

MBA's 97th ANNUAL CONVENTION & EXPO OCTOBER 24-27 ATLANTA

eSignature Technology to the Rescue:

Effectively manage workout challenges while preparing your
company for future opportunities



Session Overview

Moderator:

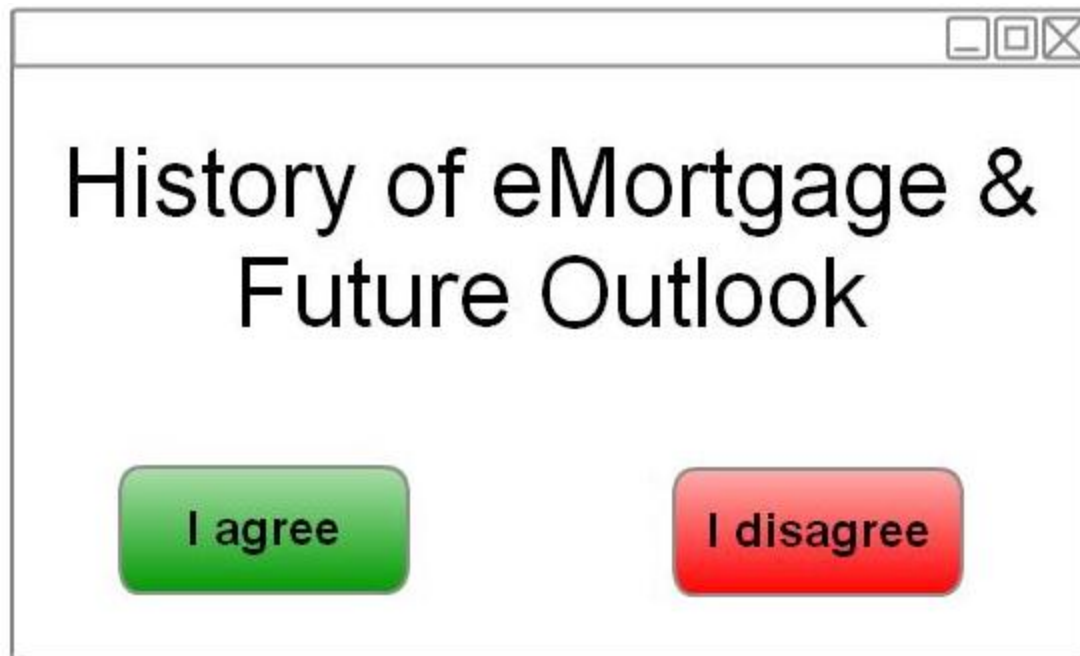
Grace Brasington

Chief Risk Officer

Lender Processing Services, LSI Division



- Introduction of Panelists
- History of eMortgage and Future Outlook
- Investor Perspective of eMortgage
- Benefits of eMortgage Process
- Vendor Perspective of eMortgage Implementation and Success Stories
- Lender Perspective of eMortgage Implementation and Success Stories
- Questions and Answers



Presented by:

Chris Christensen

Attorney at Law

PeirsonPatterson, LLP

- 1999 UETA promulgated by NCCUSL
- 2000 E-SIGN enacted
- 2001 MISMO eMortgage Workgroup formed
- 2004 OCC Advisory Letters 2004-11: Electronic Consumer Disclosures and Notices and 2004-9: Electronic Record Keeping
- 2004 MERS eRegistry® Launched
- 2006 Express coverage for electronic transaction in 2006 ALTA Loan and Owners Policies

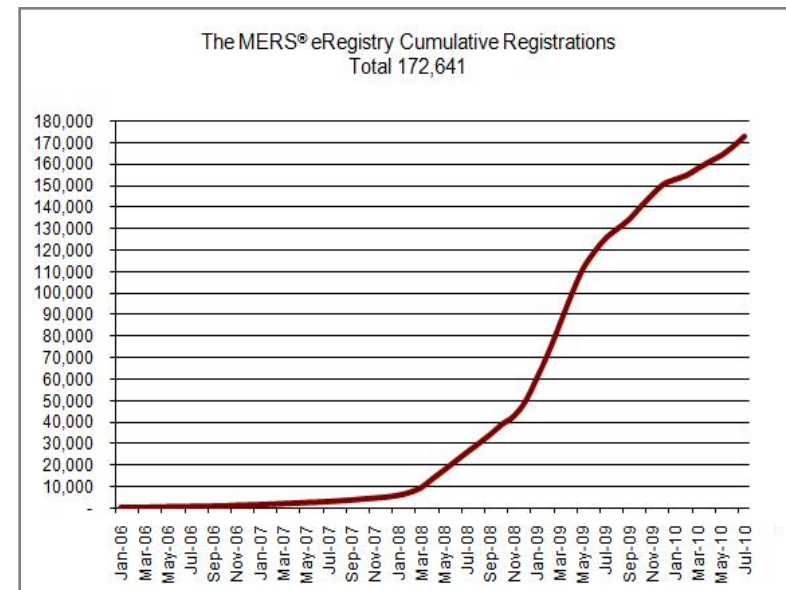
- We live “in a world where electronic signatures are regularly honored”

Magyar v. St. Joseph Reg'l Med. Ctr., 544 F.3d 766, 770 (7th Cir. Ind. 2008)

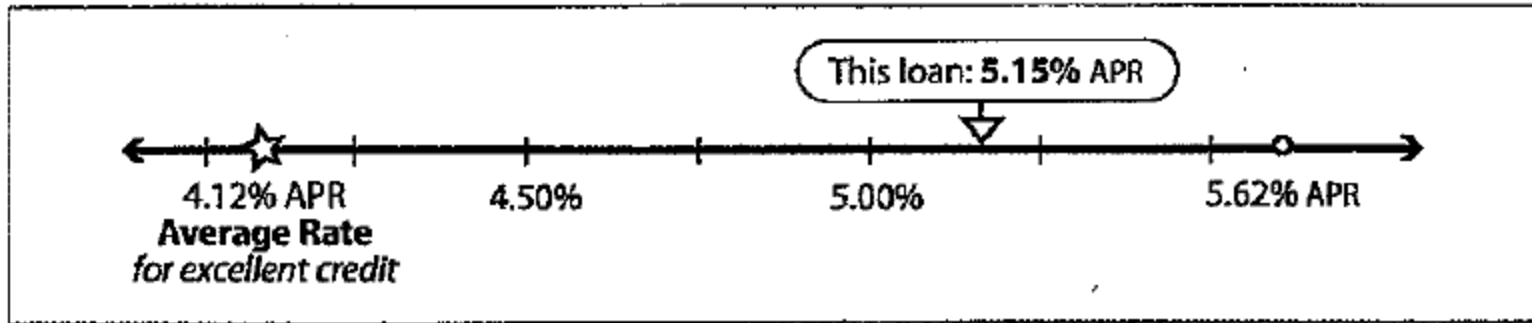
- By now the law seems pretty well-settled that a mere click of agreement on a web site acts as an acceptance of an offer to do what the web site proposes – and of the terms contained on the web site – even if those terms can only be reached by a hyperlink. Like a signature line on a paper contract, an “agree” icon on a web site notifies the reader that she should look at the appended terms.

Survey of the Law of Cyberspace: Electronic Contracting Cases 2007-2008, The Business Lawyer; Vol. 64, November 2008

- 2007 TILA Regulations on providing consumer disclosures in electronic form
- 2009 RESPA Regulations add E-SIGN applicability
- 2009 Draft eSignature Guidelines for Documents in the FHA Case Binder
- 2010 Exclusively eWarehouse Provider enters market
- 2010 186,487 eNotes Registered (as of 10/07)



Dodd-Frank Implementation



Quality Controls and Data Integrity Checks

U.S. TRUSTEE MORTGAGE CLAIM REVIEW CHECKLIST

↓	CHECK ALL THAT APPLY BELOW	NO APPARENT ISSUES
IDENTIFYING INFORMATION		
	NAME(S) ON MORTGAGE DIFFER(S) FROM DEBTOR(S)' NAME(S)	
	ACCOUNT NUMBER NOT STATED ON CLAIM [LP#2A]	
	COLLATERAL NOT IDENTIFIED [LP#2B]	
	NO MORTGAGE INCLUDED WITH CLAIM	
	NO NOTE INCLUDED WITH CLAIM	
	MORTGAGE AND/OR NOTE DOES NOT CONTAIN INFORMATION REFLECTING SECURITY INTEREST OR DEED BOOK/PAGE REFERENCE	
	NAME OF ACTUAL CREDITOR HOLDING THE MORTGAGE DOES NOT APPEAR ON THE CLAIM FACE	
	NAME OF CREDITOR ON CLAIM FACE IS NOT SUPPORTED BY THE DOCUMENTS ATTACHED TO THE CLAIM (NOTE, MORTGAGE, ASSIGNMENT OF CLAIM)	
ARREARAGE		

Fannie Mae and Freddie Mac Launch Joint Effort to Improve Loan and Appraisal Data Collection New Program to Boost Risk Management Capabilities

Washington, DC - The Federal Housing Finance Agency (FHFA) has announced a major new initiative by Freddie Mac and Fannie Mae (the Enterprises) to improve the consistency and quality of data for appraisals and other loan information. This will enhance the depth of collateral, borrower and loan data submitted to the Enterprises. The Uniform Mortgage Data Program is a long-term, joint effort to create improved and uniform data standards and collection processes. The Enterprises have worked with industry participants to develop the uniform standards.

Investor Perspective & Benefits of eMortgage

Presented by:

Christos Bettios

*Sr. Product Manager
Paperless Mortgage Initiatives*

Fannie Mae



- Today's Origination Process
- The eMortgage Process
- The Strategic Importance of eMortgages
- The eClosing and eDelivery Process
- UETA and E-SIGN
- Industry History
- The Current State of eNotes
- eMortgage Implementation – Best Practices
- Resources

- Generally involves electronic generation of loan documents
- These documents are printed on paper for borrowers to sign
- Paper documents are manually shipped back, imaged, indexed, stored in electronic document repositories, and exchanged after origination where data has to be rekeyed and rechecked

- eMortgages are mortgage loans that are created, signed, and processed electronically; they include at least the note and possibly other documents*
- Data can be verified and trusted because documents are digitally signed to reveal any tampering; many post-closing processes are automated
- eMortgages can eliminate need for printing, imaging, shipping, couriers, data re-entry, and manual data certification resulting in numerous benefits for lenders and Fannie Mae

* MBA/MISMO Definition

Lender Benefits

- Enable business transformation and efficiencies to grow business (capacity)
- Improve the borrower experience (customer service)
- Support faster selling to secondary market (margins)
- Help optimize use of funding capital (funding)
- Increase transparency and loan quality (risk management)

Fannie Mae Benefits

- Improve loan quality with trusted delivery data (with paper, errors can exist even after manual certification)
- Help our lenders grow their business
- Streamline delivery and custody functions
- Eliminate risks associated with missing notes

- When closing documents are drawn, the Promissory is created in a “For Electronic Signatures Only” format (SMARTDoc eNote)
- Loan closes and eNote is eSigned using an eClosing system
- eNote is registered on MERS® eRegistry
- Lender transmits eNote via MERS eDelivery to custodians and Fannie Mae
- Lender transfers eNote Control and Location to Fannie Mae via MERS eRegistry
- Lender submits delivery data to Fannie Mae via Loan Delivery, including special feature code 508 to identify the loan as an eMortgage delivery
- eNote is certified against the Loan Delivery data and the loan is funded
- Loan is serviced and the MERS eRegistry is updated with life-of-loan events

- UETA – Uniform Electronic Transaction Act
 - Makes electronic records and signatures as legal as paper and ink-signed signatures
 - Currently adopted by 46 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands
- E-SIGN – Electronic Signatures in Global and National Commerce Act
 - Passed by the U.S. Congress and became law in October 2000
 - Established the legal basis for the enforceability of eMortgages
- Highlights
 - Notwithstanding any law to the contrary, a signature or contract may not be denied legal effect because it is in electronic form
 - Transferable record provisions make eNotes equivalent to paper negotiable instruments

Development and Pilot Programs

E-SIGN signed into law	Issues Announcement 02-08
Legal Framework Analysis	Published "Guide to Delivering eMortgages"
Purchased first 2 eMortgages in secondary market	eMortgage Delivery "Open for Business"
Creates SMART Doc concepts and specifications	Developed eNote Registry
Works with the MBA/MISMO to launch eMortgage Workgroup	Fannie Mae lenders in production
Conducted lender pilots	
Created solution with vendor partners	

MERS® eRegistry Launch
Helps MERS® Launch industry eRegistry
Purchased first eRegistered eNote

Production & Volume Growth

MISMO – eMortgage Guide	Working with a number of lenders to implement eMortgage processes
Released new "Guide to Delivering eMortgages"	04/08: 10,000 eMortgages originated and sold
Requires use of MERS® eRegistry	09/08: eSigning solution used for foreclosure prevention (HomeSaver Advance)
Works with several lenders to enable eSign and eDelivery	Q3 2010: >130,000 eMortgages originated and sold
Q1 06 – FHA publishes draft eMortgage guide	

2000

2002

2004

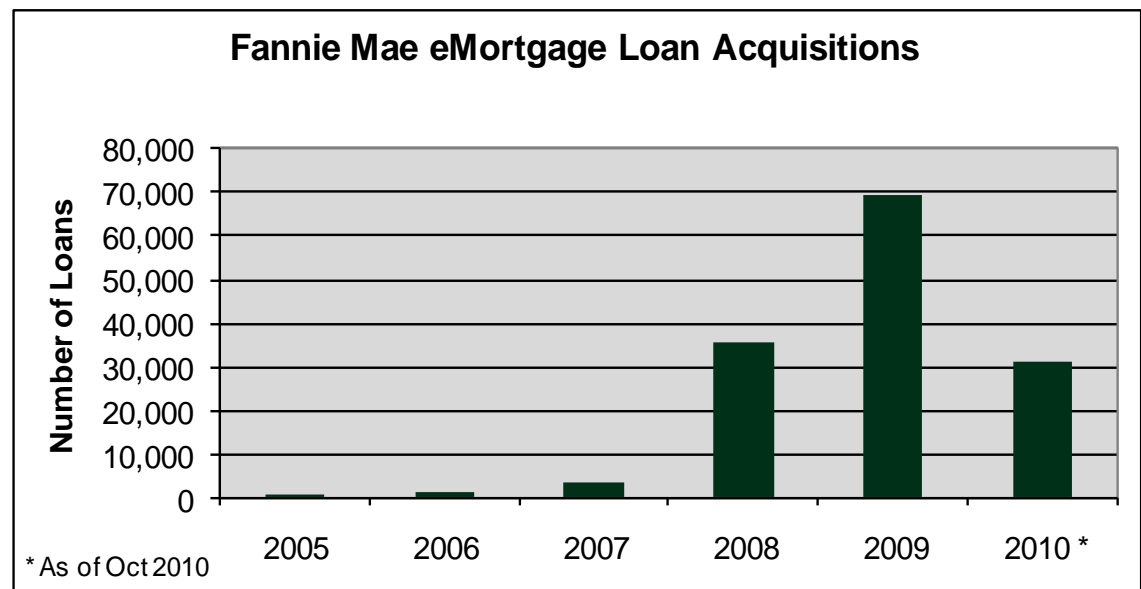
2005

2010

Legal/Industry Framework

Fannie Mae

- Six lenders actively originating and selling eNotes for cash and MBS
 - Thousands of first lien mortgage loans are electronically signed every month
 - We have acquired over 130,000 eMortgage loans to date
 - Many originate eNotes for their portfolios (e.g., HELOCs)
- Major servicers have originated electronically signed HomeSaver Advance™ loans
- 10 servicers are servicing eMortgage loans, interfacing with the MERS eRegistry
- Several technology vendors provide eMortgage solutions



- Have an executive-level business sponsor
- Involve all relevant stakeholders
- Carefully investigate and understand all technology options

Knowledge and education are key!

www.efanniemae.com/sf/technology/commitloandel/emtg/index.jsp

- Getting Started with eMortgages (Executive Overview)
- Guide to Delivering eMortgage Loans to Fannie Mae
- Contact: christos_bettios@fanniemae.com
- And more

The screenshot shows the eFannieMae.com website interface. At the top, there is a search bar and navigation links for 'Contact Us', 'Help', 'About', 'Site Map', 'Legal', and 'Privacy'. Below the search bar are three main navigation tabs: 'Single-Family', 'Multifamily', and 'Training & Education'. The breadcrumb trail reads: Home > Single-Family > Technology Applications > Committing & Loan Delivery > eMortgage Delivery. The page title is 'eMortgage Delivery'. A 'Print Page' icon is visible on the right. The main content area is titled 'Streamlined Delivery-to-Investor with eMortgage Delivery'. It includes a 'Support' section with contact information (1-877-722-6757) and hours of support. There are also sections for 'Registration', 'Guides' (listing various PDF and ZIP files), and 'Related Information' (listing various PDF documents).

Vendor Implementation of eMortgage & Success Stories

Presented by:

Al Verkuylen

Title and Closing Executive

Lender Processing Services, LSI Division



- Product launched in 2007 to fulfill only Traditional Loan Mods and HomeSaver Advance eNotes solution
- Expansion of system features continued in 2009 from a single-doc eSign platform to a robust multiple-docs interactive system that includes electronic delivery, document collection, web forms and eSigning
- Value added services expansion such as solicitation letter solution, full-service paper document distribution
- 2010 – First market solution to eSign HAMP Modification Agreement that meets the Treasury Business Requirements for HAMP Electronic Signature Solutions published December 2009
- Order intake process that includes Web Application UI, Intake of Data File and Direct Integration to Servicer Systems
- Currently supports the following:
 - Traditional and Proprietary Loan Mod Programs
 - End-to-end HAMP Loan Mod Process (Pre-Qualification, Trial Plan Notice and Final Modification Agreement)
 - FHA/VA Loan Mod Programs
 - HomeSaver Advance eNote

Order Creation

- Solicitation Letter order processing
- Servicer places order for electronic fulfillment
 - Web application UI
 - Data file – MS Excel
 - XML Integration to servicer system
- Creation of qualification documents
 - Document Request Letter
 - Hardship Affidavit or RMA
 - IRS Form 4506-T or 4506T-EZ
- Creation of trial plan documents
 - Trial Period Plan Notice
 - Payment Coupons
- Creation and loan modification agreement for eSign
 - Agreement Cover Letter & Agreement
- Category 3 SmartDoc PDF format for HAMP Agreement

Order Fulfillment

- Borrower sent email and login information
- Borrower email reminders
- Borrower completion of web forms and eSign (Hardship Affidavit and IRS 4506T-EZ)
- Upload of qualification documents via fax bar code cover sheet and/or direct from desktop
- Web form completion and eSign of automated payment
- Electronic distribution of Trial Plan Notice and Loan Modification Agreement
- eSign of Loan Modification Agreement
- Electronic audit record on Web application and via XML to servicer's system
- Consumer paper-out options

Post Signing

- Delivery of qualification documents and borrower eSigned Loan Modification Agreement to servicer
- Return of servicer eSigned Loan Modification Agreement to borrower
- eValuting of all documents and audit records
- eRegistration of eNotes at MERS
- eDelivery of loan documents to investors

Volume

- Over 12,000 Traditional Loan Modification Agreements eSign orders since October 2007
- Over 14,000 Fannie Mae HomeSaver Advance eNotes orders since July 2008
- Over 1,750 HAMP Modification Agreement eSign orders fulfilled since April 2010
- Over 102,000 HAMP Qualification and Trial Plan Notice orders fulfilled in 2010

Service Level

- 88% of all orders placed are eSigned*
- Reduced loan doc signing cycle time from 10 days via traditional paper to an average of 3 days via eSign*
- 52% of all eSignable orders are executed within 1 day*
- 77% of all eSignable orders are executed within 2 days*
- Eliminate 100% of paper doc signing related errors

* Based on Q2 2010 ClosingStream Production Data

Lender Implementation of eMortgage & Success Stories

Presented by:

Angie Dodson, CMB, AMP

Senior Vice President

Web Technology & Strategy Director

CitiMortgage, Inc.



Hybrid Definition

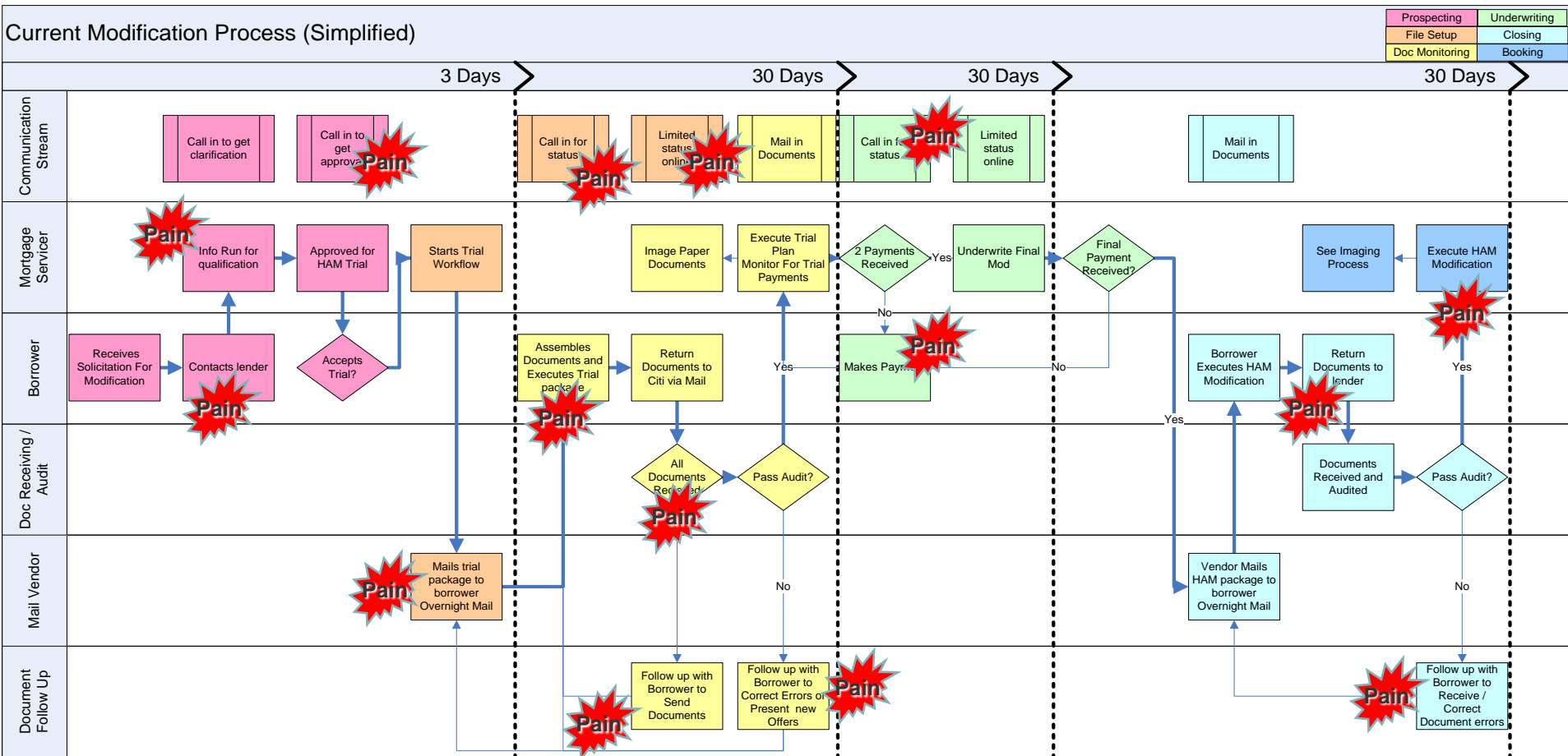
A mortgage lending process that generates as little paper as possible, generating benefits through collaboration, creation and signature of images, data and electronic documents.

The Goal

Create an end-to-end mortgage process that is cheaper, simpler and faster. eLending will drive expense reduction and have a positive impact to our businesses.

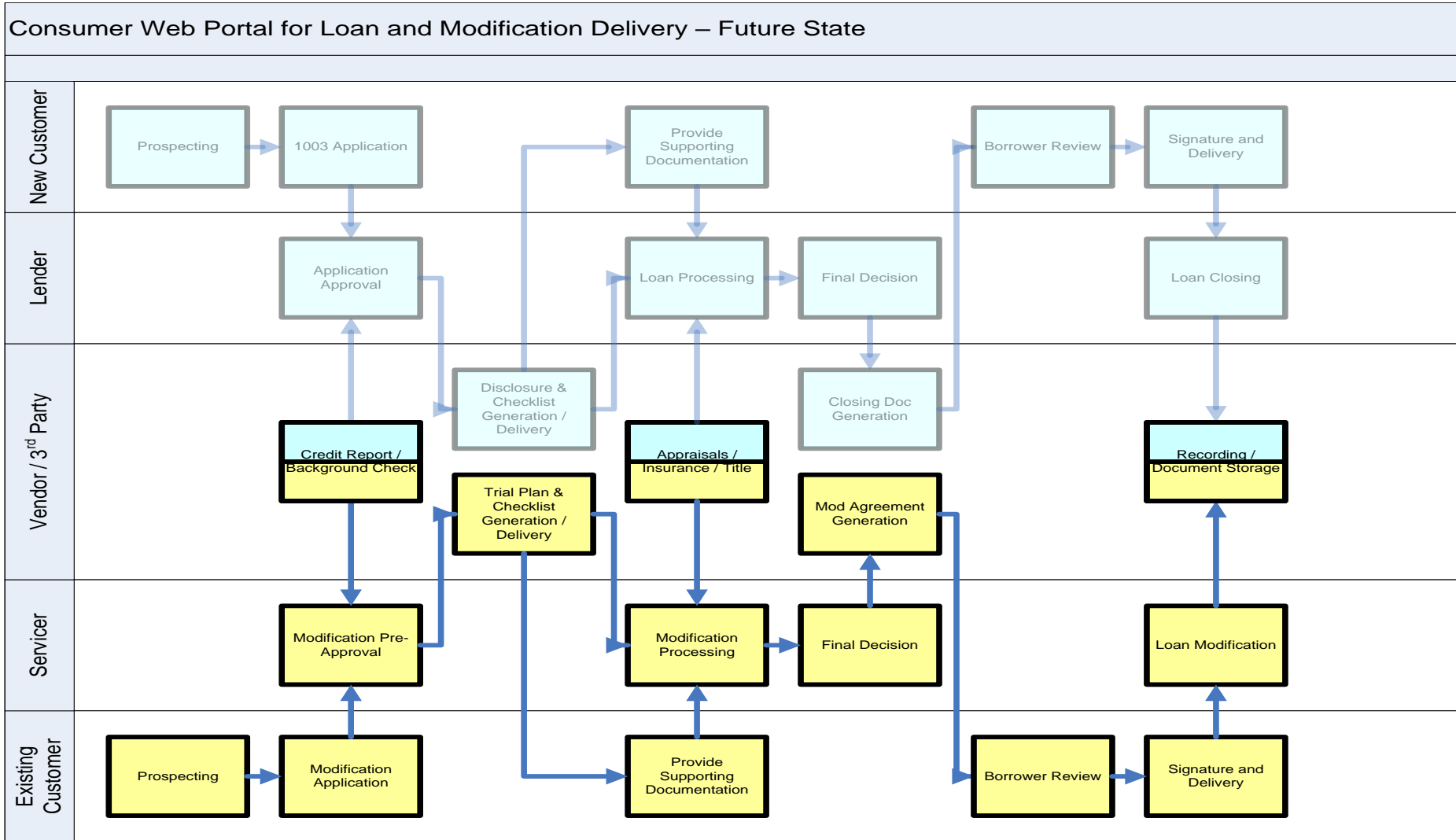


Modification Process



Modification procedures involve multiple exchanges of information between the business and the customer via a complicated and labor-intensive process.

Originations and Modification Fulfillment: A Common Process



Launch of eHSA Solution – December 2009

Under the Home Saver Advance (HSA) program, Fannie Mae authorizes its sellers' servicers to offer an unsecured personal loan which enables qualified borrowers to cure the payment default on a Fannie Mae owned or securitized loan.

Key Features

- HSA documents created as a SmartDoc (Category 1)
 - The SMART Doc specification is an industry-standard electronic format that locks data and presentation together in a way that can be system-validated to guarantee the integrity of the document
- MERS eNote Registration
 - Provides ESIGN / UETA Safe Harbor compliance infrastructure for negotiable instruments and identifies the Controller and Location of the Authoritative Copy of the eNote
- eDelivery of HSA eNote to Fannie Mae eVault
 - Provides a standard and secure method for transporting electronic documents from one company to another using MISMO standards and the MERS® eRegistry infrastructure

Operational Efficiency

- eSign automation **eliminated 90%** of doc-related HSA note errors
- Realized a savings of **\$5.46 in borrower mail costs and \$19.94 in FTE costs** per loan
- Eliminated lost documents: docs retained within ClosingStream and imaged to FileNet
- Automated email reminders **improved borrower capture rate by 21%**
- **Improved HSA pull-through rates by 8-15%**

Reduce Cycle Time

- **Reduced cycle time from 10 days to an average of 2.8 days**
- **70% cycle time improvement** provides faster funding opportunity
- Servicer emailed immediately after borrower eSign complete
- Eliminated manual endorsements and shipping costs to sub-servicer for 82% of pipeline

Improve Delivery for Borrower

- **74% of eHSA notes executed within 2 days**
- Documents immediately available for borrower to execute
- The convenience and efficiency improved the borrower experience

Citi has eSigned
over 11,000
eHSA Notes

Launch of HAMP Solution – January 2010

Treasury Business Requirements for HAMP Electronic Signature (“eSign”) Solutions published December 2009.

Key Features

- Supports the creation, eDelivery, eSignature and eVaulting of all applicable HAMP documents
- Complies with Federal eSign legislation including appropriate required borrower authentication and borrower eSign authorization protocols
- Tamper-sealed delivery of Category 3 SMARTDoc Modification Agreements
- Automated borrower and servicer eMail Reminder and Alert System
- Electronic audit record of all activities complying with HAMP audit requirements

**Citi has industry's
first eSigned HAMP
Mod – March 2010**

Qualification Phase

1. Paper Fulfillment Option
 - A. Qualification document creation
 - B. Printing, labeling (ship & return) and imaging of qualification documents
2. eDistribution Option
 - A. Qualification document creation
 - B. Electronic document distribution
 - C. Email reminder system
 - D. Tracking borrower progress
 - E. Document imaging of returned documents
3. eSign Option
 - A. eSign of qualification documents
 - B. All the same components of eDistribution.

Agreement Phase

1. Paper Fulfillment Option
 - A. Lien chain and vesting report
 - B. Agreement document creation
 - C. Printing, labeling (ship & return) and imaging of agreement documents
 - D. Notary services & Recordation service
 - E. Title policy endorsement
2. eDistribution Option
 - A. Title search and title policy endorsement
 - B. Agreement document creation
 - C. Electronic document distribution
 - D. Email reminder system
 - E. Tracking borrower progress
 - F. Document imaging of returned documents
3. eSign Option
 - A. eSign of agreement documents (SmartDoc)
 - B. All the same components of eDistribution.

Due to the changes with RESPA, eDisclosures became a critical need for our Originations business.

Key Highlights

- Non-integrated, short-term solution utilizing email
- Phased implementations: July through August
- Volume: Greater than 40% of Registrations
- Adoption:
 - Point-of-Sale: 16% (1 – 5 minutes)
 - Other: 19% (1 – 2 days)
- Sales Cycle has improved anywhere from 4 – 10 days
- Long-term, integrated, web portal solution in flight

**eDisclosure Pilot –
July 2010**

Summary

1. Understand the individual Business Objectives to determine applicable strategies and solutions
2. Develop a holistic process that can be replicated across any business model.....“Common where possible, custom where not”
3. Identify specific projects that can be leveraged across the businesses
4. Pursue interim opportunities that present immediate benefit
5. Utilize competitive intelligence to optimally position your business