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REAL ESTATE | JUMBO JUNGLE

Mortgage Closings Just Took a Big Step Into the Digital Age

The fully remote and paperless closing has arrived: A Chicago couple closed a home loan from a Michigan lender using a Virginia notary public, all from a laptop



ILLUSTRATION: CHRIS GASH

By Robyn A. Friedman

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Borrowers used to closing on a mortgage in a conference room surrounded by other parties to the transaction may soon be in for a pleasant surprise. The ink-free, paper-free, meeting-free remote mortgage closing is finally here.

On July 28, Peter Mueller and his wife, Patty, refinanced the mortgage on their three-bedroom home in Chicago by signing all the required documents digitally on Mr. Mueller's MacBook. The closing heralds a new era that allows fully digital and remote mortgage transactions. The loan, from United Wholesale Mortgage in Troy, Mich., will soon be sold to Freddie Mac—also electronically.

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“We’ve purchased thousands of what we call electronic mortgages or e-notes where it is paperless, but this is the first transaction that we’re aware of where it was an

entirely remote electronic online closing with all of the documents electronically signed,” says Samuel E. Oliver III, vice president, single-family business transformation management, Freddie Mac.

So-called eMortgages have been around for years, but prior closings involved the execution of closing documents on a tablet with a stylus, and still required the physical presence of a notary public. Other closings took place remotely, with an online notary public, but those weren't fully digital because the borrowers "wet signed" some documents in ink.

JUMBO JUNGLE TIPS

A few things to consider if you're interested in closing remotely:

Not every lender. There are still few lenders that conduct remote digital closings. Notarize launched with just nine lending partners. Ask upfront if your lender participates. "It's a novel concept," says Mat Ishbia, United Wholesale Mortgage's president and chief executive officer.

Not for everyone. Many borrowers are still uneasy about using technology to eliminate paperwork. According to a survey of 1,057 homeowners and 509 renters conducted between May 26 and June 2 by compliance firm Digital Risk, 70% of homeowners and two-thirds of renters stated they wouldn't be comfortable managing the mortgage process via a smartphone.

Review documents in advance. Disclosure forms and other mortgage documents are available for review before the actual digital closing. Make sure you review them and get your questions answered. Notaries can't give legal advice, and while a representative of the lender or title company is just a phone call away during your closing, the best bet is to get questions answered before you sit down to close.

The closing two weeks ago, however, allowed the Muellers to close a loan from a lender in Michigan from their home in Illinois, working with a notary public in Virginia—all completely online, using a webcam and executing all documents digitally. The transaction was made possible by digital technology created by Arlington, Va.-based Notarize, an online notary service, that bridges all necessary parties to the transaction. Other companies have developed similar technology.

"I'm on the computer or my phone all day every day, so the technical side of this transaction was intriguing," says Mr. Mueller, 56, a property manager who previously refinanced his mortgage four times—all the old-fashioned way. "It turned out to be the easiest closing we've ever done."

The closing on the \$290,000, 30-year, fixed-rate mortgage took place at the Muellers' kitchen table, with the couple and their mortgage broker present. They began by logging onto Notarize's proprietary software and authenticating their identities by answering questions. Mr. Mueller, for example, had to identify a car he owned 20 years ago and the address of one of his children. After completing the authentication process, they held up their driver's licenses to the webcam so the front and back could be recorded. Then they each provided a sample signature, which also was captured by webcam and digitized. That signature was then used to "sign" each closing document, with a click on the MacBook's touchpad.

The closing took a half-hour—about the same time it would have taken to sign the documents by hand, but minus the travel time.

'By having things digitized, a loan would be able to get to the secondary market much more quickly.'

—Samuel E. Oliver III, Freddie Mac

Adam Pase, co-founder and chief operating officer of Notarize, says five states currently authorize remote notarization: Virginia, Texas, Nevada, Ohio and Montana.

While remote closings offer convenience to a borrower, they also help lenders operate more efficiently. The Mortgage Bankers Association says a lender's cost to produce a mortgage in the first quarter of 2017 averaged \$8,887, more than double the \$3,738 it cost in the first quarter of 2009.

"By having things digitized, a loan would be able to get to the secondary market much more quickly," says Mr. Oliver of Freddie Mac. He says in the future, mortgages could be delivered to an investor in as little as one day—a process that takes a median of 29 days now.

As for the dramatic moment during the closing when the keys to the house are passed to the new owner—that will likely be replaced by a visit from your real-estate agent.

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