



## **CFPB Unveils eClosing Pilot Project Results**

On August 5, 2015, the CFPB released the results of its eClosing Pilot Program, which has been ongoing for several months. TLTA's Washington D.C.-based representative attended the presentation. The project involved seven lenders, more than 3,000 consumers, four technology companies and many settlement agents, including representatives from North American Title Company, who were also on the panel at the CFPB program.

In his opening remarks, CFPB Director Richard Cordray said that he thinks this is the "direction industry is intending to go" and that the "future can be here sooner." He called current closings "outmoded." With greater efficiency and accuracy this is a "win/win" for consumers and businesses alike, he stated. Director Cordray also added that he internally has called this project the "whack the stack" but was surprised to learn during the process how few documents the CFPB has direct control over. He personally would like the Closing Disclosure to be the only document at settlement.

Most importantly, it appears for now that the CFPB will not be imposing any new rulemaking or developing any requirements for the industry in the aftermath of the pilot project, but Director Cordray said that he expected this will spur more industry action and bring positive change.

As for the pilot project itself, some consumers used traditional paper documents while others used a complete eClosing process and a third group used a hybrid of electronic resources and paper documents. Borrowers who completed mortgage transactions during the pilot were invited to complete a follow-up survey, which received a 40 percent response rate. Approximately 1,200 surveys were completed and returned. Generally, the project found that those who closed their mortgage using an electronic platform are better off on measures of understanding, efficiency and feeling empowered than borrowers who used just paper forms. Surprisingly, however, the results were not as tilted to eClosings as one might have suspected. For example, consumers were asked about loan information such as terms and fees and the study found only a 7 percent positive difference in perceived understanding scores for borrowers using eClosings compared to borrowers using paper documents. Yet in areas of efficiency and timing, the results were higher. The survey asked consumers about the efficiency of the process including their perceptions about delays, errors, and the like. There was a 17 percent positive difference in scores for borrowers using eClosings.

Finally, consumers felt more empowered by having sufficient time to review the documents and ask questions. The study found a 15 percent positive difference in the scores for the eClosing borrowers. The title industry has long advocated that lenders provide settlement agents with sufficient documents to execute the closing well ahead of the settlement date and the CFPB noted its importance. In the written preview to the report, Director Cordray wrote, "We were pleased, but not surprised, to see another critical finding in our pilot analysis: often, the consumers who showed the best results according to our metrics were those who received and reviewed their closing documents before the closing meeting. Early document delivery and review was associated with better measured outcomes in both paper and eClosing transactions."

Stay tuned. TLTA will continue to monitor CFPB actions in this area, as they may revisit it once the TRID process has become well established.