



## Executive Overview

# Getting Started with eMortgages

*The time is now —  
Jump start your eMortgage program  
with helpful tips from Fannie Mae*



**FannieMae**

# Thinking of implementing an eMortgage program?

In recent years, a well-developed legal and technological infrastructure has been created to handle electronic mortgage (eMortgage) documents in all phases of the mortgage process, from origination through the life of the loan. For some lenders, eMortgage transactions are no longer part of the distant future – they are an everyday reality. Mortgage companies are originating, closing, and selling eMortgages, and Fannie Mae is buying them routinely.

A 2006 industry-wide study conducted by Fannie Mae revealed that over 70% of lenders plan to implement electronic signatures (eSignatures), a key component of the eMortgage process. The study also revealed that the most significant barrier to implementing eMortgages is a need for better training and education. Fannie Mae created this brochure to help address that need by outlining the steps required to plan and implement an eMortgage program.

## Primary Benefits

By participating in this electronic revolution of mortgage processing, lenders can realize a wide variety of benefits:

- better customer service;
- better execution through faster funding;
- improved data integrity;
- reduced operational costs through automation; and
- faster cycle times.

A variety of resources are available to help you understand the specific benefits that may be available to your organization. Contact Fannie Mae for more information.

## Legal Framework for eMortgages

The legal framework for eMortgages is now well-established and is used routinely to support the origination and sale of mortgages in the secondary market. A series of eSignature laws enacted by Congress and states in recent years to spur the growth of electronic commerce – and specifically eMortgages – means that electronic mortgage documents are fully enforceable in every jurisdiction. These standards provide a solid legal framework for the electronic signing of mortgage documents.

## Key Technology Components

An eMortgage program requires the integration and deployment of a number of technology components. Together with business process enhancements, these technologies can help you take full advantage of electronic mortgages. As you plan your eMortgage solution, you'll need to consider how your organization will implement the following key technology components:

- **Electronic documents** – The MBA has developed industry standards for the creation and use of electronic mortgage documents. To meet these standards, changes to your document preparation system may be required. Contact your document vendor to learn more and to obtain the capabilities necessary to generate eMortgage documents.
- **Electronic closing (eClosing)** – You'll need a system for the electronic closing of mortgage loans. These systems typically control the closing experience for the borrower(s) and include document management and electronic signature capabilities. Several vendors in the industry offer eClosing solutions. Contact these vendors for more information about their capabilities and to determine how their solution may fit within your technology and business infrastructure.



- **Electronic signing (eSignature)** – The eClosing system that you use for eMortgages should have an electronic signature capability. The eSignature laws allow for a wide variety of electronic signature types. The solutions offered by eClosing vendors typically have eSignature capabilities built in. To learn more, refer to the guidance provided by the Electronic Financial Services Council (EFSC) Standards and Procedures for Electronic Records and Signatures (SPeRS).
- **Registration and delivery** – The Mortgage Electronic Registration System (MERS®) eRegistry is the most important component for the legal enforceability of eMortgages. The MERS eRegistry is the system of record for identifying the ownership of the electronic promissory note (eNote). To ensure that your electronic mortgages are legal and enforceable, you must register your eNote on the MERS eRegistry. Contact MERS for more information.
- **Storage of eMortgage documents (eVault)** – You'll need to provide a safe and secure technology infrastructure to store your signed electronic mortgage documents. Your organization may be able to use your existing technology infrastructure, or you may choose an eVault vendor. Refer to the *Guide to Delivering eMortgage Loans to Fannie Mae* for more information about document custody and certification requirements.

The implementation of an eMortgage program is an enterprise-wide endeavor that may entail reconfiguring your existing business workflow. Your eMortgage planning process should include representatives from throughout your organization.

## LENDER STORY

## Ohio Savings Bank

Ohio Savings Bank (OSB), headquartered in Cleveland, is a national mortgage lender with an annual mortgage volume of \$25 billion which offers a diverse range of mortgage products. OSB began their eMortgage program in 2004 with the goal of streamlining the loan origination and purchase process, establishing a framework to lower costs for all participants, and improving the overall customer experience.

“Close collaboration with our customers, vendors, technology teams, and the application of a detailed “go to market” strategy are key factors driving the successful execution of our eMortgage program. Implementation of the fully integrated eMortgage value proposition is an ongoing team effort involving virtually all functional areas of the company, our clients, closing services providers, and investors. We were able to move quickly through development and implementation using a phased approach, and are now at the point where real efficiencies are being gained through scale, significantly lower document errors, and reductions in overall cycle times. With eMortgages everybody wins: consumers, clients, investors, and Ohio Savings Bank.”

*Jon K. Baymiller  
Executive Vice President  
Ohio Savings Bank*

## Business Process

To succeed, an eMortgage program must be closely integrated with your institution's business goals. Every eMortgage program should begin with the development of a carefully researched business case which ties into your specific business objectives. As part of determining the return-on-investment for an eMortgage implementation, your business case should consider how eMortgages can

- improve operational efficiency,
- reduce costs,
- improve execution,
- improve compliance and reduce risk,
- increase market share and improve customer services, and
- strengthen ties to brokers and correspondents.



## LENDER STORY

## Residential Capital Corporation

Headquartered in Minneapolis, Residential Capital Corporation (ResCap) is a leading real estate finance company which includes GMAC-RFC, GMAC Mortgage, ditech.com, GMAC Bank, GMAC Real Estate and Homecomings Financial. Its products cover the spectrum of the U.S. residential finance industry, from origination and servicing through securitization in the secondary market. GMAC Bank's Business Lending Group has been active in the eMortgage space since 2005 with the purchase of its first eNote via its correspondent lending channel. In 2006, GMAC Bank's Document Custody Division implemented an eVault to store electronically closed and signed documents.

“ResCap supports the industry-wide adoption of standards, guidelines and procedures to establish a completely paperless mortgage. In conjunction with Fannie Mae, MERS, the MBA and MISMO, ResCap has been actively engaged throughout our business in developing technology and processes to increase the value and cost effectiveness of paperless mortgages for borrowers, investors, government agencies, and other players who have a stake in each mortgage transaction.”

*Barbara Krawczun*

*Vice President*

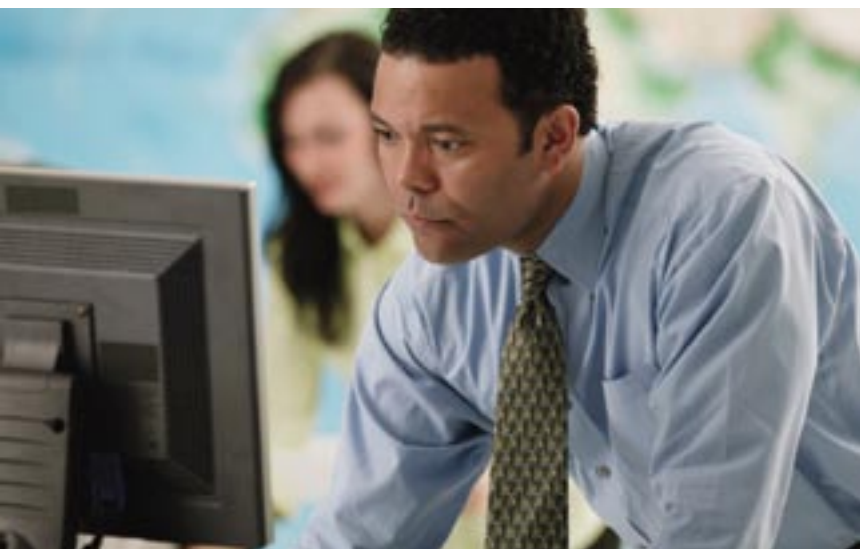
*GMAC Bank Trust Operations*

## Partner Network

It is important to develop a network of business partners to seamlessly integrate the electronic exchange of data and documents among all participants in your organization's mortgage value chain. This network will involve all of the partners in your business workflow, including:

- brokers and correspondents;
- technology vendors;
- settlement agents and title companies;
- investors;
- warehouse lenders; and
- servicers.

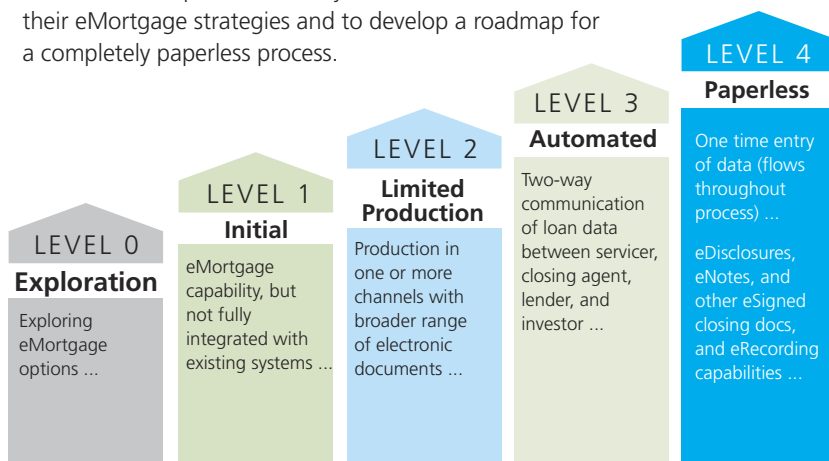
Involving these partners early in your planning process is critical to the successful rollout of your eMortgage program.





## Paperless Maturity Model

Fannie Mae's Paperless Maturity Model enables lenders to assess their eMortgage strategies and to develop a roadmap for a completely paperless process.



## Lender Implementation Steps

Fannie Mae's formal framework for eMortgage implementation provides lenders with clear steps on how to deliver eNotes to Fannie Mae and how to meet our guidelines.

### I. PLAN

Review Guide/Assess Readiness  
Specify Project Goals/Objectives  
Define Scope  
Business Process Review

### II. EXECUTE

Execute Documents  
MERS Integration Review  
eMortgage Team Engagement  
Business Process Flow

### III. TEST

Setup  
Other Systems Connectivity  
Doc Prep Solution  
End to End Testing

### IV. PRODUCTION

Training  
Marketing/Communication  
Tracking/Monitoring/Reporting

## For More Information

Fannie Mae has made a long-term commitment to bringing the infrastructure for eMortgages to the marketplace. We have been a long-time participant in the standards-making bodies for eMortgages. In fact, we purchased the first electronic mortgages in the secondary market in July 2000. And we continue to play a leading role in transforming the mortgage lending process toward a paperless environment. We've accumulated extensive knowledge in electronic mortgages by working with our lenders, partners, and industry groups to make eMortgage transactions routine. We want to share that knowledge with your organization to help you develop a successful eMortgage program.

Let us explore with you how an eMortgage program may benefit your organization and how to begin implementation.

To learn more, visit [www.eFannieMae.com](http://www.eFannieMae.com) or contact your Fannie Mae account team representative.



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Washington, DC 20016-2892  
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