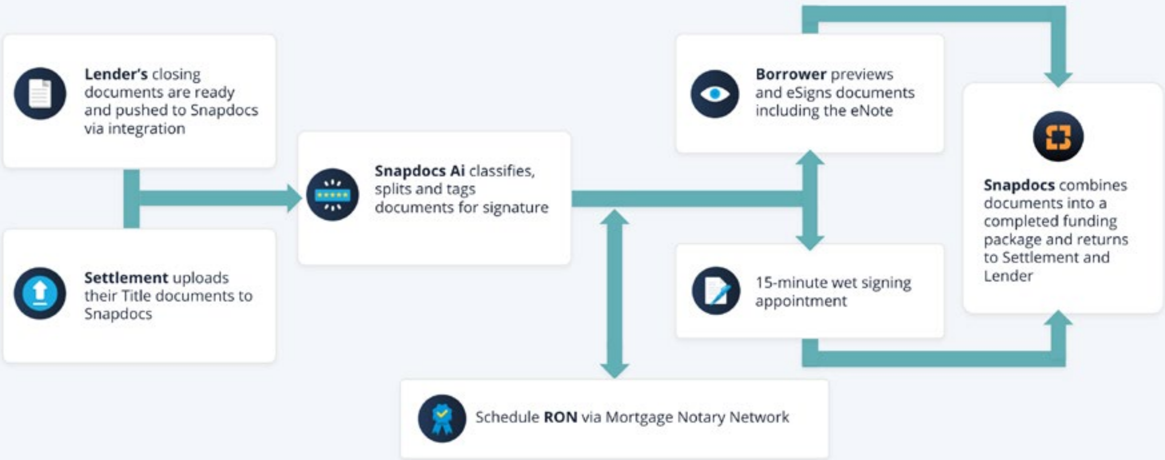
Why Snapdocs?

Snapdocs is the leading tool for lenders that are digitizing their closings.

1. **One Efficient Process for Every Closing.** Maximize closer & settlement efficiency by running every closing through one process - Wet-Ink, Hybrid eClosings & Full eClosings
2. **MISMO-Certified.** Snapdocs is certified by MISMO as fully compliant with industry-wide standards for RON.
3. **Automatically Prepares all Closing Documents for eSignature.** Snapdocs Ai sorts and tags both Lender and Title documents, ensuring all closing documents are processed quickly and accurately without manual intervention.
4. **Industry's Largest Notary Network.** Over 110k qualified real estate notaries use Snapdocs, with RON notaries in all RON-enabled states.
5. **Choose your Notary & Payment Method.** Choose your own notary or source one from our network. Pay the notary directly or with Vendorpay.
6. **Flexibility to select best RON and eVault technology.** We are platform agnostic and partner with best-in-class RON and eValut technology providers.

How it Works

eClose (RON)



Get a free e-Eligibility Assessment

Your loan portfolio is unique. Our e-Eligibility assessment will tell you exactly how digital your mortgage closings can be.

Get the Assessment

“Since we first launched our eClose platform [with Snapdocs], we have worked our way through hybrid closing, hybrid with eNote, and now full eClose with Remote Online Notary.
There are many lenders, many much larger than us, who have not even started their eClosing project.

We are thrilled to provide this improved experience for our customers and the title companies we work with in the loan closing process.”

Tom Knapp
Chief Information Officer,
Waterstone Mortgage Corporation

About Snapdocs

Snapdocs is a mortgage technology company that is hyper-focused on defragmenting the critical last mile in the loan origination lifecycle, the closing process. While we are a leading provider of digital mortgage closings, first and foremost we are a closing solution that has pioneered a new category of core mortgage technology. We differentiate ourselves from other digital mortgage closing technology providers on two primary fronts:

1. Snapdocs enables lenders to leverage one platform to manage all of their closings, from traditional, fully wet-ink signed closings to fully remote online eClosings, and every form of hybrid in between. We recognize that closings today, and for the foreseeable future, will continue to fall within a spectrum of closing types due to numerous factors including investor requirements, jurisdictional treatment of eNotarization and eRecording, title underwriting policies, and borrower preferences. We provide lenders with the flexibility and agility needed to optimize their closing approach based on this matrix of factors, scale their approach in line with the market's broader adoption, and achieve their objectives for digital mortgage closings.
2. Snapdocs is the only closing solution in the market that truly recognizes and fully accommodates the role each participant plays in the closing transaction. In addition to the lender, we treat the borrower, settlement agent, and notary as key stakeholders. We optimize the experience for each user, and provide a single source of truth where all participants can seamlessly access the information they need when they need it, readily communicate with one another, and most importantly, collaborate to simplify the closing process for everyone involved. This approach ensures all participants support the adoption of, and see value in, digital mortgage closings.

The success of Snapdocs' solution comes from our bias towards uniformity in process, and our ability to support any closing type and any mix of participants with robust, multi-party workflow automation and 99.99% document accuracy. And, we do so while seamlessly integrating with participants' existing technology stacks, including point of sale, loan origination, document provider, and title production systems. In short, by seeing the problem differently, we've solved it differently.

This approach has served us well. Founded in 2013, Snapdocs has raised more than $100 million, grown to more than 400 employees, and built the largest mortgage closing network in the industry. With approximately 300 lenders, 27,000 settlement and title professionals, and 110,000 notaries on the Snapdocs platform, we're proud to have supported the mortgage industry during unprecedented times by powering over 3 million closings in 2020. Even still, the figures we're most proud of is the value we've brought to our customers. For example, on average, lenders using Snapdocs have reported the ability to support 40% more closings without adding headcount along with an 85% reduction in the allocation of resources to post-closing quality control efforts.