



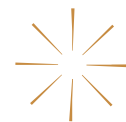
The ROI of eClosing in Real Estate

Mortgage ecosystem financial
and operational evaluation

Notarize, Inc. sponsored this study to determine the return on investment that their clients experience including hybrid eClose, remote online notarization, eNote and full eClose. MarketWise Advisors, LLC

1Q, 2022





Methodology

MarketWise Advisors LLC independently evaluated the financial and operational impact of the Notarize electronic closing and online notarization technology platform. The process included system evaluation, direct interviews, and client surveys. The scope of the evaluation included hybrid eClosing, remote online notarization (RON) and eNotes. The goal was to determine the financial impact across the mortgage ecosystem. Lenders, title companies and investors were all involved in the discovery process. It is important to note that clients provided a great deal of clarity on their experiences. Our aim was to determine an industry-level view of how Notarize impacts their clients and also to best understand the financial impact regardless of technology combinations deployed for eClosing.

eClosing impacts lenders, borrowers, title/settlement agents and investors in different ways. It was our objective to best understand and measure that impact for each major participant. Our focal points for this study were mortgage lenders and title/settlement agents. As the industry increases adoption of eClosing, investors, servicers and other parties will experience the downstream benefits. Lenders, borrowers and title/settlement agents realize the strongest impacts today.





Key Findings

eClosings provide measurable return on investment for both lenders and title/settlement agents at every step of the digital journey. From hybrid eClose to adding remote online notarization (RON), to a full-fledged digital close, there is measurable value.

In this study, return on investment (ROI) is a function of the direct operational savings that reflects migrating manual processes to automated ones. There are two critical impacts: the amount of time it takes to complete tasks and process flow. Implementing eClosing capabilities at any level positively impacts both processing and funding cycle time.

The following are the largest contributing drivers of financial/operational impact:

**Faster speed to close**
Compression of funding cycle time (# of days between closing and investor/sale funding)

**Direct cost savings**
Lower costs due to shorter transaction time per loan

**Increased flexibility**
Less rework due to missing signatures and documents

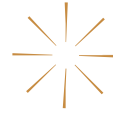
**Improved accuracy**
Post-closing error rate reductions



| Lender Impact Analysis | | | | |
|------------------------|---------------|----------|-------------------|-------------|
| Total Impact (\$/loan) | \$154.52 | \$211.97 | \$231.87 | \$443.85 |
| ROI | \$7.73 | \$8.48 | \$9.27 | \$9.86 |
| | Hybrid eClose | RON | Hybrid with eNote | Full eClose |

▲ **Figure 1:** Average Lender Financial Impact and Corresponding Return on Investment. ROI is the incremental expected financial return for every dollar invested in eClosing technology.

Mortgage Lenders



Mortgage lenders can streamline their operating costs up to \$443.85 per loan through digital closing processes. This includes remote online notarization (RON), eNote, online signatures, secure document transfer and authentication. Digital capabilities deliver value in terms of time savings, increased accuracy, and reduction of direct costs.

The following are the key lender metrics and measures observed during the study:

- Full eClose has the potential to **eliminate an average of 7.16 days** from the processing/funding cycle time
- Total financial impact for remote online notarization is \$211.97 per loan and hybrid eClose is \$154.52. **Full eClose has a total impact of \$443.85/loan**
- Hybrid eClosing eliminates 99 minutes, full eClosing **eliminates up to 157 minutes per transaction**
- Return on investment is the incremental expected financial return. Hybrid eClose sits at 7.73:1 which means that for every dollar invested in hybrid technology closing there is an average of \$7.73 return reported by Notarize clients. With increased adoption to full eClose, the **ROI increases to \$9.86:1**



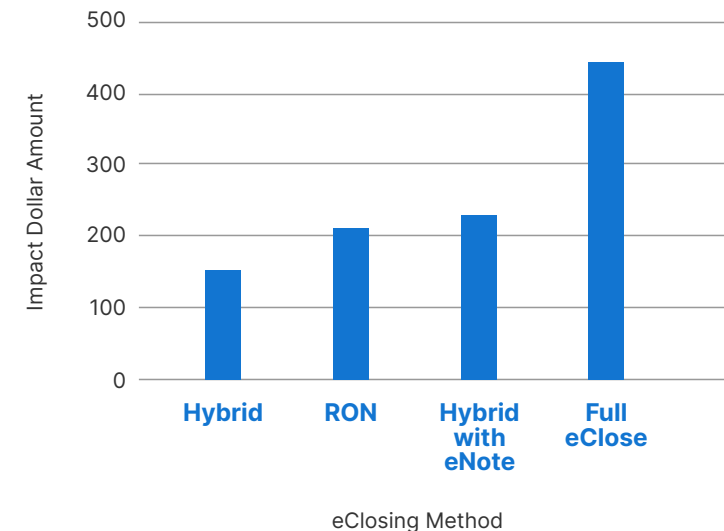
7.73x

ROI for Hybrid eClosing

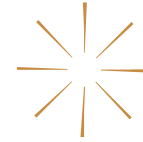
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ROI for Full eClose (RON and eNote)

Lender Impact At Different Digitization Levels



▲
Figure 2: Digital Impacts (\$) Change with eClosing Methods



Hybrid to Full eClose
(RON and eNote) increases
cost savings from

\$154.52 – \$443.85

per loan



Quality Improvement

In any process, quality is a central focus when implementing new measures to keep costs down and build a better process flow. Given that the manufacturing process for a mortgage loan still involves manual labor-intensive steps, it is an opportune transformation candidate. We found that eClosing helped decrease mistakes, missing borrower signatures and unnecessary rework. Error rates declined anywhere from 23% up to 31% depending on the eClosing method adopted. The financial impact ranged from \$17 to \$23 per transaction.

Cycle Compression Metrics

Notarize clients reported that hybrid eClosings eliminate 2.29 days from origination to close. A remote notarization process further extends that by 3.2 days and eNote 1.67 days. This underscores the dynamic power of the eClosing progression from hybrid to full eClose. Time compression minimizes hedge cost. It is important to note that as eClosing becomes the standard, MarketWise expects that there will be additional future benefits including the ability to sell loans faster into the secondary market and receive funds back from investors. For mortgage bankers borrowing funds on warehouse lines, in a higher rate environment, this will reduce cost.

eClosing Delivers Value Through Cycle Time Compression and Quality Change

Up to a 31% Error Rate Reduction and 7 Day Cycle Time Compression

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----|---------------|---------------|---------------|---------------|---------------|-----|
| | | | 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | 29 | 30 | 31 | |

Title/Settlement Agents

As part of the analysis, MarketWise evaluated the financial and operational impact for title/settlement agents that conduct mortgage closings. Given the global pandemic and unprecedented loan volume in 2020/21, loan closers had to figure out how to manage that unique dynamic. It was clear that technology was a key part of the solution. eClosing emerged to push the envelope, meet market demand and deal with remote closing sessions. While the technology was available prior to 2020/21, it was scaled to a national level over the last two years. We now understand that for title/settlement agents, it reduces the cost per transaction by \$97. This is fueled by shorter closing sessions and eliminating unnecessary communication between parties.

The study highlighted the following key metrics for title/settlement agents:

- ➡ Overall, title/settlement agents eliminated approximately **\$97 per transaction**
- ➡ Of the **\$97 total, \$60.69 per transaction was decreased** by lender communication, closing time/scheduling, and post-closing follow-up
- ➡ Quality improvement represented **\$17 to \$23 per loan** depending on eClosing approach
- ➡ Print and mail expenses, approximately **\$19 per loan**
- ➡ Full eClosing with Remote Online Notarization **eliminates up to 104 minutes per transaction**

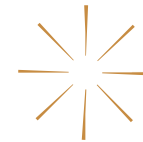
eClosing Provides Title/Settlement Agents With Cost Reduction of

\$97 per Transaction

Forward Path

In 2020/21 with a global pandemic and a four-trillion-dollar origination market, there was a steep increase in the adoption of eClosing to help meet market challenges. Scale of eClosing capabilities across the industry and acceptance of hybrid and full eClose paths will help lenders continue to decrease origination cost, compress cycle time and improve loan file quality. Given the significant and sustainable process improvements across the mortgage ecosystem, eClose is here to stay, and now the focus is on widespread acceptance and adoption. With increased market share, the downstream benefits for loan servicing and investors will start to accrue.

eClosing Is Here to Stay and Now the Focus Is Really on **Widespread Acceptance and Adoption**





ABOUT MARKETWISE

MarketWise Advisors, LLC is a management consulting firm founded in 2005. MarketWise provides technology and consulting advisory across the mortgage and banking industry. Headquartered in Jacksonville, Florida with consulting coverage across North America. For more information, visit us at www.marketwiseadvisors.com or contact us at 1-800-815-9484.



ABOUT NOTARIZE

Notarize is the leader in online notarization, which is simpler, smarter and safer than notarizing documents on paper. From buying or selling a home to adopting a child, Notarize is bringing trust online 24/7 for life's most important moments. For more information, please visit notarize.com.

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Key Definitions

Return on Investment (ROI) This is the average financial return reported by Notarize clients based on time savings, operational impact and quality of loan improvements

Hybrid eClosing (Hybrid) This is a form of eClosing where the closing documents are sent to a borrower in advance for review and electronic signing. It typically does not include the mortgage and loan note

Remote Online Notarization (RON) Remote notarization is an electronic online session for loan closing participants to validate identity, sign and notarize electronic documents

eNote This is an electronic version of the mortgage note completed as part of a transaction. The fundamental difference is that the eNote eliminates paper, which in turn enables lenders to streamline post-closing, loan servicing and transactional trading processes

Full eClose This is a complete electronic closing of all loan documents, including online notarizations and eNotes

Processing Cycle Time Defined as the number of days between loan origination (initial application) to loan closing date

Funding Cycle Time Defined as the number of days between loan closing and investor funding