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Prepare for E-Signatures

Software solutions can ready brokers for HUD changes regarding ink-free documents

The U.S. Department of Housing and Urban Development (HUD) began accepting electronic signatures on third-party documents this past April. The change applies to documents "originated and signed outside the mortgagee's control." It does not yet pertain to disclosure documents and loan applications originated by brokers, however.

New e-signature guidance on these documents could come as soon as this fall, according to a HUD memo this past spring.

Wider acceptance and use of e-signatures by HUD and the Federal Housing Administration (FHA) could represent a significant development, and they could help brokers save time and money.

Brokers can prepare for this shift by looking at e-signature technology. The following six features represent some of the most-important attributes in any e-signature-technology solution.

1. **Compliance with the Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA):** These acts represent prerequisites for legal e-signatures. Their stand-ards determine whether an e-signature will stand up in court. Ask software salespeople if their products are ESIGN- and UETA-compliant. There should be no doubt about these fundamental requirements.
2. **Compliance with the Gramm-Leach-Bliley Act:** Consumer-privacy protection is critical, and violations can expose you and your lenders to legal liability.

   Make sure any e-signature solution you consider protects the nonpublic personal information in your disclosures, universal loan applications and other signed documents in a compliant manner. All steps should be encrypted. E-signature vendors should provide not only the signature but also a fully encrypted delivery solution.
3. **Complete audit trail:** Each document should have its own audit trail, complete with time stamps for document delivery, receipt, viewing and signing. This can help prove compliance with the Housing and Economic Recovery Act of 2008 in the event of disputes regarding disclosure provisions and deadlines. Signatures should be coded uniquely and allow for verification at any time.
4. **No per-document or per-envelope charges:** These types of fees can add up quickly, especially when documents are updated multiple times. Instead, consider e-signature solutions that charge flat fees regardless of your loan volume.
5. **Vendor knowledge:** E-signature vendors should understand what mortgage brokers do and how they do it. If they don't, they might be out of touch and misinterpret your needs.

   For example, if they don't know where to place signature tags on documentation, you could fail to obtain necessary disclosure signatures or initials.
6. **Integration with your loan-origination system:** The easier it is to integrate e-signature technology with any system you already are using, the more convenient you likely will find e-signature implementation.

Mortgage brokers working with FHA loans might be allowed — or even required — to use e-signatures soon. Software can ease the transition and should facilitate compliance. It also should lead you to faster closings, lower overhead and better customer service. ●

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