What Lenders Don't Know About E-recording

THREE REASONS TO MAKE E-RECORDING THE NEXT STEP IN YOUR DIGITAL MORTGAGE PROCESS

simplifile

Introduction

As the mortgage industry adopts new technologies in its quest for a totally digital mortgage, the benefits of automating one area have remained largely overlooked: the document recording process. Many lenders are still unfamiliar with the e-recording model and the ease of implementing a system that could save significant time while also reducing their risk. But in today's tight purchase market, lenders who want to compete effectively are looking further down the real estate supply chain and are discovering efficiencies in this essential area.

The Mortgage Bankers Association is forecasting 5% growth in purchase origination volume this year, despite the shortage of housing supply.[1] Lenders who want to take advantage of this favorable economic environment need a fast, compliant recording process that matches the effectiveness they are seeing from other parts of the digital mortgage experience.

As PwC noted in a recent report: "Some mortgage lenders are taking a fragmented approach to electronic documents and, in most cases, failing to build integrated paperless workflows. Many lenders use electronic documents at certain points in their processes but then convert back to paper-based processes for the next step, often printing out the very files they just created electronically. While some individual components may be working well for lenders in areas such as electronic disclosures, most lenders are missing an integrated end-to-end strategy that supports an efficient paperless process."[2]

Many lenders have taken important steps to offer digital options that are highly visible to the borrower — such as a mobile application process or e-signatures — but haven't extended those electronic options to gain the most benefits internally. In the end, making any part of the mortgage loan process faster, easier, and more compliant will benefit the lender, whether or not it is borrower-facing.

Recently both Fannie Mae and Freddie Mac have made clear that they encourage and support e-recordings — an important point of clarity for lenders. Freddie Mac stated the following in its e-mortgage adoption follow-up report in 2017:

"The GSEs continue to advocate for the wider adoption of e-notarization and e-recording. Some of our efforts to move the industry forward include:

The GSEs have partnered with the Property Records Industry Association (PRIA) to help support the expansion of e-recording capabilities. As part of this partnership, both GSEs participated in an e-closing educational session at the August 2017 PRIA Annual Conference that discussed e-closing benefits and how e-recording could help with e-closings. In addition, Freddie Mac authored a series of articles that were published in a PRIA newsletter. The articles provide an overview of the legal basis for e-recording, the benefits of e-recording, and the path to moving forward."[3]

Additionally, the GSEs have recently updated their selling guidelines to clearly state that the e-recorded version of a security instrument is now sufficient for loan delivery. Previously, lenders were required to submit the paper version of the recorded security instrument, which partially explains why lenders have not focused as much on e-recording as other digital mortgage strategies.

Now that the GSEs have made clear that they accept and even encourage e-recordings, lenders have more reason than ever to adopt this efficient process. Simplifile, which has been providing e-recordings for more than a decade, outlined three fundamental facts that lenders may not know about the process.

1

83% of the population is covered by e-recording

One reason for the slow adoption of e-recording among lenders has been the nature of document recording itself. Establishing collaboration with thousands of different counties is no small feat, and many lenders assume that e-recording is done by only the biggest counties, leaving large gaps in coverage. However, PRIA reports that 1,800 counties are now e-recording.[4] While that number represents about half the counties in the U.S., they are the counties that are the most populous.

“E-recording is much more common and widespread than most lenders realize,” said Mark Ladd, vice president of regulatory and industry affairs at Simplifile. “While the number of counties e-recording make up only about half of recording jurisdictions, they are the right jurisdictions. All the major counties are on board, equating to 83% of the U.S. population.”

2

E-recording lets lenders turn inventory much faster

In a manual recording process, the lender sends documents by U.S. mail, a private carrier like FedEx, or a courier to each county. This physical process is one reason why it might take weeks for lenders to get back a recorded document. The time it takes to get the documents delivered to counties is only half the story: if there are any errors, those documents will be returned to the lender the same way, and then have to be sent again. The same holds true if the check to pay for the recording is written for the wrong amount.

In contrast, e-recording can be almost instantaneous. Ladd said that the national average for e-recordings using Simplifile is three hours from the time the submitter hits the submit button until the time they get the e-recorded document back, but in many cases it takes just minutes to get a returned document.

Don Clark, the register of deeds in Saunders County, Nebraska, detailed how much faster the recording process is using Simplifile e-recording.[5]

“The time to turnaround is amazing. You get the document in, you look at it, if something’s wrong — maybe they forgot a notary...[or] the legal descriptions are off. Well, you just hit a little button there and say ‘this is wrong’ and boom — it’s back in their office. And now they correct it and send it back to you.”

His deputy register of deeds, Rhonda Andresen, agreed.

“It used to take weeks, now it takes one day,” Andresen said.

When processing documents, counties will use the same communication methods that title and settlement agents use in sending the documents. That means documents sent electronically get recorded quickly within that environment and then are sent back that way. But sending physical paper documents means the counties will respond in kind — drawing out the process even further.

All of that physical back and forth costs money too, whether it’s mailing, overnighting packages, sending couriers, or the cost of parking – nevermind the loss of productivity and liability created by these paper processes.

“There are a number of really practical areas where e-recording will save money. The cost of e-recording can be much cheaper than the cost just to park your car in some cities,” Ladd said.

3

E-recordings are extremely safe and provide easy compliance authentication

The origins of the e-recording process stretch back 17 years, when tech pioneers in Orange County, California, and Maricopa County, Arizona, started submitting scanned documents by a secure connection between the submitter and the county. In the early 2000s, during the run-up to the financial crisis, Maricopa County was recording up to 9,000 documents a day,[6] a feat they could only accomplish by implementing a rudimentary electronic recording process.

Today, e-recording vendors use much more sophisticated systems built with state-of-the-art infrastructure and banking-grade security. Simplifile has multiple data centers, redundant equipment, and storage backups to protect documents and data. In the years since e-recordings have been used, there has been no reported hack of an e-recording system, no corruption of documents, and no breach of private information.

"Given the importance and volume of these transactions, the vendor community can't afford to do anything less than banking-grade security. We have been very diligent — and successful — in keeping this process safe," Ladd said.

When it comes to compliance, the audit trail for e-recordings is far more detailed than a paper-based process. A paper document that is delivered physically doesn't provide information on who generated it or exactly when it was signed or notarized, except for the date. In contrast, an electronic document records who updated what parts of the document — down to seconds and milliseconds — and when others interacted with that document and when exactly it was signed. Then there is a record of exactly when it was submitted to the county, when it was received, recorded, and returned.

"The digital forensic evidence we can provide is a treasure trove of information about these documents — not only internally for your own efficiency studies and productivity, but also for law enforcement," Ladd said. "People walk into law enforcement and claim mortgage fraud or deed fraud or they are in bankruptcy proceedings. The borrower may say, 'That's not my signature,' so then if the documents were created electronically, authorities can get much more information from the digital evidence than they ever could in a paper process."

The benefits lenders get from e-recording are numerous and the process is easy to implement. With the vast majority of people living in counties that conduct e-recordings, the adoption of the e-recording process is the next logical step for lenders on their path to a digital mortgage.

ABOUT SIMPLIFILE

Simplifile, the nation's largest e-recording network, was founded in 2000 to connect settlement agents and county recorders via its e-recording service. More than 17,000 settlement agents use its network to e-record documents with more than 1,700 counties and counting.

Today Simplifile has broadened its services to include collaboration tools and post-closing visibility for mortgage lenders and settlement agents working together on real estate documents. Through Simplifile, users can securely record, share, and track documents, data, and fees with ease. Based on the 12 million documents e-recorded through Simplifile's network each year, Simplifile is also able to provide guidance on the legality of electronic real estate processes, such as e-signature and e-notarization, down to the local level, enabling lenders and settlement agents to make every transaction as "e" as possible.

To learn more, visit simplifile.com or call 800.460.5657.

SOURCES

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