



Whitepaper

Why you need a digital-ready secondary market ecosystem:

The strategic differentiator for
a scalable eClosing strategy



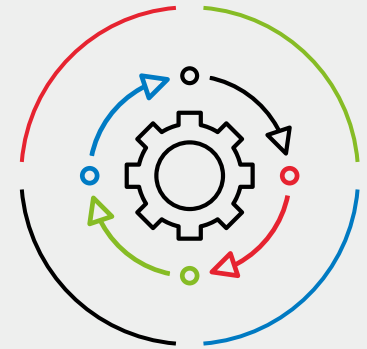
Digitizing the mortgage loan lifecycle can speed processes, improve customer experience, and accelerate the monetization of mortgage-backed securities.

Here's how to achieve an end-to-end strategy to maximize your success with digital mortgages.

A growing number of both bank and nonbank mortgage originators are taking advantage of digital technologies to support eClosing. However, not every mortgage originator has embraced a comprehensive, end-to-end eMortgage strategy.

That's too bad, because those enterprises might be missing out on one of the biggest business benefits of digitized mortgage processes. That overlooked advantage is the ability to smoothly and rapidly securitize digital mortgages for sale into the secondary market.

To get the most from digital asset-backed securities (ABS), you need an eClosing platform with capabilities that support the entire life of the loan. In particular, your eClosing solution should enable instant creation, storage and transfer of a digital-original eNote in a secure eVault. It should also connect you with a robust ecosystem of secondary-market partners including warehouse lenders, custodians, servicers, and investors.



eMortgages: Better experiences, better business



Many mortgage lenders have digitized at least some aspects of their closing process. Now, sophisticated loan originators are seeking an eClosing platform that eliminates points of friction in the end-to-end mortgage process. An effective eClosing platform should offer complete functionality, including:

eSignature execution

Support for eSignatures streamlines and accelerates closing processes and ensures you have a legally valid means of signature authentication.

eClosing room

Intuitive settlement agent software enables collaborative loan closing operations and streamlined closing day execution.

Remote online notarization (RON) connections

A built-in RON hub offers preconfigured, simple-to-use connections to the leading RON solutions.

















Doc-prep integration

Turnkey integration with document preparation, such as the Wolters Kluwer Expere® doc-prep system, ensures instant access to compliant lender documents.

Closing flexibility

Support for every closing scenario—from paper, to hybrid, to contactless and remote—enables you to provide settlement agents with maximum flexibility and borrowers with an excellent customer experience.

The end-to-end eMortgage process

Apply	Create	Manage	Monetize
 Customer portal  Application & approval	 Collaboration  ClosingCenter	 eVault certainty  Collateral protection	 Asset securitizations  Collateral protection
 Loan origination system (LOS)  Document preparation	 eSignature  eNote / Authoritative copy	 Audit custody  eRegistry	 Asset transfer/sell  Digital assets & tokens
eSignature providers	eSignature and eVault	eVault	eVault



Optimizing the digital loan lifecycle

Just because you can conduct eClosing doesn't mean you have a robust, scalable eClosing solution—or a successful eMortgage strategy. After all, the life of every loan you originate extends well after the loan is executed. In fact, you can realize some of the biggest benefits of eMortgages later in the loan lifecycle. Achieving that goal involves several components:



eNote creation – An eNote is an authoritative digital promissory note. In many ways, it's the most crucial component of your eMortgage strategy. Like their paper equivalents, eNotes indicate mortgage asset ownership—a requirement for sale of digital mortgage-backed securities (MBS) into the secondary market.

Your eNote technology should provide an auditable and tamper-proof digital chain of custody. That digital asset certainty is what allows you to demonstrate that your digital mortgages meet all Safe Harbor requirements and assure legal enforceability under laws such as the Uniform Commercial Code (UCC) Section 9-105, Uniform Electronic Transactions Act (UETA), and Electronic Signatures in Global and National Commerce Act (ESIGN).



eVault document storage – When you generate eNotes, your eClosing solution should automatically and immediately store them in an eVault. The purpose of the eVault is to reliably establish the person or entity to whom the single, authoritative copy of the eNote is assigned, issued, or transferred. The eVault provides a secure environment that ensures the eNote remains negotiable and transferable. An effective eVault allows privileged access to the document without compromising the integrity of the original.



MERS® eRegistry – MERS eRegistry is the legal system of record for identifying the holder, custodian, and servicer of every eNote. In fact, registration in MERS is required by Fannie Mae and Freddie Mac for eNote transfers.

The number of eNotes registered in MERS soared 261 percent year over year in December 2020, with a total of more than 460,000 eNotes registered by the end of that year.¹ About 95 percent of eNotes in MERS were generated by Wolters Kluwer’s eOriginal® eNote technology.

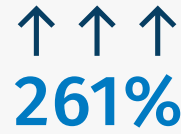
When you complete the closing process, your eClosing solution should enable you to register the eNote in MERS. It should also allow you to update the servicer and custodian or transfer control to an investor as needed. You should likewise be able to log life-of-loan events such as when the loan is modified, assumed, or paid off.



Fannie Mae, Freddie Mac and Ginnie Mae – Key to the surging adoption of eNotes is their acceptance by government-sponsored entities (GSEs) and agencies such as Fannie Mae, Freddie Mac, Ginnie Mae. In fact, these entities make up the majority of secondary-market transactions.

Fannie Mae purchased its first eMortgage in 2003, and Freddie Mac in 2005. In 2020, Ginnie Mae launched a Digital Collateral Program to accept eNotes as valid collateral, allowing issuers and custodians of Ginnie Mae securities to accept and transfer eNotes. The effort was enabled by eOriginal, which Ginnie Mae selected to provide eVault software and services. Ginnie Mae announced an expansion of this program to new issuers in June of 2022.

¹“MERS eNotes Increase 261% in December,” HousingWire[ES1], January 2021



Increase in eNotes registered in MERS® year over year in December 2020



of eNotes in MERS generated by Wolters Kluwer’s eOriginal eNote technology through Jan 2022

eClosing solution key capabilities



Document preview



Document eSignature



eClosing room for settlement agents



MISMO SMART Doc eNote



eVault



MERS eRegistry



Enterprise API



RON



Ecosystem integrations



Acceleration securitization

With an effective eClosing platform—one that generates eNotes with digital asset certainty and stores them in an eVault with an auditable and tamper-proof digital chain of custody—you're equipped for digitized securitization.

Your eClosing solution should enforce workflows so that there are no missing signatures or misplaced documents when it comes time to pool your eAssets. You gain accuracy and transparency, reducing risk and increasing confidence.

You can also better manage compliance because you have easy access to all the data you need. You have a secure audit trail with detailed timestamps, so you can readily show evidence of compliance. There are no surprises, because you've verified every detail during preclose.

Digital original eNotes stored in a secure eVault also deliver operational efficiencies, as you can quickly package up your ABS for secondary-market sale. Many lenders have reduced the time between closing and secondary-market delivery from a typical 21 days to as little as two days.

You also gain better management of capital and warehouse lines of credit. You can potentially lower the cost of capital, because you know what each transaction will cost to fund. You also reduce the risk of loans remaining on a line of credit for an extended period of time. Shorter dwell times mean you can fund primary-market activities more quickly.

21
DAYS

**Typical time between closing
and secondary-market
delivery for paper ABS**

VS

2
DAYS

**Target time between closing
and secondary-market
delivery for digital ABS**

¹"MERS eNotes Increase 261% in December," HousingWire[ES1], January 2021





Taking full advantage of the secondary market

Finally, the right eClosing solution will give you heft and scale in the secondary market. This capability is crucial, because mortgages involve a complex ecosystem: borrowers, settlement agents, originators, warehouse lenders, custodians, servicers, and investors. In fact, this complexity is a key reason that, even though the first eNote was issued some two decades ago, many lenders only now are fully embracing end-to-end eClosing.

Look for an eClosing platform that's widely accepted by secondary-market players such as warehouse lenders, custodians, and investors. The technology should support smooth access to these market participants. This secondary-market access will deliver scalability to your digital mortgage portfolio.

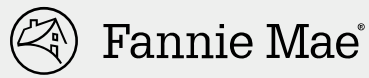
Ultimately, your eClosing solution should power eNote creation, eVaulting, and securitization with technology that is:



	Trusted Delivers digital asset certainty, meeting all Safe Harbor requirements and enabling legal enforceability under UCC 9-105, UETA, and ESIGN
	Scalable Can handle high eNote volume and support your business growth
	Efficient Increases capital efficiency and reduces dwell times with swift secondary-market delivery
	Open Provides access to a broad ecosystem of secondary-market counterparties including warehouse lenders, custodians, servicers, and investors

Both banks and nonbank lenders, along with their financial networks, are discovering that an end-to-end eMortgage strategy is now a competitive necessity. An effective strategy powers growth by providing better access to borrowers and accelerated delivery of data-rich, trusted mortgage documents to the secondary market. Secondary-market success drives monetization and creates liquidity that delivers primary-market advantages. It's no wonder eMortgages are fast becoming the norm in mortgage lending and lenders with an end-to-end eMortgage strategy are achieving success.

Success story



Fannie Mae is a leading source of financing for mortgage lenders. It's also a large-scale buyer of eNotes. So it's no surprise the organization depends on a robust eVault solution.

Initially, Fannie Mae developed its own, in-house eVault application. But over time, the software experienced issues with reliability, data quality, and cost of maintenance. The enterprise needed a best-in-class platform.

After careful evaluation, Fannie Mae selected Wolters Kluwer's eOriginal as its trusted technology partner. Today, eOriginal eAsset Management provides the organization with:

- ✓ Secure, reliable eVault functionality
- ✓ Scalable capacity to meet changing business needs
- ✓ Higher confidence by eliminating lost notes and inconsistent paperwork
- ✓ Lower total cost of ownership through reduced maintenance needs
- ✓ Expert customer support to migrate thousands of records from its legacy system
- ✓ Simple access to the MERS eRegistry
- ✓ Deep integrations with the entire eMortgage ecosystem, from loan originators to warehouse lenders, custodians, servicers, and investors

Fannie Mae now has the capabilities it needs to manage eNotes throughout their lifecycle. It also benefits from superior eVault functionality that enables it to deliver new services and better experiences to customers.

Success story



As a company focused on delivering superior customer experience, Fairway understood the need to digitize and streamline its mortgage closure. Its paper mortgage closing process, which included a 150-page closing package, also risked significant lost revenue in cases where settlement agents closed incorrect loan packages.

Fairway selected Wolters Kluwer's eOriginal because it was the known market leader in eAsset Management and a true ecosystem solution pre-connected with Fairway's existing loan origination system (LOS) and document preparation solution partners. Fairway also served as a design partner for the development of ClosingCenter, a groundbreaking closing room software that enables the ultimate execution flexibility, supporting multiple digital closing scenarios from hybrid eNote-plus-paper to fully digital eClosings.

The Results

Better customer and associates experience - Digital closings help Fairway's title settlement associates get more closings done by making the process faster and simpler. Digital closings also give borrowers a better, less intimidating experience which results in more referrals and repeat business, increasing customer lifetime value and reducing the cost of acquiring customers.

Reduced risk - Digital closing reduces and nearly eliminates the risk of wrong documents being signed, improper or missed signatures, incorrect loan amounts, or even clients backing out due to feeling uncertain or intimidated.

Loan integrity and quality - Digital loans and eVaulting means a more secure, trusted loan. These loans are more quickly processed and certified through automated processes. Digital notes are also in higher demand in the secondary market because they are safer and more trusted.

About Wolters Kluwer Governance, Risk & Compliance

Governance, Risk & Compliance is a division of Wolters Kluwer, which provides legal and banking professionals with solutions to help ensure compliance with ever-changing regulatory and legal obligations, manage risk, increase efficiency, and produce better business outcomes. GRC offers a portfolio of technology-enabled expert services and solutions focused on legal entity compliance, legal operations management, banking product compliance, and banking regulatory compliance.

Wolters Kluwer (WKL) is a global leader in professional information, software solutions, and services for the healthcare; tax and accounting; governance, risk and compliance; and legal and regulatory sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with specialized technology and services. Wolters Kluwer reported 2021 annual revenues of €4.8 billion. The group serves customers in over 180 countries, maintains operations in over 40 countries, and employs approximately 19,800 people worldwide. The company is headquartered in Alphen aan den Rijn, the Netherlands.

For more information about our solutions and organization, visit [WoltersKluwer.com](https://www.wolterskluwer.com).

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