

## **NASS IDEAS Award**

### **I. Cover Sheet**

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Project Title:

N.C. Electronic Mortgage Closing: From Aspirational Vision to Commercial Reality - In North Carolina and Beyond. Who's Next?

Project Description:

After a historic and successful electronic mortgage closing pilot program, the Department convened the North Carolina Electronic Mortgage Closing Advisory Committee comprised of mortgage bankers, the real estate section of the North Carolina Bar, the title industry, the Registers of Deed, the North Carolina Banker's Association, the North Carolina Commissioner of Banks, secondary market investors in the mortgage industry, electronic closing solution providers that were approved by Fannie Mae and Freddie Mac, and approved electronic notarization solutions providers. The purpose of the committee was to build on the success of the first eClosings in the state; expand the pilot state-wide; publish an exhaustive "How to Guide" on conducting electronic mortgage closings; and attract major lenders to offer eMortgages in North Carolina.

General Subject Area of Nomination: Business Services

## **II. EXECUTIVE SUMMARY:**

### **History**

The concept of the electronic mortgage has been around for many years, but due to numerous factors including technical and system limitations, a prolonged recession, resistance to change, new regulations imposed on the mortgage industry as a result of systemic ill-advised business practices and our society's reliance on paper, its reality had been elusive.

The promise of the fully electronic mortgage closing is that it creates a much better consumer experience, provides a more secure and reliable transfer of information, and creates the kind of efficiencies in the mortgage process where paper is eliminated, workflows are sped up, and funds and keys are ultimately delivered faster, which makes the entire process a win, win, win proposition for all parties concerned.

In order to arrive at a place where the practical operation of electronic mortgages could be realized, there were a number of things that needed to change, evolve or come into being.

There was a recognition that North Carolina needed the necessary legal infrastructure to support a movement away from paper, so we developed a blueprint that would provide a comprehensive legal framework to support all aspects of electronic commerce such that the elusive electronic mortgage would be a reality in North Carolina.

Three specific pillars were identified, those being electronic signatures, electronic notarization and electronic recording.

### **ELECTRONIC SIGNATURES**

In 1998 we introduced and successfully ushered the Electronic Commerce in Government Act through the North Carolina legislature. This act authorized public agencies to accept electronically signed documents and afforded electronic signatures the legal equivalency of wet signatures.

Following the successful implementation of the eCommerce in Government Act we sought to extend the ability to utilize electronic signatures beyond the public sector, the private sector and to anyone doing business in the state.

In order to accomplish this, we introduced the Uniform Electronic Transactions Act (UETA) which became law in 2002. UETA and the accompanying administrative rules we authored made it possible for anyone who consented to use an electronic signature to transact business. UETA was a significant step toward realizing the fully electronic mortgage in that it provided legal recognition of electronic records, electronic signatures and electronic contracts, and acknowledged that electronic documents could be publically recorded.

Having worked diligently to have these legislative acts passed and authoring the associated administrative rules was a critical first step to laying the foundation for electronic mortgage closings. However, working to make electronic signatures accessible and getting the various business communities to adopt the use of electronic signatures as a part their daily practices proved to be just as challenging.

In an effort to educate the legal and business communities we launched a Continuing Legal Education series to educate attorneys and business leaders on the new eCommerce laws.

At the same time, the Department partnered with the North Carolina Office of State Personnel to form a Digital Signature Workgroup tasked with recommending a course of action to make electronic signatures accessible to every state agency. We concluded that contracting with a Software as a Service (SAS) organization would best suit North Carolina's electronic signature needs. This resulted in North Carolina entering into a contract with DocuSign in 2012 which enabled every government agency from the Governor's office to the smallest municipality to use electronic signatures to conduct all government business. North Carolina was the first state to take such a bold step.

## ELECTRONIC NOTARIZATION

Having had 3 years to work through the challenges of helping all manner of government and business entities to understand and then convert to paperless or electronic transactions, we understood that some of the most critical documents, those that needed to be notarized, were not yet a part of the paperless ecosystem. This became the single most important “next step” towards realizing the full electronic mortgage closing.

In 2005 the Department introduced and worked to pass the Electronic Notary Act, created a dedicated position for a director of eNotarization to implement eNotarization throughout the state, and convened an Electronic Notarization Council to develop rules for electronic notarization.

In our pursuit to bring the mortgage industry fully into the paperless age we believed that we needed to ensure that along with the speed, efficiency and security of electronic processes that we preserved the integrity, security and trust that notarization imbued in the public office of notary public.

We did not think it was prudent to sacrifice the trust and integrity of the notarial act for any perceived benefit or for a “showy” new process to accomplish electronic notarization. Therefore, we maintained the requirement of personal appearance before the notary at the time of the notarization, as well as the affixation of the electronic notary seal. Additionally, we required that the electronic notary signature have the same appearance as a wet signed signature and have tamper evident characteristics such that any alteration to an electronically notarized document would be instantly observable to a recipient of the electronically notarized document.

## ELECTRONIC RECORDING

The final piece of legislation needed to support eMortgage closings was the Uniform Real Property Electronic Recording Act (URPERA) which authorized recording offices to electronically record electronically notarized documents.

As a result of years of educating the state’s Registers of Deeds and the legal community through ongoing Continuing Legal Education programs, 81% of our counties are capable of accepting electronically executed and notarized documents. This represents over 95% of the state’s population.

## **Significance –**

As North Carolina’s primary agency for business formation and financial capital formation, as well as the administrator of NC’s Electronic Commerce laws, we have worked for years to grow our state’s electronic commerce marketplace to facilitate electronic mortgage closings.

North Carolina’s Electronic Mortgage Closing Initiative was the country’s first statewide electronic mortgage closing program where innovative stakeholders within the mortgage industry were able to offer fully electronic mortgage closings to citizens of North Carolina. A key component to the growth and success of the initiative was to publish North Carolina’s Electronic Mortgage Closing 101, A White Paper.

The White Paper is designed to explain to industry participants (real estate agents, mortgage lenders, attorneys and title insurers) and consumers the steps required to create an end-to-end eMortgage without any paper, without wet signatures and without the need for consumers to travel to an attorney’s office for a closing. It calls for mortgage industry participants to embrace electronic mortgages. With faster transactions comes the possibility of an increased number of closings and the attendant possibility of greater volumes for attorneys, lenders, real estate agents and title insurance companies. Additionally, this white paper is meant to assure industry participants that electronic mortgages are just as safe and have the same legal validity as traditional mortgages. The process places a premium on security.

Borrowers are required to present identifying documents to a notary, who must be in their physical presence. In addition, authentication steps are required to ensure that changes to a signed document are made evident. Of course, buyers and sellers always have the option of falling back on a traditional paper-based closing if the Internet connection is lost or technical issues derail an eClosing. It is also designed to survey the status of various “e” laws in other states and highlight the steps needed for these states to transition to electronic mortgages.

As a result of our legal infrastructure, the collaborative spirit of competing vendors and industry leaders in the public and private sectors diligent pursuit of making electronic mortgage closings a reality in North Carolina; the largest mortgage lender in the nation has launched an electronic mortgage closing program in the state and is producing a steady stream of electronic mortgages each month.

The success of our electronic mortgage closing initiative and the publication of the Electronic Mortgage Closing 101 white paper will enable us to expand electronic mortgage closings to meet the future demands of the industry. It also uniquely positions North Carolina to be a beacon for other jurisdictions who are working to build an infrastructure to support electronic mortgage closings.

North Carolina’s approach to electronic mortgage closings highlights the importance of maintaining North Carolina’s traditional reliance on notaries being physically present for mortgage closings. Showing that a notary’s personal appearance provides protections and does not delay the process is necessary to rebut the suggestion that remote or online notaries are more efficient. Physical appearance merely ensures that the borrower appears in person, his or her identity is confirmed, and the borrower attests that he or she is signing of his or her free will. A small number of states have allowed remote notarizations, where notaries located many miles away from the borrower video chat via an online connection and purport to verify the identity and intent of a borrower. North Carolina has built a robust electronic notarization framework without sacrificing the personal appearance requirement.

## **Impacts/Results –**

### **BENEFITS TO NORTH CAROLINA**

eClosings of home mortgage transactions offer powerful new tools that speed transactions, ensure greater data and document compliance and control, and create real world efficiencies and cost savings for North Carolina businesses and government services. These greater efficiencies and cost savings will in turn enable North Carolina to better compete in an increasingly competitive global marketplace. Driving down the cost of closings will trim the cost of doing business for lenders and consumers, making North Carolina’s real estate prices more competitive and thereby the state’s economy more productive compared to other states. Having a legal framework that enables eClosings will allow more lenders to operate profitably and reduce compliance risk, thus drawing more businesses to use North Carolina’s closing process over those of other states. Helping reduce the cost of closings will allow North Carolina Registers of Deeds to record transactions in a more timely and consistent manner. And, of course, digital filings will mean millions in saved postage and paper costs.

### **BENEFITS TO CONSUMERS**

Any borrower making a down payment for a house or refinancing a home must understand the risks and rewards of such an investment. In practice, consumers in traditional closings have not had the time to examine the various disclosures provided by lenders. Typically, closings are held at an attorney’s office, with little time for a home buyer to review and understand the various documents he or she is signing. eClosings help change that by requiring lenders to provide closing documents to attorneys and allowing attorneys and lender to provide these documents well in advance of the closing. Consumers then have plenty of time to review and understand the risks involved in preparation of the closing.

In an eClosing pilot conducted by the Consumer Financial Protection Bureau (CFPB), consumers who participated in an eClosing were better prepared and more informed as to the information and documents they were signing compared to consumers participating in a paper-based closing.

Among the key findings of the pilot study were the following:

On average, eClosing borrowers in the pilot had higher scores than paper borrowers on measured outcomes, including perceived empowerment, understanding (perceived and actual), and efficiency. For purchase transactions in the pilot, borrowers experiencing an eClosing scored higher than consumers in the paper closing group on perceived understanding and actual knowledge, and the relationship was even more pronounced in measures of perceived empowerment.

Consumers who received and reviewed documents before the closing meeting reported feeling more empowered in the closing process, with higher levels of perceived understanding and efficiency. Additionally, these consumers had higher scores on the actual understanding quiz relative to those who did not review documents before the meeting.

eClosing transactions in the pilot exhibited shorter closing meetings and earlier document delivery, which matched higher scores on consumer perceptions of efficiency.

## BENEFITS TO INDUSTRY

For attorneys involved in closings, once documents are recorded, the closing attorney must call the parties who then must return to the settlement office to pick up funds, commissions and keys. Using eClosing and eRecording will streamline this process and shorten the time frame.

While the use of eClosing technology does not change any of the underlying state law requirements, these tools make it much easier to comply with them. For instance, the use of electronic documents and electronic recording eliminates the manual processes of sorting, scanning and e-mailing electronic documents for funding review after coming from the closing table, which can save up to 30 minutes per transaction.

There may be an initial cost for software registrations, equipment and notary set up. But over time, eClosings will cut down on overall costs for attorneys as well, because there will be no paper, toner, paper filing, storage, shipping and other related costs.

For lenders, the benefits may range from faster and more efficient closings to greater certainty and security in tracking the documents. For example, one private technology company that provides an eClosing application estimates its tools help lenders save as much as \$600 per loan while delivering faster and more accurate closings.

In addition, the MERS eRegistry identifies the party who is the controller who obtains rights equivalent to those granted to a holder of a promissory note, which includes the right to enforce the eNote against the borrower.

The benefits of digital mortgage are not limited to the closing process. Investors play an integral role in maintaining a robust secondary market and are the engines driving today's digital financial ecosystems. Technology can be used to verify the authenticity of the eNote and provide an online platform through which assets can be properly tracked and transferred. Having "certainty" is critical to funding and overall valuation, especially for organizations that require the ability to securitize, pool or pledge assets in the secondary market. For investors, the eClosing process ensures that there will not be any missing data, signatures or documents and virtually eliminates the post-closing issue of dealing with missing trailing documents before they can fund the loan. Reducing the time to fund allows investors to deliver a better service to originators, ensures earlier payment for all parties and creates significant secondary market efficiencies as well.

### **III. Supporting Material**

- A. Electronic Mortgage Closing 101, White Paper  
[North Carolina Electronic Mortgage Closing 101—A White Paper](#)
- B. Video Link – North Carolina’s first electronic mortgage closing  
<https://youtu.be/eVxCcnf3eNM>
- C. In the Press  
See attached
- D. Observations From Industry Experts  
See attached

**NASS IDEAS Award Supporting Material**

North Carolina Secretary of State

C. In the Press



## North Carolina institutes eClosing pilot

North Carolina Secretary of State **Elaine Marshall** wants the state to be a leader in eCommerce.

It adopted the Uniform Electronic Transactions Act, the Uniform Real Property Electronic Recording Act and the Electronic Notarizations Act. All of this was to prepare for the day when the state could institute eClosings.

“We have been working diligently over the past 15 years to build the infrastructure to build electronic commerce,” Director of Electronic Notarization and Notary Enforcement **Ozie Stallworth** said. “We thought it was a prime time for North Carolina to step forward and lead in this space because we have the legal infrastructure in place to support a full end-to-end eClosing. We looked to our state’s lending institutions to see whether or not they understood and believed that the industry was headed down the road towards eClosings.”

Stallworth determined the financial institutions were eager to move forward. North State Bank Mortgage President **J. Kenneth Sykes** agreed and said the state’s efforts are cutting edge.

“We believe that eClosings will enhance the customer experience and provide a more secure method of mortgage loan closings,” Sykes said.

Invitations were set out to financial institutions, title agents and technology providers asking them to participate in the pilot. Together the participants began educating each other on what was possible, potential barriers and what the eClosing transaction would look like.

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### KEY STATS

Total U.S. loan delinquency rate: 4.27%

Month-over-month change in delinquency rate: 0.74%

Total U.S. foreclosure presale inventory rate: 1.00%

Month-over-month change in foreclosure presale  
inventory rate: -3.38%

States with the most non-current\* loans: Mississippi, New  
Jersey, Louisiana, Alabama, West Virginia

States with the fewest non-current\* loans: Montana, South  
Dakota, Minnesota, Colorado, North Dakota

\*Non-current totals combine foreclosures and delinquencies as a percent of  
active loans in that state. Note: Totals are extrapolated based on Black Knight  
Financial Services' loan-level database of mortgage assets.

### QUOTABLE

“

It is important to have the input of all the stakeholders to ensure that eClosing in North Carolina will be a benefit to all in the state and to the consumers in particular

**Ozie Stallworth,**

Director of Electronic Notarization and Notary Enforcement

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## TOPSTORIES

Continued from Cover

“What we are trying to accomplish through this pilot is the full end-to-end electronic process,” Stallworth said. “Not the hybrid version. We encourage all forms of electronic commerce, whether it’s hybrid or not, but this pilot is focused on incorporating in-person electronic notarization so that the entire process from start to finish can be completely electronic without any paper in the process at all.”

DocMagic Director of eServices **Tim Anderson** said this pilot is unique because it is one of the first to be officially sponsored by the state.

“This will be a full paperless eClosing, including eNotary and both title and lender documents,” Anderson said. “We not only see this as providing a better consumer education and experience, but for the lenders selling the loan to investors to eliminate the post-closing issues, and if you can do that, investors can fund the loan with certainty and avoid any post-closing trailing doc issues that may hold up funding the loan. Everyone wins.”

eOriginal General Manager of Digital Mortgage **Simon Moir** agreed. He said the pilot offers an opportunity to bring all the players together in one place to remove the barriers — both

real and perceived.

Potential barriers include jurisdictions that aren’t eRecording or still keep all files on paper. Sykes said with any major change of format within the lending industry caution is expected. But Stallworth said there hasn’t been any push back so far.

“The active participants in the pilot are reaching out individually and collectively to various stakeholder groups such as the Realtor association and the State Bar, the Bar association, the bankers association and others, to make sure they are aware and informed of this transformative effort. It is important to have the input of all the stakeholders to ensure that eClosing in North Carolina will be a benefit to all in the state and to the consumers in particular,” Stallworth said. “We anticipate hearing more of those voices.

“Secretary Marshall has long stressed the importance of making technological advances to ensure that those doing business in North Carolina would be able to compete at the highest levels in an increasingly global marketplace. This eClosing pilot program is the fruition of the many years of working to construct the statutory framework to support electronic commerce and will potentially be a model for other states to follow.”

## Conversations with the C-Suite: WFG

Welcome to our latest Conversations with the C-Suite exclusive to *The Title Report*. In these features we talk to leaders of the industry about their business priorities, plan for the future and what title agents need to know to succeed. In this edition, Editor **Tara Quinn** spoke with WFG National Title Insurance Co. Chairman and CEO **Patrick Stone**.

In its almost seven years WFG has grown from an industry start-up into a national industry presence. It has direct operations in six states and hopes to add Colorado in 2017. It also underwrites title for 1,180 agents in 46 states.

Its subsidiary, National Title Solutions, is its centralized title production unit. The Enterprise Solutions Group is comprised of a lender services entity, a default services group and an appraisal management company operating in all 50 states. WFG has also created a tech subsidiary called “west” (Williston Enterprise Solutions & Technology, LLC) which focuses on integration and technology marketing.

Stone said WFG was designed to accommodate the new age in the industry.

“It seemed to me the game was changing significantly,” he said. “The industry, lenders, settlement agents, Realtors — everyone involved was going to have to re-engineer their processes. We’re in an environment where compliance and economics are going to drive significant change, significant integration and the need to be more efficient with less overhead. The basic premise behind WFG was to have a national platform with significantly less people, FF&E (furniture, fixtures and equipment), overhead and cost. That’s how we built the company and we’re continuing with that plan.”

In response to the recent regulatory directives, WFG made compliance a company-wide priority. Chief Compliance Officer **Donald O’Neill** oversees the initiative. He has direct access to Stone anytime and has a meaningful say in agency auditing processes and policy decisions. The company maintains a standing compliance advisory council and releases a monthly publication keeping everyone in the company up to date with the latest corporate compliance news.

WFG Scholar provides mandatory training courses on compliance, policy and procedures. Attendance is tracked

# North Carolina Department of the Secretary of State

## PRESS RELEASE

May 9, 2017

**Elaine F. Marshall**  
Secretary of State

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### **North Carolina Leaps to the National Forefront in Mortgage Closings with All-Electronic Paperless Closing Option**

**Raleigh** – Jason and Karen Boccardi made history last week when they refinanced the mortgage on their Winston-Salem property. It was not the home that was historical, or anything about the closing paperwork—just the opposite—it was that there was no paperwork.

Last Friday, the Boccardis became the first people in North Carolina history, along with their lender, North State Bank, to execute a 100 percent electronic mortgage closing, called an “eClosing”. A few such totally electronic closings have been done around the nation. Government regulators say the North Carolina one is different in that it was not done as just a one-time test, but as the start of a new 21<sup>st</sup> Century way to do mortgage closings.

“This was our first North Carolina eClosing,” NC Secretary of State Elaine F. Marshall said Tuesday, “it is not our last. We want this to become a regular option for lenders and their customers because of the many advantages eClosing offers versus the slower, traditional paper-based system.”

Secretary Marshall has been a leading advocate for modernizing traditional business practices in North Carolina to better compete at the national and international levels. She and her agency have led the charge along with many North Carolina county registers of deeds to do more paper-free electronic recordings of government-required filings and land records.

As the notary public regulator in North Carolina, the Secretary of State’s office has developed the standards and curriculum for the electronic notary status, often called eNotary. A notary public with this status can attach a digital version of their notary stamp to electronic legal transactions, making them legally the same as paper-based filings requiring a notarized document.

“The eNotary is essential to moving legal filings into the digital age,” Secretary Marshall said. “People and institutions still want to know that a notary was there in the room confirming the signer’s identity even if the filing is moving through cyberspace instead of being a pile of paper.”

The electronic, notarized mortgage was insured by Investors Title Insurance Company of Chapel Hill. DocMagic and World Wide Notary were the electronic solution providers that were used.

Secretary Marshall stressed that eClosings have all of the regular features and safeguards that people see when they execute a mortgage on paper. “For eClosings we require the physical presence of that notary plus the

access to legal expertise—there is zero drop in standards for an eClosing—it is just faster, far more convenient and in my opinion more secure.”

The historic eClosing last Friday featured a test of the different elements by having the event take place in a North State Bank office in Hickory for a property in Winston-Salem, with the attorney for the Boccardis from the Hunoval Law Firm participating via an interactive video link from Charlotte.

“We stress tested the whole thing as hard as we could,” Secretary Marshall said. “It was still far quicker and easier to do than a traditional closing.” Marshall added that many government officials, digital service vendors and lenders have worked for years to make sure that the way digital records are recorded in North Carolina is safe, secure and reliable.

“We have actually been electronically recording many filings such as land records this way in North Carolina for years now, and there has never been any security issue,” she said. “We are simply bringing the system to the level where people buying homes and applying for mortgages can use it.”

Marshall said with eClosings now a feature in North Carolina, it put the State in a more competitive business climate compared to areas that only offer paper filings.

“This is a win-win-win scenario,” she added. “The lender gets their work done quick and easy, the borrower gets in and out on a schedule that fits for them, and the land records get recorded instantly at the county register of deeds. There are no couriers or copiers or travel delays.”

North State Bank is currently the only lender to have done a fully paperless eClosing. The bank has been an active participant for the past year, vetting the system as it prepared to do a live closing. North State Bank President Ken Sykes attended the closing on Friday.

“We stand ready to work with all other North Carolina lenders to get them up to speed on this,” Marshall said. “One thing we all noted during this closing was that even though we tried to make it into a real ceremony—it was still so fast and easy that we had a hard time not being finished in just a few moments.”

# eClosings On the Move



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# ABOUT US

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# A WORD FROM OUR SPONSOR

As a pioneer of electronic recording technology, witnessing our industry take another electronic leap is exciting.

Nationwide adoption of eClosing technology has the potential to shorten closing times, increase data quality and accuracy, and save money over traditional pen and paper mortgages. Frankly, the process of fully taking mortgage documentation and workflow online has been a long time coming.

Over time, as regulations and mindsets evolved, making eRecording more accepted nationally, settlement agents and counties saw huge benefits. Today, recording often takes minutes instead of hours or even days, by eliminating the process of mailing or hand delivering paper documents, then manually processing and filing.

We at Simplifile are proud of our work bringing eRecording technology to the industry and becoming the No. 1 choice of settlement agents and counties nationwide. We're also proud to offer fully electronic collaboration and post-closing solutions.

By working together in a secure online portal in real time, both the settlement agent and the lender are consistently on the same page. Our goal is to eliminate fee confusion, security holes, timing inefficiencies, miscommunication, and lack of defensibility inherent with traditional pre- and post-closing communication and workflow.

Maybe one day soon we'll drop the "e" from all these names as efficient electronic mortgage workflow will be the norm. In the meantime, we'll keep providing eSolutions that improve your business and bottom line, and we're happy to partner with October Research to educate the industry in this eClosing on the Move special report.

We hope you'll consider us and we thank you for your years of trust.

Paul Clifford  
President

**simplifile.**

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# North Carolina takes on statewide pilot program

Since August 2016, the North Carolina Secretary of State's Office – along with players from all sectors of the mortgage industry, from lenders, to closing attorneys, to title agents, even Fannie Mae and Freddie Mac – worked together to complete a pilot eClosing program, designed to overcome any last obstacles to the common use of eMortgages in the state. The group is approximately 60 days from finishing their endeavors and have been satisfied with their results thus far.

## The beginning

“The eClosing Pilot Project is something we have prepared to do for a long time. As North Carolina's primary agency for business formation and financial capital formation, as well as the administrator of NC's Electronic Commerce Act, we have worked for years to grow our state's electronic commerce marketplace,” according to **Elaine Marshall**, North Carolina Secretary of State.

“For more than 10 years we have helped construct a complete legal framework that supports safe, viable eCommerce business activities in North Carolina. This eCommerce pilot program will facilitate the implementation of electronic signatures, electronic notarization and electronic recording. These powerful tools will speed transactions and governmental services, and create real world efficiencies and cost savings for North Carolina citizens and businesses. Those efficiencies will enable North Carolina lenders to better compete in the increasingly changing, compliance driven and competitive mortgage marketplace.”

“The Secretary of State's Office is in a unique position to lead the efforts because it is the government agency with statutory responsibilities for electronic notarizations electronic signatures as well as North Carolina's Electronic Recording Standards,” said **Ozie Stallworth**, director of electronic notarization and notary enforcement at the North Carolina Department of the Secretary of State.

“Having regulatory oversight for these electronic tools put us right at the center of electronic commerce. Seeing the trends towards electronic processes in the mortgage industry and with the CFPB's (Consumer Financial Protection Bureau) successful eMortgage pilot, it seemed a perfect time to take the pulse of

industry insiders to determine if the timing was right to launch an eClosing pilot,” Stallworth said.

## Goals

The most important aspect of the program was bringing everyone to the table. “We invited various stakeholders within the mortgage industry in North Carolina to explore the potential of an eClosing pilot program, including mortgage bankers, the real estate section of the North Carolina Bar, the title industry, the registers of deed, North Carolina Banker's Association, the North Carolina Commissioner of Banks, secondary market investors in the mortgage industry and electronic closing solution providers that were approved by Fannie Mae and Freddie Mac and, importantly, who also had been approved as electronic notarization solution providers in the state of North Carolina,” Stallworth said.

“We facilitated bringing the stakeholders together and outlined what we believed was a path forward for eClosing in North Carolina. Once the group collectively determined the viability of this process it paved the way for various stakeholders to forge ahead with agreements and partnerships to bring about the first fully electronic eClosing in the state,” Stallworth said.

**Mathias (Matt) Hunoval**, founder of the Hunoval Law Firm PLLC and member of the North Carolina Banking Commission, who assisted in developing the pilot, agreed.

“The goal was really a true public/private initiative in the truest sense of the word that happens to be under the auspices of the Secretary of State's Office,” he said. “You would have these official meetings with the intent all along of ... generating private side conversations with the goal of actually having something commercially viable in North Carolina. We weren't set on blessing a particular way or manner of doing it, but rather let's get [the conversation] going and maybe there are several alternate paths.”

He said given the importance of the financial sector to the state of North Carolina, the goal was to keep that edge and begin innovating.

## Unique issues

The state has some specific structures in place that

offer some unique challenges to work through as it sought to develop this program.

“We are a very unique state in that our mortgage closings involve attorneys. And that is not true for many other states,” Stallworth said. “So the whole idea behind making sure that North Carolinians continue to enjoy the highest levels of protection and legal guidance with the most important transaction that many will be involved in was important to make sure that we maintain that, and that wouldn’t change based on dictates from how electronic mortgages might be taking place in other places.”

**J. Kenneth Sykes**, president, North Raleigh Mortgage Operations Office, North State Bank Mortgage, agreed, noting that although new technology is being utilized, attorneys will be able to easily log on to secure electronic closing platforms while providing the same high quality legal services the North Carolinians rely on in a closing process. It may be more difficult for attorneys to adapt to eClosings because of the additional requirements that may be expected of them. Sykes said the group will develop a list of standard operating procedures which will aid attorneys and other real estate professionals in understanding and interacting with eClosing Solutions.

The state also has unique laws regarding specific electronic notarization requirements.

“In North Carolina, electronic notarization laws require the signer and the notarizing official to be physically present in the same location during the notarization process,” Stallworth said. “The time honored safeguards of the signer personally appearing before a public official to verify their identity and establish volition and willingness to execute the transaction underlies the assurance and acceptance of the executed documents across all parties in the mortgage process.

“This is in contrast to a remote notarization process where the signer and the notary communicate through video technology which introduces high levels of uncertainty for title insurers, recording officials, financial institutions, investors and borrowers.”

Personal appearance before a notary is important to the stability of the mortgage marketplace as it is the established protocol for traditional notarization in every state. It is also specifically required for eNotarization in at least 22 states, and possibly 48 if one takes the view that the Uniform Electronic

Transactions Act provides authorization for electronic notarization as is the case in Texas and California,” Stallworth said. There are only two states that currently allow for remote notarization which is a built in inhibitor to the industry’s forward progress with eClosings.

The office also chose to consult with Fannie Mae and Freddie Mac’s requirements for electronic closing solution providers. The GSEs require electronic closing solutions to be capable of executing each of the closing documents in a secure system, producing an electronic note and delivering it to an approved electronic vault. At the time the pilot was launched, DocMagic and eOriginal met all of the GSE and North Carolina standards. Other GSE approved eClosing solution providers that are also approved eNotary solution providers in North Carolina may also participate in the eClosing Pilot.

## Optimal results

“The biggest challenge that we are facing currently is widespread adoption,” Stallworth said. “We believe however, with a successful implementation of the pilot program more and more within the mortgage industry will look to take advantage of the benefits that eClosing affords lenders, attorneys, settlement service providers, consumers and everyone that touches the mortgage closing process.

“In order for eClosings to become mainstream in North Carolina we are going to need to begin to attract more investors and servicers of electronic notes,” he continued. “The more investors and servicers of

“It seemed a perfect time to take the pulse of industry insiders to determine if the timing was right to launch an eClosing pilot.”

**Ozie Stallworth, director of electronic notarization and notary enforcement,  
N.C. Dept. of Secretary of State**

eNotes participating, the greater the opportunity there will be for more banks and mortgage lenders of all sizes to participate in electronic mortgage closings.

Stallworth noted that Fannie Mae and Freddie Mac are the primary investors of electronic notes currently associated with the pilot, but more investors, servicers and aggregators are needed to spur the type of growth we envision.

“Approximately 90 percent of our state’s population lives in a county that accepts electronic recordings,” Stallworth said. “Having such a significant eRecording footprint is critical to the success of our statewide electronic mortgage closing program because it assures all parties involved that the recordable documents will be submitted securely and quickly put onto the public record at the Register of Deeds offices.”

### What’s next

“The intention is to provide a competitive advantage for financial institutions doing business here compared

to those in other states, and to accomplish this without reducing any transactional security,” Secretary Marshall said.

The industry is moving towards electronic mortgage closings in order to comply with the new stricter governmental compliance standards and to provide greater consumer awareness and understanding of the home purchasing process. The Consumer Financial Protection Bureau eClosing Pilot Program of 2015 showcased how quick and secure the process is for all parties. It is the expectation of the next generation of homebuyers to conduct these transactions electronically, Secretary Marshall continued.

“As a part of this effort we are going to produce a best practice document as a resource for those in North Carolina’s mortgage industry to use as a guide for implementing an electronic closing process,” Stallworth said. “I expect that we will cross the finish line on a full-end-to-end digital mortgage sometime in the second quarter in the state of North Carolina, and not just a one-off ... instead we are going to have a critical mass of transactions that begin to happen that are true end-to-end digital mortgages,” Hunoval said.

## The importance of securing eClosings

In an age where cybertheft is a common word and attacks on company security systems is common, one might be concerned about an eClosing being interrupted, or documents being intercepted by hackers. However, those in the eClosing business have taken great strides to ensure the security of eClosing transactions, making them, perhaps, more secure than paper transactions.

“There isn’t a week that goes by that we aren’t talking about security because it’s a moving target,” Pavaso President and CEO **Mark McElroy** said. “We live in a world that is very dynamic, and there are many people around the world that are trying to figure out how to rob, cheat and steal from everybody else. So we have to take a variety of different methods to ensure that our security is the best that it can be at all times.”

### Gaining control

“If there was one point that anybody in the industry should be focused on, what they need to fix, whether you are a lender, Realtor, or title agent, is that every time ... I put my most private personal information

on a piece of paper and I send it to people, I’m losing control,” McElroy said. “I’m giving away my personal information and I’m violating the No. 1 rule of security — control. If there is anything that the digital world can help fix is the protection of that data so that it is not in a paper form that we lose control of. So a lot of the natural benefit of eClosings is the ability to protect that data, which fixes one of the biggest issues in this industry, and that is paper.

“One underlying premise that we are operating from is, only let people see what they need to see and secure the nonpublic information in a place where it is really needed,” McElroy said. “We compare that to every time we print a piece of paper, we commit the ultimate violation of security — we lose control of nonpublic information. We are 100 light years into the electronic world in terms of security.”

McElroy said Pavaso also uses the latest encryption methods, even redacting nonpublic information of documents so people can’t see them. He said the company makes the data as useless to outsiders as possible, if they happen to get in.



# North State Bank Mortgage Completes North Carolina's First Home Purchase eClosing

The closing took place in Mooresville, North Carolina, and was watched live by 100+ state officials and representatives from throughout the financial services industry.

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NEWS PROVIDED BY  
**North State Bank Mortgage →**  
Aug 14, 2017, 10:07 ET

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RALEIGH, N.C., Aug. 14, 2017 /PRNewswire/ -- On Thursday, August 10, 2017, North State Bank Mortgage, a division of North State Bank, completed North Carolina's first fully-electronic closing for a home purchase, said J. Kenneth Sykes, president of North State Bank Mortgage. The eClosing took place at the Keller Williams Realty office in Mooresville, North Carolina and was led by the law firm of Brady & Kosofsky via video conference from Matthews, North Carolina. Jamie H. Harrington (NMLS# 111660), mortgage market manager for North State Bank Mortgage, served as the loan officer.

This transaction marks the second eClosing in the state. The first was completed in early May by North State Bank Mortgage for the refinance of an existing mortgage. Thursday's closing was watched by live video feed by over 100 state officials and representatives from throughout the financial services industry.

"eClosings are a game changer for the mortgage industry and we are pleased to be the first bank in the state to offer this capability," said Sykes. "eClosings offer the utmost in flexibility, removing the need for everyone to gather at the attorney's office. With a secure internet connection and an eNotary, a borrower can close from the comfort of their home or office. eClosings are 100% paperless, meaning the Deed of Trust, the Note and all other documents are presented, signed and secured electronically."

North State Bank President and CEO Larry D. Barbour commented, "In 2010, North State Bank grew mortgage services from a relatively small part of our business to a division of our Company that now has offices throughout the state. As a Company, we are committed to being the best of the best and North State Bank Mortgage is fulfilling that commitment by being at the forefront of the eClosing movement."

## **About North State Bank Mortgage (NMLS# 411971):**

North State Bank Mortgage is the mortgage lending division of North State Bank, with offices in: Apex, Fayetteville, Garner, Greensboro, Hendersonville, Hickory, Kernersville, Lexington, Raleigh, the Outer Banks, Wake Forest, Wilmington and Winston-Salem.

## **About North State Bank:**

Founded in 2000, North State Bank, a wholly-owned subsidiary of North State Bancorp ("the Company" – NSBC), is a full-service community bank serving Wake and New Hanover Counties through seven full-service offices.

*This news release may contain forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements for various reasons, including our ability to manage growth, changes in real estate values and the real estate market, regulatory changes and increased deposit insurance assessments, economic conditions, changes in interest rates, substantial changes in financial markets, loss of deposits and loan demand to other savings and financial institutions and our limited operating history.*

# Digital mortgage lenders make strides with e-closings, remote notaries

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National Mortgage News

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## Technology

By Elina Tarkazikis

Published September 20 2017, 5:45am EDT

More in [Digital Mortgage Conference](#), [Online mortgages](#), [Consumer direct](#), [E-docs](#), [Mobile technology](#), [Nonbank](#), [LOS](#), [Mortgage technology](#), [North State Bank Mortgage](#), [United Wholesale Mortgage](#), [Merscorp Holdings](#)

*Editor's Note: NMN is proud to present the [2017 Digital Mortgage Conference](#) Sept. 28-29 in San Francisco. [Click here to read more from our digital mortgage special report.](#)*

While many mortgage lenders are focused on updating the front end of the borrower experience with online self-service tools and digital enhancements, other lenders are turning their attention to improving the back end of the process with electronic closing capabilities. North State Bank Mortgage began offering borrowers a completely paperless closing process earlier this year. Its first e-closing took place in May for a refinance loan and in August, the company completed its first purchase mortgage e-closing.

While there are more than 11,000 electronic promissory notes with North Carolina property addresses registered in the MERS eRegistry, the North State Bank loans appear to be the first in the state to also include an electronically signed security instrument, according to a Merscorp Holdings spokesperson.

The purchase loan, which was sold to [Dallas-based Mid America Mortgage](#), was executed with "fully end-to-end electronic signatures on all documents with the closing conducted via video conferencing with the attorney," according to North State Bank Mortgage President Ken Sykes.

The documents were electronically notarized with a notary physically present, as per North Carolina law. The process, from signing to recording the deed of trust, took 46 minutes. Likewise, Troy, Mich.-based United Wholesale Mortgage completed what it says is the industry's first virtual closing on a loan in Chicago on July 28.

The e-closing fulfilled by UWM at the end of July was significant in that it e-closed with a remote notary.

"The e-closing in North Carolina was just a regular e-closing, which is great, but there are a lot of those," said Mat Ishbia, president and CEO of UWM.

"Ours was a virtual e-closing, where no notary had to be physically present in the room. It is an on-demand closing where the borrower can click a button on a mobile app or pull up the webcam on their computer. It is done entirely online so borrowers can do it whenever they're ready and from the comfort of their own home," explained Ishbia.

UWM uses Notarize, a Virginia-based digital platform, to legally notarize documents online, and offers its e-closing technology to brokers in four states that do not require the physical presence of a notary—Illinois, Montana, Virginia and Washington.

Sykes noted that in addition to convenience, e-closings allow for a smoother process with less room for error and delay.

"We have come to learn that a by-product of the e-closing process is that the attorney and the borrowers are much better prepared for the actual closing date because all the documents are delivered days in advance and reviewed and discussed to ensure there are no questions or issues at the time of closing," Sykes explained.

"We are learning via our federal regulators and the GSEs that e-closings are absolutely much more dependable when delivering and storing all loan documents to the appropriate parties for recordation and safe keeping," he said.

Both Sykes and Ishbia agreed that e-closings are the future of the industry.

"We expect that 70% of closings throughout the country will be done as virtual e-closings by 2020. One day, we'll be laughing about the way loans are closed today, where someone shows up at your house and borrowers have to pass a pen back and forth to sign a huge stack of papers," said Ishbia.

MERS stands for Mortgage Electronic Registration Systems. The MERS eRegistry is the legal system of record for identifying the holder and location of a registered e-note. To date, there have been more than 342,000 e-notes registered on the MERS eRegistry, with approximately 115,000 that are currently active. E-notes have been registered in all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands.

Separately, Merscorp Holdings also maintains the MERS System, a private loan registry that tracks ownership changes of promissory notes and servicing rights among its members.



Elina Tarkazikis is a reporter for National Mortgage News.

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# CAROLINA BANKER

FALL 2017



## eMortgage Revolution

The Fully Digital Future of  
Mortgage Signings is Here





## THE TRANSITION TO ELECTRONIC AND DIGITAL MORTGAGES AS

# A NEW NORM

The mortgage process is time-tested and ancient. While there has been considerable innovation, such as in the ability to shop for rates and apply online, many facets of the mortgage process have remained essentially unchanged. Ink-on-paper signatures continue to dominate transactions, closings are face-to-face, many documents are mailed, and filings with a local land records office are often still done in person.

With wholesale transformations occurring virtually everywhere in the banking business, however, we are at a critical point when changes in both technology and the law underpinning transactions are coming together to bring about a new direction for the mortgage industry. Electronic mortgages are positioned to transition from pilot project initiatives to routine occurrences and, finally, to the new norm. In this article, we provide a high level explanation of these transactions and how the changes will benefit customers, financial institutions, and other market participants.



**Nathan Batts**  
Senior Vice President and  
Counsel, NCBA



### eMortgages and eClosings

Let's start with a few basic terms. In a FAQ entitled "*eClosings and eMortgages (eNotes)*" last updated on May 18th of this year, the government-sponsored enterprise Fannie Mae includes the following helpful information.

"What is an eClosing? An eClosing is the act of closing a mortgage loan electronically. This occurs through a secure electronic environment where some or all of the closing documents are executed and accessed online (also known as the 'execution' phase of creating an electronic mortgage loan). This is often a hybrid process in which certain key documents (e.g., Note, Security Instrument) are printed to paper and traditionally wet-signed while other documents throughout the process are signed electronically.

What is an eMortgage? An eMortgage is a mortgage loan where the critical loan documentation, specifically the promissory note (eNote), is created electronically, executed electronically, transferred electronically and ultimately stored electronically. An 'eClosing' produces an 'eMortgage' only if the promissory note is signed electronically. Note: This can still include a traditionally wet-signed security instrument."

Thus, two key terms, eClosings and eMortgages, have emerged. For now, we can use electronic mortgages as a more general term encompassing both concepts. The term digital mortgage is also widely circulating.

### Characteristics of the First Transactions

The eClosing for the first documented end-to-end electronic mortgage in North Carolina occurred on May 5, 2017 as part of a pilot initiative by the North Carolina Department of the Secretary of State and North State Bank Mortgage. The second eClosing occurred on August 10th as a hundred industry and regulatory agency observers, who had signed nondisclosure agreements to protect borrower information, gathered in Raleigh and watched the transaction unfold remotely on video screens.

For the observers at the second eClosing, the left-hand side of the screen was split between streaming video of the closing attorney sitting in her office and below streaming video of another location where the borrower was seated together with a certified electronic notary. On the right-hand side of the screen, observers saw an open application window displaying the mortgage documents. A sidebar in the document window showed by name which document was being displayed and listed the other documents in the closing package. Thus, video-conferencing replaced a transaction which has traditionally been conducted in an attorney's conference room, where everyone would gather around a table and sift through a stack of paper documents.

In transactions such as these, the software platform used by the lender and the closing attorney helps to guide the workflow and keep everything organized. The borrower simply goes through a few steps on the screen to consent to electronic records and to adopt an electronic signature which is held in the system. Then, the closing attorney explains to the borrower



the mortgage disclosures and loan documents, steadily scrolling forward using mouse clicks and a scroll bar. At intervals a tab pops up on the screen where a digital signature needs to be applied. The closing attorney then temporarily transfers control to the borrower, who in turn with mouse clicks applies the previously selected digital signature to those tabbed places in the agreement or disclosures. After a digital signature has been applied, control transfers back to the closing attorney who continues his or her explanation and scrolls to the next area where a signature is required. One safeguard in the software platform is that documents will not continue to advance on the screen until necessary signatures have been obtained, which prevents many of the mistakes that occur at closings.

Once all borrower signatures have been obtained, the closing attorney and the electronic notary can carry out any remaining steps. For example, the closing attorney can pass control to the notary to apply electronic notarizations to the documents, with the notary's signature and seal being applied in much the same manner used by the borrower to apply digital signatures. The closing attorney can review the documents and, using the dashboard in the eClosing platform, send the documents electronically to the lender for final funding approvals.

When the approvals have been obtained, any documents such as the deed of trust that require local recordation can be sent electronically, along with the recording fees, using an eRecording platform to the local Register of Deeds for the county where the real property is located. What the observers at the second eClosing saw was a software product that integrated both the eClosing and eRecording features. Once received by a Register

of Deeds, the documents are reviewed by staff and either approved, with a book and page number assigned, or the closing attorney is notified where there may be any deficiencies that need to be corrected before the recording can be accepted.

Assuming the recordation has been done, the electronic promissory note is ready for eVaulting and registration on the MERS® eRegistry. Under these steps, ownership can be transferred and view or access rights can be granted to various participants like warehouse lenders and Government Sponsored Enterprises like Fannie Mae and Freddie Mac. While there may be many copies of the documents, the registry is set up so that there can be only one "authoritative copy" of the eNote, with information stored about who is the current controller/holder and the location where the authoritative copy is stored.

Thus, the cycle or workflow is from Pre-Closing (loan origination, title production, and document preparation, with any associated platforms or software systems),




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"The entire world, both on the personal level and the commercial level, has moved into the 21st Century. You have all seen that, with everything from online banking to the profound changes in how you reach your clients and customers. But not mortgage closings.... The news media didn't understand a lot of what was happening back in May, but they did catch one thing – they understood that the actual closing process was so fast, so easy – that we had to have some speeches and ceremony to turn it into an event.... That speed is a beautiful thing. But it took us the past 20 years of hard work to construct the detailed, legal framework that today supports these safe, viable eCommerce business activities in North Carolina."

**Hon. Elaine Marshall,**  
*North Carolina Secretary of State*

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"The eClosing platform offers a much welcomedb easier, more convenient and secure platform for the mortgage industry and consumers. Hopefully the time-saving components embedded in this process will soon result in a cost savings for mortgage lenders, servicers, attorneys and most importantly, consumers."

**Ken Sykes,**  
*President, North State Bank Mortgage*

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“What is so remarkable about this transaction, is that due to North Carolina law and the legal framework of the recording statutes, it will typically take from 45 minutes to 2 hours after consummation to receive funding approval from the lender, update the title, and record the deed. The utilization of available technology by a settlement agent who understands the law and how to use the technology makes quick efficient transactions available to everyone.”

**Jaime Kosofsky,**

*Managing Partner, Brady & Kosofsky, PA*

to eClosing, eRecording, and finally eAsset Management. Much of the flow can be controlled through simple software dashboard steps through the selected technology provider.

Secretary of State Elaine Marshall and a team led by Ozie Stallworth, Electronic Notarization and Notary Enforcement Director, have posted an excellent video online that walks viewers through these steps and shows how the transactions look. The video is freely available on YouTube and is entitled “*North Carolina Secretary of State eClosing Pilot: From Aspirational Vision to Commercial Reality.*”

### What is Driving the Transition

North Carolina is not the first state to begin offering electronic mortgages, but it is the first state in which the government has taken an active role in the development and rollout. The decision by the Secretary of State to begin a pilot project, convene various market participants together for a discussion, and form an advisory committee with the goal of developing best practices and standards now positions North Carolina to help form the national model for such transactions.

The groundwork began many years ago. The legal basis for digital signatures and documents has existed at the federal level, through such laws as the Electronic Signatures in Global and National Commerce Act (E-Sign Act), and at the state level in North Carolina, through such laws as the Uniform Electronic Transactions Act found in Article 40 of Chapter 66, since at least the year 2000. Similarly, North Carolina has had a structure for electronic recording and electronic notarization in place since 2005. The North Carolina structure includes safeguards such as a requirement that the electronic notary must be physically present with the borrower so as to protect against fraud or impersonation and duress.

In the years since then, advances in technology and encryption have made more secure transactions possible and have added the capability to detect when tampering is attempted to electronic signatures and documents. Changes affect the “hash value” which operates like a cryptographic and tamper evident seal.

From the standpoint of compliance with the Consumer Financial Protection Bureau’s TILA-RESPA integrated disclosure rule (TRID), an electronic mortgage also has many advantages. One of these is the ability to easily retain and store records and produce audit logs. Every digital signature is logged when made and the reports generated can become an important tool in showing good faith compliance.

As we look at the development across the state of capability to accept eRecording, additional counties are quickly coming online. In North Carolina, an estimated 77 out of 100 counties now accept secure eRecording, with 74 having full capability and three accepting mortgage satisfactions only. Electronic documents coming in are of higher legibility, and staff time and operating costs are reduced as scanning and other responsibilities are diminished. As more counties accept eRecording, travel to go out and do the filings in person and shipping costs can be reduced or eliminated, saving time, money, and reducing carbon emissions.

From the closing attorney perspective, after an initial learning curve to use the software and modest investments in equipment like a webcam, electronic signature pads, and a computer, there is the prospect of potentially faster closings, as well as less travel to visit borrowers or down time waiting for borrowers and others to arrive for the closing. Mountains of paper are no longer needed. Much of the eClosing package can be completed in advance and the attorney has the certainty of knowing that all of the documents are on hand and are in the eClosing platform rather than dealing sometimes with the last-minute scramble to collect them from lenders. For an attorney, this could translate into a higher degree of efficiency



and the capability to fit more closings in per day. And the closing attorney doesn't have to lose time tracking down a borrower after closing because a document was left unsigned.

From a borrower perspective, the greater automation means that the time from application to underwriting and approval and closing can be significantly shortened. There is also the convenience factor of potentially eliminating travel, with the electronic notary coming to the borrower's home or another location. And there is the real prospect of lowering closing costs as such things as mailing costs go away.

From a lender perspective, the essential documents are already in electronic form and are thereby ready much sooner for sales to investors, which can translate into more money per transaction as investors pay a premium for such speed. There is also the added advantage that there are no paper promissory notes to get lost.

### Other Considerations

Lenders can choose what portions of the mortgage transaction should be electronic and which should continue to follow a traditional model. If a Register of Deeds in the lender's market doesn't accept eRecording for instance, the documents may need to be converted into paper for recording and notarized using the traditional method, but the efficiencies before that step are still realized. Similarly, a lender that wants to continue using paper documents may still want to scan documents and eRecord in some circumstances to save time. And there is nothing that prevents the closing from still taking place in person if that is the most comfortable for the parties.

For millennials and others who place a high value on convenience, electronic mortgages could be a good option. And for those who are buying a second home and don't want to travel several hours to a closing, the prospect of having an electronic notary instead travel to them to help complete the transaction and to do the closing remotely may be a selling point.

### Future Transactions

While the NCBA is very optimistic about the market potential for electronic mortgages, we are still early from a market adoption standpoint. Federal regulators have been very supportive, particularly the CFPB which conducted a study and has actively encouraged financial institutions to explore the use of electronic mortgages. Importantly, the servicing process and secondary market are still developing. Fannie Mae and Freddie Mac have taken steps to support the transition but others on the investor side are still building out their procedures. This means in the near term that the number of transactions will tick upward but the tipping point to when the flood begins is further down the road.

As we move forward in this process, other eClosings have already been scheduled by the earliest adopters of this technology. The beginning of calendar year 2018 is emerging as a time period when some of the larger players in the mortgage industry appear positioned to begin phasing in the technology that underpins electronic mortgages. Once the conversion officially begins, the enhanced speed, efficiency, and cost savings will undoubtedly drive and accelerate the transformation.

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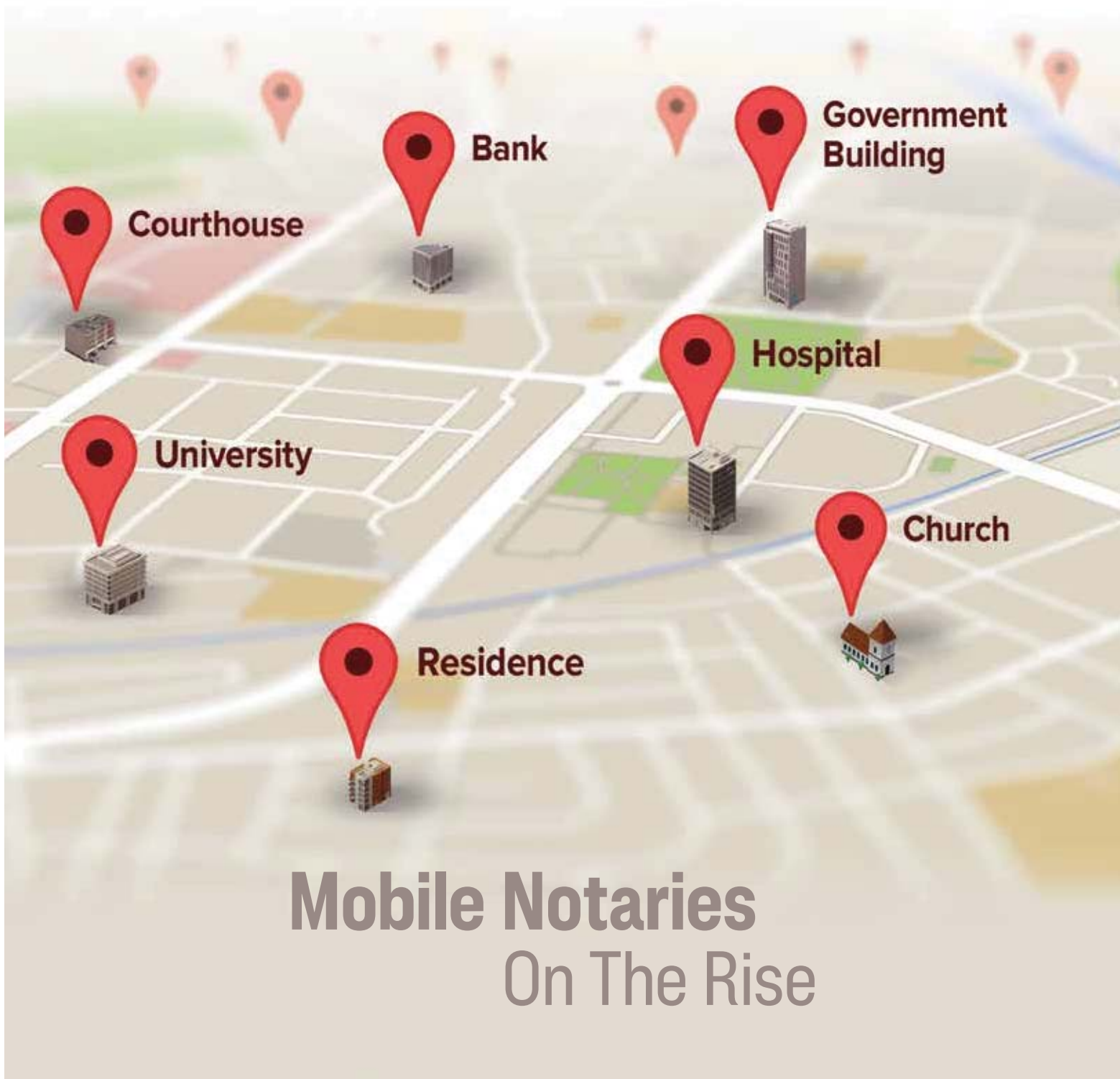
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## Mobile Notaries On The Rise





# NORTH CAROLINA'S BLAZING A **TRAIL OF eCLOSINGS**

**N**ORTH CAROLINA IS THE FIRST STATE IN THE NATION to establish a statewide eClosing program, and mortgage industry firms are slowly adopting the program. *The National Notary* recently spoke with North Carolina Secretary of State Elaine Marshall to discuss the program and its future.



North Carolina Secretary of State Elaine Marshall

### **What do you hope to accomplish with the eClosing pilot program?**

We wanted to demonstrate that North Carolina's legal infrastructure fully supports a completely electronic mortgage closing. We also wanted to have several eClosings conducted in North Carolina using the standards developed by the North Carolina Secretary of State's Office

and industry thought leaders who partnered with the Department to develop those standards.

These accomplishments were realized when North State Bank funded the first ever fully electronic mortgage closing in North Carolina on May 5, 2017, in Hickory, North Carolina. That first eClosing was a refinancing. The next two conducted by North State were fully electronic purchase mortgages.

Another goal was to partner with a large number of industry and regulatory interests. We accomplished this by forming the Electronic Mortgage Closing Advisory Committee — which includes representatives from major financial institutions, electronic mortgage closing providers, land title experts, real estate attorneys, Government Service Enterprise members and others. The Committee was set up to advise on best practices and encourage mortgage industry sectors to participate.

We also wanted to show the banking industry and regulators a better way to conduct business with the Millennial generation. Millennial habits and expectations clearly favor transacting business electronically. Banks need to know their customers and be able to reach out to them in many ways if they want to keep or increase their market shares. Similarly, regulators and administrators need to do similar outreach to connect successfully with this new generation.

We believe electronic mortgage closings will be a win-win-win for lenders, borrowers and government. Home buyers will win by having the opportunity to review their loan closing documents much sooner than with the traditional paper process, having the closing performed at a location that is convenient to them, and getting the keys to their new homes faster.

**We believe  
electronic mortgage  
closings will be a  
win-win-win for  
lenders, borrowers  
and government.**

The mortgage industry wins through reducing loan processing times, which frees up capital to generate more loans — which has the potential to transform the mortgage industry. Government will see a win through transactions that are completed quickly and securely, and by demonstrating its willingness to conduct its duties with the options that people expect to see.

### **What is the current status of the program?**

There have been several electronic mortgage closings, including purchases, since the first refinance eClosing. The organizations that pioneered this process continue to transact mortgages electronically as a normal part of their business. In fact, other local and national mortgage lenders planned to offer electronic mortgages by the end of 2017.

The Advisory Committee is working to develop an Electronic Mortgage Closing Best Practices Guide to give those interested in pursuing an electronic mortgage program step-by-step guidance on how to successfully engage in this process. The Advisory Committee will also educate the interested parties on the importance of in-person electronic notarizations in electronic mortgage closings.

We are pleased to be the first state in the nation to apply the statutory building blocks adopted over the past 20 years, as a concrete, state-wide electronic mortgage closing initiative.

**With North Carolina's  
history of embracing  
eCommerce and  
eNotarization practices, why  
did it take so long to launch a pilot program?**

North Carolina's legal infrastructure surrounding eCommerce and eNotarization is the most comprehensive of its kind in the country. We are proud that 90 percent of our state's population lives in counties that accept electronically recorded documents. We hope to reach 100 percent soon. Without this foundation, we would not have this ambitious statewide initiative for electronic mortgage closing.

In the early 2000s we were moving fast toward practical eCommerce applications for mortgages, but then the "Great Recession" of 2008 hit — one of the worst recessions in the nation's history. This event caused economic decline in the mortgage industry. It also caused a decline in the number of eNotaries, as the real estate market contracted. The effort picked up steam again as the real estate market in North Carolina rebounded and the number of eNotaries started increasing. These Notaries are a key element of our effort. We dutifully continued working to ensure we

had the legal infrastructure in place, county by county, to support electronic mortgage closings as stability was restored to the industry.

We launched our pilot program shortly after the U.S. Consumer Financial Protection Bureau completed its electronic mortgage closing study, finding that it was a beneficial process for consumers.

### **Do you see this as a viable alternative to remote eClosings?**

North Carolina's electronic mortgage process is a superior alternative to remote eClosings in terms of security and assurance. We believe that in-person electronic notarization is at the heart of secure electronic mortgage closings. North Carolina's electronic Notary process requires in-person interaction between the electronic Notary and the borrower. This is consistent with the National Association of Secretaries of State's National Electronic Notarization standards. These standards have been largely adopted by 23 states that have electronic notarization provisions for Notaries, including the requirement for personal appearance of the signer. This stands in stark contrast to the four states that have recently passed legislation allowing for remote appearance of the borrower before an electronic Notary Public.

We do not believe a remote process is a viable alternative to our form of electronic notarization, given the legitimate concerns about the potential for fraud. After all, a real estate purchase is often the most valuable asset a family may have.

### **What advantages does the North Carolina program have over remote closings?**

In this day of heightened concerns about identity theft, and data breaches at companies like Equifax, it is irresponsible for vendors to

supplant the time-tested process of verifying the signer's identity in person.

Having the signer appear before a Notary Public to establish their identity, willingness, and competence is not something that should be taken for granted, and its importance should not be minimized by introducing an inferior process. It introduces unnecessary risk and uncertainty into the electronic mortgage closing process.

Some believe that capturing video in remote closings makes it a superior process. But the in-person process for establishing identity, volition and competence is the preferred method by the vast majority of law enforcement and business disciplines. Conflicting state laws, combined with the potential difficulty of bringing remote participants to North Carolina to address potential criminal or civil problems in the courts, adds unnecessary burdens.

When mortgage industry professionals take a practical look at the best interest of home buyers, they realize that keeping the safeguards, protections and the trust inherent in an in-person, electronic notarization process far outweigh any negligible benefits of abandoning this time honored and trusted practice.

There is no reason to inject a process fraught with the potential for fraud in an otherwise secure transaction that delivers on the promise of speed, efficiency and trust that is going to transform the mortgage industry.

### **What are the challenges/obstacles to widespread adoption of North Carolina's eClosing model?**

The current challenge is increasing adoption. We are reaching out to warehouse lenders, electronic note servicers, regulatory entities, attorneys, realtors, mortgage lenders, Registers of Deeds, the North

Carolina Administrative Office of the Courts and all relevant stakeholders to ensure that we have educated everyone on the opportunity, processes, laws, security mechanisms and everything they need to do to get engaged in this industry transforming process.

### **Is there a need for standards for eNotarization?**

Yes, absolutely. The National Association of Secretaries of State identified this issue years ago. It developed and adopted standards for electronic notarization in 2006 and has expanded and reaffirmed them, most recently in the summer of 2016. The 23 states that have electronic notarization laws have adopted the majority of the standards included in the NASS National Electronic Notarization Standards. ■



North Carolina has long been a leader and advocate for electronic commerce and eNotarizations. Milestones include:

- Statewide electronic signature law, 1998
- The North Carolina Uniform Electronic Transactions Act, 2000
- Electronic Recording Act and the Electronic Notarization Act, 2005
- Electronic recording standards and rules for electronic notarization, 2007



# Amrock Increases Digital Reach with its First eClosing in North Carolina

Posted by Amrock 07/26/2018

Charlotte, N.C. (July 26, 2018) – Amrock, the nation’s largest independent provider of title insurance, valuations and settlement services, recently completed its first eClosing in the state of North Carolina. The mortgage was closed with the help of Pavaso’s Digital Close Platform incorporating In-Person Electronic Notarization (IPEN) technology, which replaces the traditional pen-and-paper process with electronic signatures. Not only was this Amrock’s first eClosing in North Carolina, it was also the company’s first ever IPEN closing – moving on from the previously used hybrid eClosings which still required some documents to be hand-signed. This new approach offers a more streamlined closing experience, while maintaining a personal element between the signing agent and the client.

“Technology is transforming the way we do business,” said Amrock President Brian Hughes.

“Whenever we have an opportunity to streamline a process or make it easier for our clients, we seize it. With the IPEN process, we are finally realizing a completely digital homebuying experience – giving our clients more confidence and clarity in the mortgage process. We are proud to launch this in North Carolina, and we are working to make the technology available across the country.”

In addition to eliminating the need for hand-signing documents, digital closings can prevent errors in the process. This digital method removes the possibility of the client or signing agent overlooking a portion of the document requiring a signature. Such mistakes can lead to delays in the closing process. With a fully digital closing, the documents cannot be submitted until all areas requiring signatures are completed.

North Carolina Secretary of State Elaine F. Marshall has been a leading advocate for eClosings in North Carolina as part of a years-long drive to modernize traditional business practices, including a comprehensive legal structure for electronic notarizations.

“We’re excited to have this technology available in our state,” said Secretary Marshall. “IPEN mortgage closings offer advantages over the traditional paper-based system for everyone involved in the process. This technology can be used to simplify the process, speed up eClosings, maintain strong identity verification and reduce the chance for errors or omissions – something we are always looking for.”

Amrock’s IPEN process is the product of its partnership with Pavaso, a technology company and the developer of a collaborative digital closing platform. While many home loans are originated online, the closing – the last step in the mortgage process – has, until recently, required clients and signing agents to sign dozens of hard-copy loan documents. With the IPEN process, clients can finish the mortgage process digitally through a simplified, in-person closing.

“Our mission is to radically improve the mortgage process – while focusing heavily on consumers’ experience,” said Mark McElroy, CEO Pavaso. “Our partnership with Amrock is key to helping us fulfill that mission and make the closing process more efficient, transparent and educational for everyone.”

Amrock partnered with Brady & Kosofsky, P.A., a real estate title firm located in Matthews, North Carolina, to serve as the signing agent for this Quicken Loans originated mortgage. Amrock has now successfully conducted more than 1000 eClosings across six states in 2018 alone, with all three types of eClosings combined (hybrid, IPEN and Remote Online Notarization). That number is expected to grow exponentially in the coming months as the company works to make eClosings available nationwide.

###



# eClosing

special report:

## Time to get REAL



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# A WORD FROM OUR SPONSOR

Dear Readers,

As a pioneer of electronic recording technology, witnessing our industry take another electronic leap is exciting.

Nationwide adoption of eClosing technology has the potential to shorten closing times, increase data quality and accuracy, and save money over traditional pen and paper mortgages. Frankly, the process of fully taking mortgage documentation and workflow online has been a long time coming.

Over time, as regulations and mindsets evolved, making eRecording more accepted nationally, settlement agents and counties saw huge benefits. Today, recording often takes minutes instead of hours or even days, by eliminating the process of mailing or hand delivering paper documents, then manually processing and filing,

We at Simplifile are proud of our work bringing eRecording technology to the industry and becoming the number one choice of settlement agents and counties nationwide.

We're also proud to offer fully electronic collaboration and post-closing solutions. By working together in a secure online portal in real time, both the settlement agent and the lender are consistently on the same page. Our goal is to eliminate fee confusion, security holes, timing inefficiencies, miscommunication, and lack of defensibility inherent with traditional pre- and post-closing communication and workflow.

Maybe one day soon we'll drop the "e" from all these names as efficient electronic mortgage workflow will be the norm. In the meantime, we'll keep providing e-solutions that improve your business and bottom line.

We hope you'll consider us and we thank you for your years of trust.

Best,

Paul Clifford

President  
Simplifile

simplifile®

# North Carolina pilot, one year later

When the North Carolina Secretary of State's Office announced an eClosing pilot, many looked to see what industry members in the state would learn and whether fully electronic mortgages would catch on. More than a year after its first fully electronic closing, the Secretary of State's Office, industry members, technology providers and the GSEs have taken away some insights.

## The lessons

**Ozie Stallworth**, director, Electronic Notarization and Notary Enforcement, North Carolina Department of Secretary of State, noted first that although there was significant interest locally and nationally in electronic mortgage closings, there was little practical experience the North Carolina Electronic Mortgage Closing Advisory committee could draw from.

"Being in uncharted territory we set out to learn whether the legal infrastructure that North Carolina had constructed over the last decade was sufficient to support the practical application of electronic mortgage closings," he said. "We learned that it was.

"On Aug. 10, 2017, the North Carolina Secretary of State convened an Electronic Mortgage Closing stakeholder meeting in Raleigh, N.C., where state and federal regulatory officials and originators, warehouse lenders, investors, attorneys, lenders and others from the largest financial services organizations in the country gathered to identify the true benefits of electronic mortgage closings," Stallworth continued. "During this meeting the 120 guests witnessed via video feed the first fully electronic home purchase in North Carolina. The only individuals that acknowledged that they had ever previously seen an actual electronic mortgage closing were those who were a part of the North Carolina Electronic Mortgage Advisory Committee."

"The main thing we learned from the pilot was that the only difference for the settlement agent between an eClosing and a wet ink closing is the medium upon which the instruments are signed," said **Jaime Kosofsky**, partner, Brady & Kosofsky. "Instead of using pen and paper, we are using keyboards, touchscreens, and/or a stylus. We also learned that there are many ways to conduct an eClosing. It can be with eNote only, eNote and eSecurity instrument; it can be with a wet ink security instrument and note and eDocuments for the balance of the package.

They learned that for electronic closings to be truly

successful, all stakeholders need to be integrated and fully on board.

"One key takeaway from the pilot, which aligns with what we learned in the Government Sponsored Enterprise (GSE) survey conducted in 2016, is that stakeholder (servicers, aggregators, warehouse lenders, title/settlement agents, electronic notaries, etc.) readiness is extremely critical," said **Rajasekhar Penugonda**, senior product development Lead, SF Strategic Delivery, Freddie Mac. "Without this support, eClosing process will become more of an exception process. As an example, if electronic notary support is available only in some markets in which the lender operates, their customer cannot electronically sign the loan documents that need to be notarized in the remaining markets."

"We learned that in order to gain the highest level of efficiency all of the stakeholders within a transaction need to be integrated so that the all of the documents required for a complete electronic mortgage closing flow seamlessly to each party from preparation, to signing, notarizing, accessing or recording the electronic documents," Stallworth stated.

It also became evident that unless warehouse lenders, investors and servicers participate on a much larger scale, electronic mortgage closings will not become mainstream.

"We learned that there are very few investors and warehouse lenders that currently purchase or invest and service electronic promissory notes, which can stifle lenders who are seeking to make electronic mortgages widely available to their customers," Stallworth said.

Kosofsky agreed, noting that his firm sees what is holding back lenders when the discussion goes from simple conversation to launching a pilot.

"Many times we come to find out that the Lender is unable or unwilling to go forward based on several reasons," Kosofsky said. "The most common is the inability or unwillingness of the secondary mortgage market players to purchase the resulting eNote. Another challenge we are beginning to face is that many lenders are being bombarded by tech vendors who are pushing implementation of various tools, regardless of its compatibility with the local registries, statutory law and/or acceptance."

Kosofsky also noted some members of the local closing industry have been reticent to embrace eClosings, leading to administrative actions and lawsuits with “baseless allegations such as: ‘Closing Attorney’s office was over 100 miles from place of Settlement.’ Although the fact that the office is located over 100 miles away from closing has absolutely no merit under North Carolina law, it clarifies that there is still a general fear of this technology in the rank and file of the local closing industry. We will just have to wait and see how the bar/courts rule on this.”

## Where are they now?

The use of electronic closings has increased in the last year, with more pilots occurring in North Carolina.

“Since North State Bank Mortgage completed the first eClosing in North Carolina on May 5, 2017, eClosings have expanded from refinances to purchases with both being performed in growing numbers,” Stalworth. “We have had an increase of approximately 3,000 electronic notaries register in the past 12 months due to our statewide electronic mortgage closing initiative. This represents a significant shift towards electronic mortgages in the legal and lender communities.

“We have also attracted the largest mortgage lender in the country as Quicken Loans and Amrock launched their electronic mortgage closing program in North Carolina this past July,” Stallworth said. “In addition, Wells Fargo, the nations largest mortgage aggregator, recently announced that they would begin purchasing eNotes. This will make digital mortgages accessible to lenders who will be able to move forward with the confidence that they will be able to deliver their loans with eNotes to the secondary market.”

**Nancy Pratt**, vice president, partner relations & government affairs at Pavaso, said the state has helped create an environment to grow electronic mortgage transactions.

“I think North Carolina has held firm to its belief about eMortgage, and while they were willing to do hybrid eMortgages, hybrid eClosings, where some things would be papered out and wetsigned, they kept striving for the full eMortgage,” Pratt said. “I think as time went on, what expanded was that more and more lenders got into the eMortgage space, which tied in nicely with what North Carolina is doing just by virtue of them being a leader. Over time, more lenders became involved and North Carolina continually reached out to these lenders and said ‘Do business in our state.’

“Over time, people realized you can’t do one; you’ve

got to do many to get good at it and get going,” Pratt continued. “I think that changed with Amrock and Quicken’s business model.”

Kosofsky said his firm is seeing more and more eClosings, and that the adoption of eClosings has spread into other areas of its practice — the loss mitigation and REO parts of their operation. The expansion also has benefited from a recent U.S. Treasury Department report, which Stallworth said recommended that Ginnie Mae — and therefore the FHA, Department of Veterans Affairs and the Department of Agriculture — pursue acceptance of eNotes and explore sharing technology platforms for origination and servicing activities.

## Unique benefits in North Carolina

Kosofsky noted that eClosings have a significant impact and value to the consumer in North Carolina than it does in most states for two reasons, the first of which is the fact that the recording statute in North Carolina is a “pure race” statute.

“If I were in a restaurant in San Francisco with Bob and Suzy and I gave Bob a deed to my home in North Carolina (and Suzy saw it or had notice) and the next day I gave Suzy a deed to the same home and she managed to get the deed recorded before Bob, the property is hers, regardless of the fact that she had notice that Bob was given a deed before her,” he said. “In other words, the first to record wins (has lien priority) regardless of notice.

“In the typical closing in NC, all the documents are signed, notarized and the parties leave,” he said. “Once the paralegal has time to QC (provide quality control for) the package and ensure its properly executed, scans the package, picks out the ‘funding documents’ to send to the lender, and await a wire or approval to record. This can take from one to three hours, depending on the volume of the day. This is also a very labor-intensive process.

“With an eClosing, the documents do not need human QC to ensure they are all signed, and properly notarized, the eClosing solution does that by not allowing the borrower to sign documents unless everything which was signed before it was signed correctly. This means the lenders will fund the transaction faster. In the first two eMortgage purchases we did, we cut the typical three hour gap between the settlement ceremony and recording of the documents to 35 minutes – from first signature on first document, to the recording of the deed and the instrument. That’s almost 2 1/2 hour time savings. This is a real big deal in our state.”



**North Carolina Department  
of the Secretary of State**

**December 21, 2018**  
**PRESS RELEASE**

**Elaine F. Marshall**  
**Secretary of State**

**For Immediate Release**

Contact: Liz Proctor (919) 814-5341

**NC Secretary of State's Office puts the correct way to do high-tech electronic real estate closings on "paper"**

**Raleigh** –These days the traditional, almost ceremonial way of doing a real estate closing with a home buyer gripping a pen to sign countless sheets of paper in a blur with the lawyer and notary public hovering to stamp and seal the growing stack is coming to its own “closing.”

Many buyers, particularly younger ones, are insisting that the process be streamlined into a much easier and faster electronic closing, often called an “eClosing” in banking industry terms. There are many advantages to all parties—buyer, seller, and lender—when the process can be completed quickly in an eClosing.

The only thing keeping most of the mortgage and real estate world from migrating to eClosings even faster is that the paper-free process is so new. Some traditional lenders worry that there are not enough solid, universally-followed rules in place to make giving up the pen and paper acceptable to their bank officers.

Enter the NC Secretary of State's Office which has just published “[North Carolina Electronic Mortgage Closing 101—A White Paper](#)”. This “paper”, found on the Secretary of State's website, is likely the first exhaustive “how to” guide in the country on how to conduct eClosings.

“North Carolina Electronic Mortgage Closing 101” contains sections outlining the many benefits to all parties of conducting closings electronically. It contains guidance on how stakeholders can convert their current paper-based processes to digital ones. It also gives the legal framework for the electronic process, including the importance of in person electronic notarization.

“As North Carolina's lead agency tasked with promoting electronic commerce,” Secretary of State Elaine Marshall said, “we found a significant point of hesitation for most banks was not the process—which is very secure—instead, their hesitation was based on the lack of written industry and government guidelines detailing how they should conduct an eClosing.”

To increase mortgage industry comfort in doing eClosings, Secretary Marshall and her Notary Public and Electronic Commerce staff organized an Electronic Mortgage Closing Advisory Committee consisting of members from banks, title companies, government and others who have a stake in moving the paper-bound closing process into the digital age.

Together, they wrote the white paper that now appears on the Secretary of State's website at [www.sosnc.gov](http://www.sosnc.gov).

“As best we can tell this is the first complete white paper on electronic closings in the nation,” Marshall said. “No other state has ever published anything like this to provide information, answers, and guidance to the industry.”

Marshall pointed out that electronic closings are legal and happening every day in North Carolina, especially from several technology-based mortgage companies. “It is here and being done right now,” she added. “We are just trying to get all the industry players into the eClosing game and using the same standards, rules and practices.”

She stressed that the guide is provided free to everyone on the website, including electronic commerce regulators for other states. “We want everyone to know that they can take this how-to road map and use it—whether they are a company or another government regulator,” Marshall said.

## **NASS IDEAS Award Supporting Material**

North Carolina Secretary of State

D. Observations From Industry Experts



December 13, 2018

To Whom it may Concern:

It has been my honor to be a member of North Carolina's Electronic Mortgage Closing Advisory committee.

It has been exciting to see a state take a leadership role in supporting eCommerce for the citizens of their state and be a beacon for other states in the promotion of excellence. Elaine Marshall, Ozie Stallworth identified a better way to do business for their stakeholders in the great state of North Carolina and made it their goal to provide a roadmap to help drive the eMortgage initiative.

North Carolina did their research before they embraced this eMortgage/eCommerce venture. They spoke to experts in every vertical of business. They reached out to their Lenders, Settlement Attorneys, eMortgage Vendors, Realtors and became active in the trade associations of these groups as well as the GSE's and Consumer advocacy groups. They spoke to the "Best of the Best" and then framed that knowledge to provide the excellence for their guidelines before giving it their stamp of approval.

This took dedication and hours of educating themselves before recommending the eMortgage goals for their state. This in itself is admirable and places them in a category unlike any other. They have earned the respect of the other states and have lead the way in being that state that unselfishly shared their knowledge after years of doing the work to become that of an advisory role model for others. North Carolina made it easier for their peers in other states across the country to adopt eCommerce.

I have been in this eMortgage space for 18 years and I have never seen anyone work with such integrity and decency in accomplishing their place in the industry. I am proud to let other states know, that my company is approved in North Carolina as that gives me immediate credibility. I have been fortunate to do joint education sessions with the leadership of NC and am so proud to share any kind of forum with them.

In all these years, I can honestly and without hesitation recommend that they receive the Secretary of State's IDEAS award as they have achieved the pinnacle of excellence and have earned this award through their outstanding achievements and extensive programs in promoting their great state and a better way to do business in the industry!

Sincerely,

Nancy G. Pratt

VP - Partner Relations &  
Gov't Affairs





Ozie Stallworth, Director, Electronic Notarization  
and Notary Enforcement  
North Carolina Department of Secretary of State  
4701 Atlantic Ave #116, Raleigh, NC 27604

Dear Ozie,

I am sending this letter to recognize the outstanding program and achievement of the Secretary of State in North Carolina.

As we know, the mortgage industry has been making strides towards digital transformation for over 20 years, and the North Carolina Secretary of State, The Honorable Elaine Marshall, has been a lynch pin to the advances being made.

This past year, MERS participated in the Advisory Board established by the North Carolina Secretary of State. This board has provided leadership and vision for the industry, and is a model that can readily be applied by other states as the industry makes the critical advancement towards a full digital mortgage.

The Advisory Board produced a first-of-its-kind document, the North Carolina Electronic Mortgage Closing 101 White Paper. It's a comprehensive "how to" guide informing lenders, attorneys and realtors about the steps they need to take to participate in the electronic mortgage closing ecosystem.

These best practices were a direct result of Secretary Marshall's ingenuity, leadership and guidance as a thought leader in the eCommerce realm, and we salute her forethought to bringing industry participants together to produce this valuable resource for North Carolina and the rest of the country.

We hold Secretary Marshall and the state of North Carolina in high esteem, and look forward to continuing our work with her and the state of North Carolina.

Thank you for all that you, North Carolina, and specifically the Secretary of State – The Honorable, Elaine Marshall, are doing every day to provide homeowners a better mortgage experience.

Respectfully,

Ron

Ronald T. Crowe

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# NORTH STATE BANK MORTGAGE

December 19, 2018

To: NASS IDEAS Award Committee

From a practical standpoint, mortgage closings could have remained a redundant and confusing process. Left as they were, the same level of consumer confusion, last minute rushes to make closing dates, and the usual mad scurry at the closing table to get documents copied and overnighted and of course deeds recorded could have been the status quo. Even as the whirlwind of technology swirled around us and touched virtually every part of our personal and professional lives, WE held our ground that Our Mortgage Loan Closing Process was sufficient. I know that was the way it was, because I was a part of the "WE" I am referring to.

Thanks to our esteemed Secretary of State Elaine Marshall, "sufficient" simply was not the level of expectation that was acceptable. Sufficient was not always "efficient" and a satisfactory process was not always the "best". Secretary Marshall and her most able staff were in tune with a consumer awareness that this process could be done better, and that awareness thankfully prompted not only a desire to make it better, but a commitment to do so.


So began the thought process that would dramatically change the way mortgage loan Closings could take place in North Carolina.

And that thought processes were so excellently initiated by identifying and gathering a group of stakeholders to share in what this process looked like and to ask...."could there be a better way"? I believe the essence of the success of eClosings in North Carolina was that initial gathering and attracting a collection of national and state industry partners. There was representation from virtually every segment of the mortgage industry, including FNMA, FHLMC, MERS CFPB, Doc Magic, A variety of National a title Entities, Real Estate Closing Attorneys, Notaries and representatives from offices of the register of deeds in North Carolina, along with leaders and decision makers from many North Carolina and National Mortgage Lenders and Banks. We had a table full of knowledge and a challenge from Secretary Marshall and Director Ozie Stallworth to see if we could make this dream become a reality. In September Of 2016 many of those in attendance at the initial meeting and others were asked to serve on the first ever NC Electronic Mortgage Closing Advisory Committee.

Our committee met several times in early 2017 and the overwhelming commitment was not "can we do this" but rather "how quickly and prudently can we make it happen." Inspired by Secretary Marshall's Leadership and under Director Stallworth's guidance and attention to every detail, the Advisory Committee quickly developed a plan of action and implementation that would have oversight from Loan Origination, to Loan Closing and to Loan delivery into the secondary market. Each phase of the process was proprietarily managed by various stakeholders, third party vendors, and process specialist that would evaluate and perfect each step to ensure efficiency, consistency, security and ease of duplicity.



6200 Falls of Neuse Rd, Suite 300, Raleigh, NC 27609

 855.471.1725 [NorthStateBankMortgage.com](http://NorthStateBankMortgage.com)

I think the strength of that committee was its willingness to be unselfish in allowing others to have key roles and to share unselfishly to bring this product and process to the consumers In North Carolina. Incredibly the first ever end to end eClosing in North Carolina occurred on May 10, 2017.

That initial closing was certainly an accomplishment, but one that would not linger without the implementation of the next phase of this mortgage closing evolution. In late September of 2017 Secretary Marshall and Director Stallworth recognized the need to be able share a written plan and guide with other lenders, attorneys, realtors on what steps they would need to take to understand, participate and practice in the electronic closing platform. Soon after a Committee was appointed and in early in 2018 this Committee published the first Ever how to guide on Electronic Mortgage Closings (White Paper 101)

The idea to share in the innovation and the practice of eClosings is not privy to North Carolina, nor was it intended to be. Secretary Marshall has always made it clear that this was a priority for the citizens of North Carolina but has also been adamant that this process is intended to impact consumers across our nation. In my various roles on mortgage committees on both the state, national and industry levels I am constantly asked to share ideas and strategies on how my colleagues from other states can get their state leaders engaged in eClosings. I simply tell the story of how a passion for serving her citizens became a reality for Secretary Elaine Marshall. It starts with the dream.....it ends with passion and persistence.

Even as I write this message Secretary Marshall and Director Stallworth have convened a team of industry experts and leaders to serve on the 2019 Advisory Committee so that the pursuit of perfection in this platform continues. We all share a sense of pride in having the opportunity to work closely with so many industry experts, under the leadership and guidance of our Secretary of State.

I am privileged to be a part of such and incredible evolution that I am confident will serve the Mortgage industry and so many consumers in many years to come

J. Kenneth Sykes  
SVP, President North State Bank Mortgage  
919-227-7343  
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Nancy Short Ferguson

Counsel

North Carolina State Bar

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December 20, 2018

Mr. Ozie H. Stallworth

Director, Electronic Notarization and Notary Enforcement

North Carolina Department of Secretary of State

Dear Mr. Stallworth:

Secretary of State Elaine Marshall has always been a leader in well deliberated implementation of legal platforms for technological advancement of commerce in North Carolina. These have included supporting legislative early adoption of UETA, URPERA and the Electronic Notary Act, organizing committees from knowledgeable industry participants to research and recommend appropriate regulations and the ultimate implementation of these important provisions.

Secretary Marshall has also been instrumental in hosting and maintaining both an Electronic Recording Council and North Carolina Land Records Committee, as well as related subcommittees and task forces, which continue to regularly address ongoing issues related to e-recording, e-notarization and e-closings. These issues range from educational efforts, to model forms and acts, legislative initiatives, and discussions among industry participant group leaders – registers of deeds, attorneys, lenders, realtors, title insurers, tax assessors and collectors, and other active participants in the real estate closing process.

Now that e-closing and remote notarization are issues on the horizon, I feel sure that her organized and deliberative transition process will be critical to a smooth, reliable implementation.

Much of this positive collaboration would not have been possible or feasible without Secretary Marshall's energetic progressive spirit.

The citizens of North Carolina have been extremely fortunate to have her leadership during this transitional period.

Thank you.

Yours very truly,

Nancy Short  
Ferguson



Digitally signed by Nancy Short  
Ferguson

Date: 2018.12.20 17:40:55 -05'00'

Nancy Short Ferguson, Counsel