

# Credit Union Uses eRegistry for eNotes to Bring 21st Century Efficiency to its Mortgage Process

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Technology creates much efficiency for us every day. We shop on line, deposit a check simply by taking a photo of it and sending it via a mobile app, pay bills on line and even receive direct deposits electronically. Each of these processes simplifies our lives every day.

In the mortgage industry, an eMortgage happens when critical loan documentation – specifically the promissory note, closing documents and security instrument, are created electronically, executed electronically, transferred electronically and ultimately stored electronically. MERS® eRegistry plays a major role in this process because it is the system of record that identifies who is in control of the eNote and where it is stored electronically. And, yes, this is reality and it is done every day.

To explore how eMortgages impact a credit union's operations, its members and even investors, we spoke with Steve Wolf, System Administrator, Home Loans Department at Boeing Employees' Credit Union (BECU). Mr. Wolf shared BECU's experience using the MERS® eRegistry for eNotes. To provide some perspective on its mortgage operation, BECU originates more than \$1 billion in mortgage loans per year and has more than 850,000 members.

**Q:** How did eNotes come to your attention? What made you inclined to learn more?

**A:** In 2006, a goal at BECU was to eliminate paper from the beginning to the end of the mortgage loan process and

I was asked to explore eNotes. At that time, the credit union had a paperless application process, but we still used folders for files, generated paper docs and sent document images that were printed on paper at closing. The vision was paperless from the application process to signing and funding the loan. We were successful in our vision and the first eSigning occurred in October of 2007.

A big realization during this process is the benefit of data over paper—it reduces our ecological footprint. There is less wasted paper, less toner usage and we experienced a reduction in courier and shipping costs; as well as a reduction in our couriers' carbon foot prints—this is big. In addition, the process was more efficient. There is no rekeying, resulting in greater accuracy. Once the data is there, it never has to be moved—it is just there. Paper can get lost or misfiled; eNotes provide for accurate data all the way through the process. While there have been hiccups with eNotes, we've always been able to track them down and they contribute to better transparency and compliance tracking. It is a beautiful thing and it is now a true paperless process from beginning to end.

**Q:** How did employees like the new process?

**A:** There were early adopters who embraced the change. Others focused on how it had always been done and it was a challenge for some employees. Ultimately, they came around.

**Q:** *We discussed the credit union's experience, what has the member experience been with eClosings?*

**A:** The member experience helped drive the process from the beginning. The electronic process is much simpler because it really only includes two signatures—a paper closing can be overwhelming and require signing between 25 and 40 documents. Members benefit because of the speed of which closings can happen. Further, eNotes have made it easier for us to meet the Consumer Finance Protection Bureau's (CFPB) "Know Before You Owe" (KBYO) requirement that takes effect on August 1, 2015. This is a new requirement that borrowers have the opportunity to review their documents three days before a signing. eNotes put BECU ahead of the curve because this requirement is already met.

**Q:** *I have heard you use the term "Coffee Shop Signing." What does this mean?*

**A:** Members like eNotes because a closing can occur in the comfort of their own home—or even at a coffee shop. A real benefit is that they are able to review documents before the signing. A closing can happen anywhere and documents can be signed on a tablet. In the beginning, we incented members with a gift card to use eClosings, but that is no longer necessary. Members gravitate toward the eSignings on their own. eNotes provide efficiency, a quicker closing and there is no paper—it's very cutting-edge.

**Q:** *Do members have to use eNotes when refinancing or purchasing a home?*

**A:** We give our members the option of an eNote process or the traditional paper based approach when they refinance or originate a home loan and the response has been favorable. In fact, 65 percent of our mortgage lending is refinances and of those refinances about 50 percent are eClosings. The reason the emphasis is primarily on refinances is because the

credit union does not direct the eSigning closing process on purchases, as it does with an eSigning closing on refinances. In most cases, realtors direct the selection of a closing agent on purchase transactions and many escrow companies may not have the eSigning pad, tools and the training needed for eSignings, so it cannot be done. This is sometimes a challenge. However, if all the parties have the right tools, eClosings can be used for home purchases.

**Q:** *What has the investor response been?*

**A:** BECU primarily sells to Fannie Mae if it does not hold the loan in portfolio. Fannie Mae has been enthusiastic and helps drive the process. eNotes allow investors to receive loans faster, they can review them electronically and the credit union receives its funds faster because there is no shipping involved. Other investors beyond just Fannie Mae are beginning to see the benefits of the eNote process.

**Q:** *What is different about servicing eNotes? Are there challenges?*

**A:** We have not experienced any challenges servicing eNotes—including with foreclosures or charge offs. They have been handled the same and have gone well during the past seven years since the inception of eNotes.

**Q:** *When starting the eNote process, would you recommend using a trusted vendor or creating your own internal systems to manage the process?*

**A:** We rely on our vendor partners for the technology expertise. I cannot imagine creating this process from start to finish—just the technology required alone is intense. And, there are good solutions out there—take advantage of what's available. I definitely recommend using a vendor to help establish the eNote process.

**Q:** *In closing, is there anything you would like to add?*


**A:** We love our eSigning process. This is how we became involved with MERSCORP Holdings, Inc. and the MERS® eRegistry, and it has been a successful relationship.




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