



# et's be honest, RON isn't the miracle answer to all our questions

**Focusing on a single tool simply won't bring the innovations this industry desires**

By Patrick Stone

The push to further digitize the mortgage process gained added traction amid the COVID-19 pandemic, with lockdowns forcing the mortgage industry to adopt new technologies it has otherwise been slow to embrace.

Remote Online Notarizations (RON) form part of that digital transformation, naturally. However, the role RON will play in the end-to-end digital mortgage process is somewhat overblown. While the widespread adoption of this technology is moving forward quickly, the widespread use of RON is probably not going to happen anytime soon. Simply put: far too many potential homeowners still wish to have a higher level of participation in the closing process than RON offers.

That's not to say that having RON available in a time of social distancing hasn't proved useful, but its impact during the pandemic has been minimal. Right now, if RON is used in even 2% or 3% of all closings, that would be a larger market share than expected. We offer RON as a service and, for 10 months of 2020, WFG used RON on .882% of its closings. Less than 1% of our transactions request RON.

There are some notable advances worth mentioning, specifically on the state-by-state level, where the adoption of RON is being approved in legislation and the definitions are being broadened in a hope to expand applicability.

Even so, the use of RON will likely remain minimal as we emerge from the pandemic. And this is due to the fact that RON has a very specific function. For example, RON will continue to have applicability

where sophisticated investors can't get to the closing and it will have applicability for people who are knowledgeable enough and don't need to actually sit down in person with someone because they're familiar with the process of getting a mortgage and trust the technology.

## **WHERE RON IS WORKING**

There are other examples of ways in which RON will find greater market share due to the nature of the process. The biggest user of RON in our company is the Seattle market. Why? When researching our largest market for RON we found that online notarization is preferred due to something very simple: there's too much traffic in Seattle. You can't get anywhere during the day in Seattle!

If you're a businessperson and you're working downtown or you're working down in Bellevue, you can't get to a closing office very easily. The applicability there is that you can do more business by doing RON rather than wasting time in traffic trying to do in-person notarizations.

That's where we regularly use mobile notaries and we were using them extensively even prior to the pandemic with business people who have bought or sold multiple homes or completed multiple refinancings. Putting these niche market solutions aside, a broadened market for RON was expected to manifest itself in the quarantine environment of 2020. And that didn't happen.

During this time, and in the socially distanced environment, the majority of our work continued as modified in-person closings. We've seen surges in audio-visual tools for online notarization, as well as drive-through notarizations, as these solutions offer adequate alternatives to being in a closing room, one-on-one. When conducting in-person closings, we've implemented procedural changes to ensure a safe environment to protect borrowers and other participants.

These changes include simple things like disinfecting all surfaces prior to and using a fresh pen for each closing, and requiring everyone present to wear face masks so that we can responsibly conduct business in-person. As the months have passed, the initial panic has ebbed away and people don't necessarily want everything to be done online.

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And with the above-described safety measures, people know they can have a more intimate closing, in a safe and controlled environment. To be clear, this further compartmentalizes the benefits of RON.

#### **HURDLES THAT REMAIN**

One of the major hurdles that remain is how the whole legislative process is going to wash out, both on the state and federal level. Although the temporary authorizations of RON use span the U.S., permanent RON legislation has been passed in 29 states, as of this writing, and approximately 20 additional states have issued guidance enabling RON temporarily in response to COVID-19.

Unfortunately, state laws vary with respect to the requirements for authorizing notaries to perform RON, authenticating signers, location of signers, content and structure of electronic stamps and seals, and maintenance of notary journal entries for RON transactions.

There are trade associations that are working together to get some standard underlying legal status for RON. They are working diligently to get national consensus and regulatory standards to reduce inconsistencies among state laws, however considering the lack of demand for RON at the homebuyer level, it's unlikely that legislators will prioritize regulatory approval as a service to their constituents.

Outside of standardized legislation, there also remain some significant legal questions over the acceptability, as well as how litigation will play out when there is a problem, especially if people are conducting RON signings, but they're not licensed in that state. The visibility isn't there as to what the end game will be.

#### **RON IS NOT THE SOLUTION LENDERS NEED**

Looking beyond RON, there are other ways in which the industry can gain greater efficiency and further digitize the mortgage process. A survey we conducted of 50-plus lenders revealed that one of the key issues for almost all who participated is the elimination of duplicative touchpoints.

Approximately 25% identified their biggest challenge as turnaround times to obtain all the information needed to get a deal closed and another

25% thought process inefficiencies were a significant issue. That is defined as communications, signing, closing issues, accuracy, and quality of data.

In terms of top priorities for lenders, 33% indicated that a consumer-facing technology is a top priority and 39% said that streamlining business processes was a top priority. To put this into perspective, we conducted a survey back in the early 2000s and found that the borrower's name and property address or legal description were entered an average of 80 times by the collective transaction participants. While this figure has decreased a bit since then, it is still too high, resulting in wasted time and unnecessary errors.

By enabling data to flow through the transaction we can eliminate mistakes and make the process less cumbersome and slow. There have been several studies on eClosings that found that sharing data and using e-closings can get the turnaround time down to 21 days, as opposed to 43 days, while also eliminating a lot of mistakes and a lot of unnecessary calls and emails.

The point to this is that solutions are being developed for mortgage lending across the board. Focusing on a single tool simply won't bring the innovations this industry desires. RON is simply not the miracle answer on its own, but it is part of the solution. Good solutions bring all mortgage transaction participants together within a single, easy-to-use ecosystem, by enhancing communication and transparency, resulting in a better borrower experience. By comparison, RON fulfills a very niche role in the war to overcome the problems that plague our industry. ■



Patrick Stone is the executive chairman and founder of Williston Financial Group. A 2019 HW Vanguard Award recipient, Stone started WFG in 2010. Prior to that, he served as president and COO of the nation's largest title insurance company.