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# Embracing the Possibilities of Paperless

E-mortgage systems are key to staying compliant and responsive to clients' preferences

Paperless mortgages are hardly new, but many mortgage banks and brokerages remain reluctant to accept them. Skeptics have cited a number of barriers to adopting digital loan documents, from borrower comfort to the perceived complications inherent in certain documents requiring a physical signature. With regards to the latter, however, this past year's acceptance of digital signatures on IRS 4506-T income-verification forms means that another barrier has been removed, opening the door for brokers and lenders to take the final steps toward adopting paperless mortgages.

The benefits of digital mortgages are numerous: less paper, reduced costs, faster closing times, enhanced digital tracking and more accurate reporting for compliance are just the beginning. In the past few years, innovations like electronic file vaults, e-signature support and Web-based loan-origination systems (LOS), have brought the paperless mortgage process closer to becoming a mainstream best practice.

For many originators, the concept of moving to 100 percent digital mortgage documents might seem overwhelming. The good news is that digital loan-document processes can be implemented in stages, with each new stage adding more efficiency and cost effectiveness.

## Benefits

Many loan officers conceive of the paperless process as simply converting existing hardcopy documents into digital copies, but with a true digital mortgage, the documents never exist in paper form, and the borrower signs everything electronically.

Paperless origination can offer a range of benefits. In particular:

- **Integrity:** Changes made to electronic documents are applied instantly to all areas of the closing documents and disclosures. This eliminates redundant data entry and reduces data errors, which is especially important in light of today's regulatory environment.
- **Time:** Paperless mortgages can enable loan officers to eliminate much of the time-consuming effort involved in handling, processing and verifying paper documents.
- **Security:** Electronic files can be encrypted for secure transmission and to prevent unauthorized access to the data. An electronic "seal" also can limit when, and by whom, changes are made to the loan file.

When making the commitment to electronic documents, the first step for many lenders and loan officers is to embrace e-disclosures and e-signatures. These documents are easier to convince borrowers to sign digitally. Also, they facilitate the importing of data into your LOS program, which assists with meeting regulatory demands.

## Closing

Loan officers sometimes encounter borrowers who are wary of signing loan documents electronically. Many borrowers want to hold hardcopies and sign them in an office with their attorney or real estate broker present.

Even so, each new generation is more comfortable embracing complex financial decisions online. Many younger consumers embrace mobile banking and online stock trading, for instance. As the younger generation buys first homes, there will be a natural extension from searching for homes online to filling out Web-based applications and signing disclosures and supporting documents electronically.

The rise of more mobile technologies also may make electronic documents more acceptable, as borrowers can review document packages on a tablet at the closing office or even in their homes. In the meantime, originators should ensure that they're prepared to meet the demand when it arrives.

In other words, make sure that your technology platforms and document systems can support e-signatures. Lenders also can consider incentives to promote electronic signing and encourage willing consumers to sign other key documents, such as 4506-T income verification and disclosures, electronically.

## Picking a vendor

When making the decision on how to implement more digital documents, there are a few considerations to keep in mind. The most important is compliance. All mortgage-document systems — paper-based and electronic alike — must comply with federal, state, agency and investor requirements. In the case of digital mortgages, lenders should make sure that the

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proper forms will be delivered in the correct format and at the right time.

A good document system will have a reporting feature that enables lenders to track every stage of the mortgage process to guarantee that each step is completed on time and in accordance with all regulations. The reporting function also could be tied to a mailing service that would send paper copies of the documents to borrowers automatically when the electronic communication is not completed in time.

In addition, document vendors should be able to verify that they're meeting the security requirements of all regulations and laws. Because mortgage-loan documents contain sensitive personal information, it's critical that loan officers work with providers who can ensure that data breaches will not occur.

Compliance is not a place to cut corners, as compliance mistakes can result in lawsuits, trouble with regulators and a loss of time, reputation, customer base and money. Having a trusted document-compliance provider can remove the burden of keeping up with constantly updating loan documents to meet new regulations and enable your company to focus on serving its customers.

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As younger, more tech-savvy homebuyers come into the market, paperless origination processes may become something of a necessity for mortgage banks and brokerages. When it comes to electronic mortgages, preparing today may help you bring in more business tomorrow, provided that you choose your vendors carefully and always keep compliance in mind. ●