How the Industry will get eClosing Wrong

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We all have read the results from the CFPB eClosing pilot and can all see the tremendous benefits of eClosing. However, many lenders will get it wrong on their first attempt. The reason for this is short-sighted approaches based on poor assumptions.

Unfortunately, many businesses have difficulty in understanding what eClosing really is and make the erroneous assumption that eClosing = eSigning. The truth is eSigning makes up less than one percent of the value proposition and functionality needed to realize the benefits of a true eClosing. Here is a look at some of the other poor assumptions lenders are making in regards to eClosing:

- **eClosing is eSigning.**

  The fact is what the industry needs more than just eSigning is the ability to control and standardize the closing process. The value of a platform which can handle all types of transactions is far greater than simply eSigning. As quick point of reference, eSigning replaces wet signatures, and frankly, eSigning by itself will not save any time.

- **eClosing is an added expense; therefore, find the cheapest solution.**

  When process control, education, transparency and participation are part of the platform, expense reduction and increased revenue are part of the value proposition and will result in a return on investment very quickly. Look further into a platform's value proposition and capability. The last thing you need is a spot solution that gets by today but takes you nowhere.

- **eClosing will fit in the current processes we have used for years.**

  The world of digital processing is different than the processes this industry has used for years. It requires an analysis of current processes with a perspective of what the new technology can provide. Thus, you should be able to redefine the way you do it, which will likely result in cost savings.

- **eClosing is a massive IT project, which will be costly and take up a lot of time**.

  While some solutions will require costly implementations, the companies that have truly thought this technology through will have 1) chosen to deploy their solutions via SaaS and 2) created an implementation methodology that allows a lender to easily adopt eClosing and evolve their implementation along the way as they gain more confidence in executing closings electronically

- **eClosing is an all or nothing proposition, meaning we either do it or don't**

  Nothing in any industry is black and white, and this is the case with eClosing. There is a fair amount of evolution which will take place in different types of eClosing, and even today there are hybrids, fully digital and eNote transactions. A platform should be capable of performing all of them, and lenders should be able to perform a mix of old and new with variations on each, depending upon their requirements and/or preference.

- **There is just one kind of eClosing**

  The truth is, there are four variations on the eClosing process:

  - **Paper** – Even though paper transactions are not electronic transactions, the same process control technology can be used throughout the process, allowing you to gain 90 percent of the value proposition.
  - **Hybrid** – Part of the documents are signed electronically and other are ink signed.
  - **Digital** – All the documents are signed electronically.
  - **eNote** – This would be inclusive of the note, the registry with MERS, and the long term vaulting. However, there is still a significant amount of evolution and change that needs to happen before this becomes mainstream.

- **eClosing requires specific hardware**

  Although there is hardware in the form of signature pads and "touch" technology that can complement an eClosing, they are not necessary elements to the process. In time, the industry will likely want even more hardware technology to gain even more precision in the process, but today, it is entirely optional.

- **All eClosing platforms are the same**

  The value proposition and capability of platforms are widely different, as can be seen in the CFPB's eClosing report where they distinguished between eClosing and eClosing Advanced. Do your due diligence to determine the appropriate solution to fit your needs and desires.

For any company moving in this direction, it is critical to fully understand the differences and methodologies used in each of the Digital Closing platforms on the market. Focus your attention on the platform that provides the best ROI and methodology for implementation and that presents itself as a long-term evolutionary product you can use regardless of the changes in the future.

About Mark McElroy

After starting in Fortune 100 application development in 1984, McElroy moved to a partnership in 1996 at the multi-national SAP firm IT Services, Inc., where he helped grow the business to $40M in annual revenues by 2000.

In May 2001, McElroy purchased RamQuest, Inc. with several other investors. During his tenure there as President and CEO, revenue increased 28 fold for 50 consecutive quarters of profitability, the user base exploded to 30,000 users nationwide, and several new products were developed and launched for the title industry.

In 2011, under McElroy's direction, RamQuest began to widen its focus and develop products and services for vertical real estate markets under the Guardian Consumer Services brand, which officially launched and separated in 2014 as Pavaso, Inc.

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