A Misguided View of e-Signing

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As with anything new or any pioneering technology, misconceptions and obstacles rule the day and the mortgage industry is no exception. It seems many Lender and Title companies will take a negative approach to solutions in the industry so they have reasons not to do any of it. I believe the basic premise for taking this negative approach boils down to misconception and lack of clear target issues they are trying to solve.

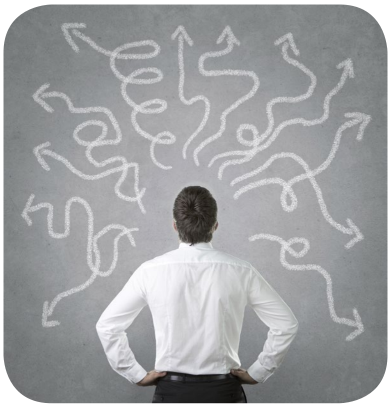
Let's take the case of e-Closing. The industry as a whole has defined e-Closing as e-Signing, when in fact the two are dramatically different. In this case e-Signing is nothing more than the replacement of "ink" and holds very little value in itself nor is it an obstacle to be concerned with at this time. There will be no revolution, great gain, or great loss in the action of e-Signing nor will e-Signing be the savior of all things mortgage, it is simply a mechanism for signing.

In fact, this misconception becomes the scapegoat for many to not address anything regarding closing real estate. We have seen many lenders and title companies explore technology with such a negative attitude that any one thing becomes a reason to not solve anything, and becomes their "out" in making anything electronic or digital an initiative. Don't throw out the baby with the bath water!

This industry's greatest challenge to overcome is the consumer, their closing experience, and the ability to standardize closings. Each and every day, closings are happening across the country with consumers who don't understand what they are signing, never had a chance to understand it, reach closing not knowing a thing, and there is not a soul who can tell you what was said in these closings. It literally is a black hole with millions of variations in how it is performed.

We have seen company after company explore the technology without a clear target of the issues they are trying to solve, and just as many who specifically search for reasons not to do anything. The most common reason becomes e-Signing and is explained that either their county doesn't accept e-Sign or their investor won't buy e-Signed documents. The fact is this is NOT the issue you should be trying to solve and is NOT a decision point which will improve your business. Honestly, e-Sign will undergo quite a bit more evolution, and all of it is in the ability to accept it, but it has NOTHING to do with e-Closing.

In another parallel case, I have preached for months that regardless of the TILA-RESPA ruling, the number of documents, or what forms we use to close real estate, the process itself will NOT improve until the process is changed, standardized, and education is provided for



the consumer before they arrive at closing table. We could literally cut the closing to one document and it still wouldn't improve if the process does not include the consumer from the beginning and the details of the document are not explained to them before the closing.

This industry's issue is its treatment and service to the consumer, and until you include the consumer and change your closing process, your company will never see the benefits of the technologies that are available. There is a thousand times more benefit in connecting the consumer into transparency, education, and participation than there will ever be in how it is signed.

What this means is focus now on fixing the process and including the consumer, let the industry evolve as it will, and build solutions that incorporate any type of signing or mix of signing. When the industry changes, you will already be there treating your consumer right and able to do any type of closing which will translate into more business and a happier customer.

e-Closing standardizes and records what was said, how the Consumer was treated, what the process was, and what really happened. This approach creates customers who are educated, who feel good about what they have done, and know what they are doing which will translate into customers for life. Fix the process and you put yourself in the best possible position for wherever e-Signing goes in the future, but don't base decisions on the replacement of ink. The challenge you have can't be wiped away by the swipe of a pen or an e-Sign!

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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