THE ULTIMATE GUIDE TO
E-SIGNATURES IN THE BANKING INDUSTRY

Learn how digital signatures can help your bank become more efficient while easing the burden of compliance

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Eliminating paper waste **saves money**, increases efficiency and eases compliance burdens

Most businesses are very paper heavy, and banks are no exception. Loan agreements and customer applications are the gateways to providing services and bringing in revenue. But paper processes require a lot of resources.

Many bank services require substantial documentation, which means branches aren’t just delivering one document to be signed. Most also deliver a whole range of additional paperwork to explain each document.

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**DID YOU KNOW?**

- **Paper records can cost** 50 - 75 times as much as electronic records
- The average office worker uses **10,000** pieces of copy paper every year
- The expenses associated with filling a standard filling cabinet **$20,000**
There’s a better way. Digital signatures can eliminate the need for wet ink signatures and can dramatically alter how banks do business with their customers.

Like any organization that has to deal with customers on a daily basis, banks have a strong emphasis on relationships. But unlike other organizations, loyal customers play a critical role in banks’ business models. Customers stay with your bank for a lifetime, becoming almost like family. However, that doesn’t mean those customers will sit back and wait patiently for services to be rendered. Technology is driving customers to expect immediate feedback to their requests, and in a competitive marketplace, banks need to think ahead to address these customer concerns. Paper processes simply can’t compete.

Banks are also facing compliance burdens with recent changes to closed-end loan documentation required by Regulation Z. This change requires additional customer signatures, and the hassle can drive a wedge between a bank and its customers.

There’s a better way. Digital signatures can eliminate the need for wet ink signatures and can dramatically alter how banks do business with their customers.
95% REDUCTION IN ERRORS

THE BENEFITS OF DIGITAL SIGNATURES

50% TO 90% REAL-DOLLAR SAVINGS
TRUE PAPERLESS ROI

Millions of dollars have been spent on electronic records technologies to help banks eliminate paper. However, when those documents require a signature, digital processing often goes by the wayside. The forms may be filled out on a computer, but then they are printed out, mailed and signed. This puts extra responsibility on the bank to manually process the documents. Digital signatures bridge this gap, allowing banks to finally achieve the returns on investment promised by paperless systems already in place.

Digital signatures also help with the quality of the documents filled out and signed. When signing a paper document, customers may make mistakes or forget critical information. These not-in-good-order (NIGO) documents can be a substantial drain on a bank’s resources. With digital signatures, customers can’t submit a finished document without signing every spot they are required to sign. This eliminates the time and money spent trying to fix NIGO documents.

SPEED

Instead of waiting days or weeks for customers to sign critical documents, banks will see turnaround times of minutes or hours.

CONVENIENCE

Customers are pushing for their relationships to go online and mobile. Digital signatures allow banks to provide customers the ability to sign applications and forms wherever they are, whenever they receive the link. That means customers that are on vacation or away from their bank branch can still do business with their bank.
While customers may dislike having to wait for their loan funds or access to services, banks also dislike having to wait on their own systems in order to accrue revenue on customer transactions and accounts. Digital signatures can improve revenue intake and let banks improve their bottom line compared with paper-based processes.

**FASTER REVENUE TURNAROUND**

Customers dislike having to come into a bank branch just to sign forms, and they are unhappy when they cannot access services due to delays in processing. Digital signatures can pave the way to quick turnarounds for loans and other customer services, dramatically improving the customer experience. Customers are more likely to be loyal to a bank if their business is done quickly and securely.

**TRANSPARENCY**

When agreements are sent out on paper, it becomes very challenging to know where the documents are in the signing process and what might be slowing down the process. Was the document lost? Is a customer having second thoughts? Did someone forget it in a pile of mail? With digital signatures, banks can see where the document is at any time. Then the bank can take action to move it along the process by sending reminder emails or changing to a new signer if someone happens to be out of the office.

**LOWER COSTS, HIGHER PRODUCTIVITY**

Printing documents, sending multiple copies out for signature, postage, re-processing and employee resources dedicated to moving paper around a branch drain the bank’s cost structure. Wet ink signatures themselves have been estimated to cost between $15 and $125 each, depending on the process and workflow. Multiply that by the number of signatures on each document and the number of documents being signed and you can quickly calculate the enormous hidden cost of those handwritten signatures. Digital signatures are a clear way to save money and reallocate personnel to more productive activities.
Every customer relationship is critical, and competition for these relationships is fierce. Technology has become a key battleground among financial institutions. First it was ATMs, then the web and now mobile apps. The customer population is tech-savvy and expects immediate feedback on transactions. Being able to conduct business online with your customers through digital signatures can help banks gain a competitive advantage.

 Regulation Z and the requirements for documentation around closed-end loans are proving to be a significant challenge to banks. It’s costly to mail and process the forms, and asking customers to come into the branch to sign a document can be a hassle. Digital signatures are well-suited to meeting this challenge by allowing customers to sign off on these documents legally from the comfort of their own homes or offices.

Wet ink signatures have been around for centuries, but they do not possess much in the way of security or assurance. You can’t always read the person’s name. You can’t tell if the signature was made by the actual signer or someone else. You can’t tell (without time-consuming work on your part) that other pages in the document haven’t been changed. On the other hand, digital signatures can provide banks with all of this information. Some technologies even go further, as we’ll discuss later in this paper.
ARE DIGITAL SIGNATURES LEGAL?

Digital signatures are often looked at as a means to a speedy and convenient execution of a contract or agreement. However, it’s critical that banks also acknowledge the fact that a signature is a unique legal event that communicates the will of an individual to agree or comply with a specific document or record.

Digital signatures are legal if they comply with the following guidelines:

1. They are an electronic sound, symbol or process, analogous to using a pen or stamp on paper.

2. They are executed and adopted by a person (via handwritten signature, speaking a particular phrase, entering a PIN code, or holding a token unique to the individual), analogous to the use of an individual mark or signature.

3. They can be attached to (part of) or logically associated with (via electronic means) an electronic record, analogous to the wet ink bonding with a piece of paper.

4. They indicate intent to sign the document (via the fact that a user needs to take some action to sign the record), analogous to the actual placing of pen on paper and completion of a signature.
In the United States, digital signatures are defined and regulated on a federal level by the Electronic Signatures in Global and National Commerce (ESIGN) Act. Signed on June 30, 2000, it dictates the circumstances where electronic records and digital signatures can be used. ESIGN was designed to propel electronic commerce, to ensure customer security stayed intact, and to serve as an overlay on top of other federal laws so that when paper documents or wet signatures are referred to in an older law, electronic records and signatures can be substituted without penalty.

The intent was the same for the Uniform Electronic Transactions Act (UETA), a model state law written in the late 1990s and implemented in full by 47 states, plus the District of Columbia and several United States territories. Designed to eliminate differences among state laws, UETA set up common definitions and was intended to overlay state laws in the same fashion as ESIGN at the Federal level. The other states that chose not to implement UETA specifically also have legislation in place that mirrors many of UETA’s provisions.

Interestingly, a key part of almost all electronic signature legislation is the fact that one cannot reject a document or signature simply because it is electronic.

Even though contracts can’t be thrown out because they contain digital signatures, the signatures can still be questioned in court. Signatures may need to be proven as authentic to be upheld in court.

What kinds of documents can be legally signed with digital signatures?

- New account opening
- Loan documents
- Investments
- Mortgage origination and closing
- Appraisals
- Disclosures
- Employment verification
- Internal documents (employment applications, expenses, etc.)
- And many more
Banks need to be careful when considering an electronic signature vendor so that it not only meets their need for convenience, but also produces documents that will be legally valid and applicable not only today but ten years from now.

Here are eight key factors to consider when you start looking for an e-signature provider.

**AUTHENTICATION AND IDENTIFICATION**

Users prove they are who they say they are by providing, validating or accessing some type of shared information.

- Does the digital signature service require users to authenticate themselves before applying an electronic signature to a document?
- How strong is the authentication method? Does the system require that a user only receive an email, or does it require them to enter a PIN or password, or enter a code delivered to their mobile device?
- Can documents be accessed without authentication after signature?

**DETAILED AUDIT TRAIL**

A feature that tracks the actions of signers and documents in each transaction to provide evidence of the entire transaction taking place.

- Does the signature solution track every event in the signature process?
- How detailed are the events being stored? What information is kept?
- How is the audit trail stored? Is it secured against tampering?
SIGNATURE / INTENT

The user must take some form of action to electronically sign documents in order to clearly indicate the intention to sign. Documents should also be clearly visible and readable to a user.

- How is the user prompted to sign a document?
- Is the process clearly communicating intent?
- How is the document viewed by a user? Is it the same as the final signed or printed version? Does the document change as part of the signature process?

ASSOCIATION

The signature of the user must be linked to the data or records being signed to prove the connection between them.

- How is the signature linked to the documents being signed?
- Does the association of the signature rely on standards or proprietary solutions?
- Is the signature a permanent part of the document that can’t be separated from the file?

INFORMATION / NOTICE / CONSENT

ESIGN and other laws require that the user know they are engaging in an electronic signature process, and provide them with the opportunity to opt in or out.

- Is the user presented with an appropriate and visible notice about using electronic signatures?
- Is the user provided an opportunity to decline to use the service?
- Is the consent to use e-signatures presented clearly and also tracked as an auditable action?
INTEGRITY
A user signs the version of the document they are looking at during signing and expects that document to remain the same after they sign. An electronic signature system must protect the integrity of documents before, during and after signing.

- How are documents protected during signing?
- Does the service provide strong tamper evidence for the documents?
- Can the service protect and also prove the integrity of a document at any point from the first signature to the last?

LONG-TERM STANDING
Customer relationships aren’t short-lived. Banks cultivate customers who maintain their relationships for decades, not months. Loan documents may need to be valid for three months or thirty years. Organizations that rely on these kinds of documents need to be mindful of how their signature systems deal with this issue.

- Can the electronic signatures be validated long term?
- Does the digital signature service use technology that is based on standards and can be validated into the future?
- Are the systems used for signing proprietary to the vendor or based on established cryptographic tools?

STANDARDS / VERIFICATION INDEPENDENCE
The electronic signature service should provide signatures on electronic records that follow standards and do not rely on the service to be validated.

- In what format are the signatures/documents produced? Are they proprietary?
- Are documents and signatures readable and accessible using free viewing software?
- Is each electronic signature part of the document? Do the signatures inherently provide integrity to the document?
- Can signatures be validated without going back to the vendor that produced them?
- Do the signatures comply with international cryptographic standards?
How to adopt Digital Signatures

As this eBook has shown, digital signatures are an essential tool for banks to cut costs, improve customer relationships, reduce waste and ease compliance concerns. Here are a few suggestions for ensuring that an implementation goes smoothly and will achieve the desired returns.

1 PILOT SMALL, THINK BIG

Don’t expect to implement digital signatures for every single workflow, system or document in your organization immediately. Starting with a limited scope allows the various parties involved to understand the integration and education involved for both employees and customers. Piloting in one use case or application allows employees to watch for any slowdowns or unanticipated issues without compromising the entire organization.

Just because you should start small doesn’t mean you should plan small when choosing vendors. The best ROI for a digital signature solution will come when a majority of your paper-based signature processes are replaced by digital ones. Prior to implementation, take a look at all of the available systems and departments that could take advantage of digital signature, both internal processes and client-facing ones. Having this in mind when choosing a vendor will ensure that the solution will meet your long-term goals.
2 CONSIDER CONVENIENCE AND SECURITY

Though wet ink signatures take only a few seconds to apply on paper, they carry enormous weight when it comes to intent and legal significance. Remember to measure your digital signature options against the eight items mentioned in this eBook to be sure you are balancing the convenience of an intended service with the security it can provide to your customer’s transactions, and in turn, your business.

3 GET PARTICIPATION FROM ACROSS YOUR ORGANIZATION

Be sure others in your organization are informed of the technology, its benefits and its applications to their business and workflows. Additionally, the implementation should involve individuals from across the business: customer relations, administration, legal, risk, information technology and any other group that will be impacted.

4 YOU GET WHAT YOU PAY FOR...

WATCH OUT FOR ‘FREE’

Despite the fact that pen and paper are relatively cheap, this eBook has detailed how expensive traditional paper and ink signatures can be. There are quite a few options available when it comes to digital signatures, but only a select few will meet the business requirements necessary for compliant operation within a bank. Be sure to carefully investigate vendors and signature technology prior to implementation. Free doesn’t mean trustworthy.