



The Rise Of Video In The Mortgage Process

by **Patrick Barnard**
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Video is increasingly being incorporated into the mortgage process – it is being used to deliver important disclosures and educational content to borrowers, and it is a means by which borrowers can virtually agree to disclosures and electronically sign documents. Video is also seeing increasing use in the notarization of important mortgage documents.

There is a question, though, as to how soon – or even if – lenders will widely incorporate video into their mortgage processes. Its use in the industry is nascent, to say the least, and like all other technologies, video must prove its worth in terms of delivering efficiencies and aiding in compliance if it is ever to become a standard part of the process.

To learn more about the advantages video brings to the mortgage process – and also the potential pitfalls or barriers to adoption – **MortgageOrb** recently conducted email interviews with Tim Stern, president of [VidVerify](#), which offers a platform that facilitates delivery of video and disclosures to borrowers and develops custom educational content on behalf of its lender clients; Steve Bisbee, CEO of pioneering e-mortgage technology firm [eOriginal](#); and Pem Guerry, executive vice president of e-signature technology firm [SIGNiX](#).

Q: Do you think video will become a standard part of the mortgage process, and if so, why?

Stern: As the recent Truth in Lending Act, Real Estate Settlement Procedures Act Integrated Disclosures experience has made clear, it takes a long time to institute even minor changes to the mortgage process. That is because so much is governed by legislation and regulation. Therefore, it may be a while before video becomes universally standardized into the process. That being said, we expect the informal role of video in the mortgage process to explode in upcoming years. We are already seeing more and more

continued on next page



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Video in the Mortgage Process, cont'd

lenders embracing video technology as a means to adapt to rapidly changing consumer behaviors and gain an edge over competitors with more traditional business models.

Bisbee: Although the rate of adoption of video in the mortgage process remains to be seen, there are several factors that suggest it should be watched closely. Early adopters are experimenting with it – as are other companies in the financial services sector that have significant regulatory scrutiny and where there is a concern for repudiation of either a transaction or the underlying process used to create it.

Guerry: Doing business immediately and remotely has tremendous benefits in reducing costs and delays while increasing customer convenience. For certain types of transactions, such as those with a need for notarization, video is essential for remote execution. It virtually connects a notary public to individuals who need notarizations anywhere in the world. And further, Virginia law requires both audio and video recordings of remote e-notarizations. We expect video to become increasingly common.

Q: Is video mainly being used as a means to deliver content, or is it also being used for real-time communications in the mortgage process? In other words, are we talking about video conferencing, as well? Are borrowers and other parties involved in the process (especially the closing) going to be “recorded”? Explain more exactly how video is being used to “record” the transactions.

Stern: We are setting the foundation for more sophisticated video communications. We see more industry players leaning toward recorded closings but not necessarily real-time communications in the origination process. Tools such as VidVerify's video communications are certainly establishing the channels, processes and consumer familiarity necessary for more interactive communication in the future.

Bisbee: Both content and real-time communications are logical progressions when using a smart mobile device and computers, which both increasingly have video capability. One of the initial uses for Snapchat was for assistance or education between the parties – but as the mortgage industry goes more digital with a demographic that is not only comfortable with, but actually prefers video, there will be broader application. An interesting adoption will be the use of video during the application process for both authentication and attestation at key points in the process.

Q: Is it more meaningful for a borrower when he agrees to something “on camera” compared with signing paper docs? Explain how video helps reinforce a borrower’s decision-making process and how it captures “intent.”

continued on next page



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Stern: Video relates to consumers in the way that they are most accustomed to – face-to-face interaction, regardless of whether that face is on a computer or phone screen. We think that consumers are much more receptive to our videos that, unlike some other video providers, feature a real person explaining complex information in layman's terms as opposed to the traditional model of asking a consumer to read through pages of fine print and “sign on the dotted line.”

Bisbee: Video can not only capture consent to use electronic signing, but also confirm intent to sign and the understanding of the process or critical disclosures in an easily verifiable and understood manner.

Guerry: The question is not whether one medium “means” more than another, but more so how a medium is able to capture and retain legal evidence of intent. With video technology, permanent legal evidence of the signing process is captured on video, including intent to sign. Because there are both audio and visual components to the technology, it would be nearly impossible to dispute the intent through the technology.

Q: Explain how using video in the mortgage process might aid in borrower comprehension.

Stern: Studies clearly reinforce video's ability to relate to consumers and aid comprehension in a more meaningful way. VidVerify recently launched a campaign to educate the industry on just how effective video communications can be. We cited research that shows that individuals retain 80% of what they see compared with just 20% of what they read. We also found that 90% of online users find videos helpful when making purchase and transaction decisions.

Bisbee: The mortgage process is very complex, so it is to be expected that the borrower will have questions and not fully comprehend certain elements. Video is an excellent opportunity to have a real discussion about any concerns the borrower has and address those issues as they arise.

Although eOriginal does not provide video natively, it does support video used as part of the signing process, and we have patent coverage for use of biometrics such as video and voice used as an e-signature or part of the signing process when used for transferable records. So, we have partnered with several firms, such as VidVerify and Contract Cloud, that are used for education, disclosure and video signatures.

Guerry: To be fair, when considering video from a notarization perspective, I don't think it adds value over

continued on next page



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Video in the Mortgage Process, cont'd

an in-person notarization, as the notary or other participants can be helpful in either process.

Q: Does using video in the mortgage process reduce the risk of fraud? If so, how?

Stern: Although VidVerify's video offerings are not necessarily designed to combat mortgage fraud, we do believe that education can be a powerful deterrent to fraud. By educating consumers, as well as lending personnel, on areas of exposure in the mortgage process, video can significantly increase awareness of when fraud may be perpetrated. Our videos also allow mortgage lenders to control and standardize the message to the consumer, which can help loan officers stay out of trouble on issues such as fair lending, disparate impact and unfair deceptive, or abusive actors or practices.

Bisbee: Video offers the potential to reduce fraud in the sense that it could visually capture the relationship of the parties involved, their respective identities, responsibilities, and mutual understanding. Also, there is a strong audit trail of actions and assents created that can be used as part of a larger audit trail that covers much, if not all, of the process steps.

Guerry: The permanent legal evidence captured on video is clearly superior, independent evidence. The independent identity authentication can also reduce the risk of certain types of fraud. Also, the notarized documents cannot be altered without them being tamper-evident.

Q: What are some of the security considerations when introducing video into the mortgage process? How can these concerns be addressed?

Stern: Providing a secure, yet convenient, platform for the consumer to access videos is key to the long-term adoption of video into the mortgage process. VidVerify has designed our products so that our videos are easily accessed and well organized but maintained password controls to ensure the confidentiality of the consumers' loan information.

Bisbee: The design and integration of the video process is important. Ideally, it leverages the loan originator application so that it creates a single process using the same authentication method. The storage, and access to stored video, has to be well thought out – such as disaster recovery, real-time symmetric backups, and encryption in transit and at rest.

Guerry: Some are concerned that the notary's assessment of free will and intent could be compromised, but the notary is in direct, real-time communication with the signer. Another concern sometimes

continued on next page



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Video in the Mortgage Process, cont'd

considered is identity authentication, but this can be accomplished effectively via electronic means.

Q: Although it's not as much of an issue that it used to be, video is a fairly technology-intensive medium – adequate network bandwidth is required, and much more storage is needed to archive video than documents. Is introducing video into the mortgage process expensive for lenders? How much additional cost would you say it adds per closing? (Explain how it is deployed and how the subscription model works, in your firm's case.)

Stern: VidVerify has made it as painless as possible for our lenders to deploy video communications. We store all of the videos so that lenders and consumers can stream them at their convenience. All browsers, including older versions – such as Internet Explorer, Chrome and Fire – regardless of the bandwidth, support our product.

Bisbee: The fees for using our video partner's applications are charged on either a subscription or transaction model and are well balanced from perspectives of time allocation and sufficient time for comprehension. The incremental cost is not an appreciable increase in cost when measured against the frequent process step interruptions or re-dos that come with a more traditional process.

Guerry: As a rule, there are significant cost savings in spite of the video storage. Paper copies do not need to be made, distributed and stored. The savings are most significant when compared with hiring a mobile notary.

Notaries can license the solution and charge their normal notarization fees, or signers or companies can pay a fee for each video notarization, which is generally lower than in-person fees and more convenient.

Q: To what degree do video solutions need to be integrated with the other core applications used in the origination process? For example, does a video platform need to be integrated with a lender's loan origination system (LOS)? Or can it remain a stand-alone system? Are there integration issues?

Stern: There are certainly many benefits to be gained by integrating video solutions with existing business systems so that the timing and administration of videos is fully automated, and loan officers and compliance staff have one less thing to worry about. Notably, VidVerify's solution integrates with all major LOS. That being said, we do offer stand-alone services that require little to no integration, such as loan officer promotional videos.

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Bisbee: A seamless customer experience is essential for user acceptance, security and process flow. There are usually integration requirements, as well as legal review and participation and training of personnel. However, the video platform can, and often will, be called upon separately when needed and then included in the process flow and system of record materials.

Guerry: Both are options. Integration is relatively simple, and a signature-ready document is sent with directions for execution to our platform via an application program interface. Alternatively, documents to be signed and notarized can be uploaded and prepared for electronic execution without any need for integration.

Q: How are regulators and investors viewing the use of video in the mortgage process? Are they supportive of the idea or not? And why?

Stern: We've found that many of the stakeholders in the mortgage industry have been supportive of the adoption of video in the mortgage process. Just recently, we've seen a wave of regulators, including the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency, roll out new initiatives to encourage the entrance and adoption of innovative technologies into the financial services marketplace.

Bisbee: We have seen strong regulator support for video use for disclosure but cannot address all support for broader applications. We have also seen support of video by investors for stronger authorization and risk mitigation. Video may eventually lead to pricing differentiation on risk measurement.

Guerry: Some are highly supportive, as they recognize the improved security, reduced risk of fraud, process efficiencies, opportunities for substantial cost savings, enhanced user experience/convenience, and superior legal evidence. Others are more hesitant due to resistance to change, concern over a lack of physical presence to judge free will and limited history of legal cases.

Q: What other areas of the mortgage business – beyond application and closing – do you see video being used in? For example, are there any applications for video on the servicing side that might make sense?

Stern: While there are definitely applications for mortgage servicing, VidVerify is focusing on video's ability to drive origination volume, increase exposure and improve the overall loan officer experience. Our

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customizable videos give loan officers a vehicle to differentiate themselves and reach consumers in an exciting and innovative way. These kinds of self-promotional tools help engage consumers with face-to-face virtual communication and will be key to driving originations as mortgage interest rates begin to rise, refinance volume starts to taper off and the market becomes more competitive.

Bisbee: Both servicers and MBS buyers could see the benefit from standpoints of audit and repudiation.

Guerry: Documents not requiring a notary can be securely signed online without video, but any applications requiring notarization make sense for video.

Q: What will it take to get the entire mortgage industry on board with using video in the mortgage process? How quickly will we see adoption? Will it be a long, slow haul, like the adoption of other technologies in mortgage?

Stern: Let's face it, much of today's mortgage process looks eerily similar to the way it did decades ago, with deep stacks of paper disclosures, physical files and human-intensive compliance programs. On the other hand, products such as Quicken's Rocket Mortgage are completely changing the way the industry and its consumers think about a mortgage by taking advantage of online platforms and mobile technology.

Somewhere in between a snail and a rocket is where the industry at large probably will land. We do believe, however, that it won't take long for the mortgage industry to recognize the immense benefits gained by those lenders that embrace innovation and technology early on. This has already proven to be true with the success of "next gen" mortgage lenders, such as SoFi, that have redesigned the mortgage process around the preferences of millennials and other tech-savvy consumers.

Bisbee: Not everyone will see the advantages or adopt video technology. However, as ease of use, low cost and implementation/integration barriers fall, video records are likely to become more routine and expected. The digital experience is moving to reliance upon image and voice, and mortgage eventually will, as well. Fast movers, such as marketplace lenders and other early adapters of a fully digital mortgage process, are the most likely ones to jump on this. eOriginal believes that there is a convergence of factors: regulators, government-sponsored enterprises, new market entrants and customer demands that will accelerate the use of digital applications across the mortgage process. The larger originators might be slower to adopt, but they could also see a decrease in their market shares as more agile competitors move forward.

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Guerry: The first step is for e-closing to expand in general, including e-closings within in-person transactions, which certainly seems to be in process. As the industry adopts more e-closings, the additional benefits of video closing will lead to an increasing percentage of e-closings occurring with the use of video.