

PUBLICATION

Are eClosings for Residential Loans the Future?

Authors: Dylan W. Howard

May 27, 2014

Noting that the residential mortgage origination process is often "fraught with anxiety" for consumers, CFPB Director Richard Cordray announced an upcoming pilot project that would assess how electronic closings could streamline the closing process and ease the concerns and frustrations of borrowers.

According to an April 23, 2014, news release, the CFPB hopes that electronic closings will help address what the CFPB sees as the major "pain points" in the closing process. These include the limited time consumers may have to review the closing documents, the volume of necessary paperwork, and the complexity of many closing documents. The news release can be found [here](#).

While electronic closings are already being conducted in the market, they remain rare. One reason for the low adoption rate, according to the CFPB, is simple misinformation about the feasibility and legality of conducting electronic closings. The CFPB also cited concerns that electronic closings may actually increase the risk to consumers by reducing their engagement in the closing process. The pilot project is reportedly designed to evaluate and address these issues.

Lenders interested in participating in the pilot project must partner with a technology vendor and they must submit a joint proposal. The proposed projects must meet minimum guidelines for functionality, including a secure software solution for storing and transferring documents and data, the ability to audit, and the ability to mask sensitive data fields. The full set of guidelines can be found [here](#). Additional details on the procedure for joining the program are available in the Broad Agency Announcement that can be found [here](#).

The CFPB highlighted the pilot project as an important part of their "Know Before You Owe" mortgage initiative. The highest profile aspect of the initiative to date is a rule issued by the CFPB in November 2013 requiring the use of two new mortgage disclosure forms: a loan estimate, and a new closing disclosure which must be provided to consumers at least three days prior to closing. It is expected that this new rule will be implemented in August 2015.

With both the pilot project and the broader initiative, it is clear that the CFPB expects the mortgage origination and closing process to evolve in order to address what the CFPB sees as failure to properly serve consumers. Whether that evolution requires the regular use of an electronic closing platform remains to be seen.