

Compliance Bulletin



FHA electronic signatures guidance a close match to industry practices



The Federal Housing Administration (FHA) now accepts electronic signatures (eSignatures) on many more loan documents based on a set of guidelines that closely track industry-standard best practices.

Effective immediately, FHA will accept eSignatures on servicing and loss mitigation documents, as well as IRS Form 4506-T, FHA insurance claims, REO sales contracts and related addenda. ESignatures are not allowed on the mortgage note itself, but FHA said in a [press release](#) that it plans to begin accepting eSignatures on forward mortgage notes at the end of the year.

The requirements as outlined in [FHA Mortgagee Letter 2014-03](#) closely track widely accepted practices for eSignatures. FHA requires that lenders' eSignature technology comply with all requirements of the Electronic Signatures in Global and National Commerce Act (ESIGN). Mortgagee Letter 2014-03 instructs lenders to follow the definition of eSignature as given in ESIGN with the exception that FHA will not accept an eSignature that is solely voice or audio.

Also in line with standard practice, lenders must require a separate action by the signer in each location where a signature or initials are required. Lender employees, however, can sign once – so long as the lender has documented consent of that employee for the use of his or her signature.

Mortgagee Letter 2014-03 instructs lenders to update their Quality Control Plan to ensure they meet all requirements of the eSignature process. However, since the FHA requirements are in line with industry practice, any lender with a compliant eSignature process is unlikely to encounter any concerns with quality control.

Record retention requirements for eSignatures are the same as those for other records under FHA requirements. A lender must maintain records of the audit log and hardware and software systems used in the eSignature process – again in line with industry-standard practice.

The Electronic Signature and Records Association (ESRA), the premier trade association representing eSignature adopters and providers, [praised the FHA](#) for seeking insight and best practices from many industry stakeholders as it moved towards wider use of eSignatures.

In December 2013, discussing the FHA's moves toward accepting eSignatures on more documents, ERSA Vice Chairman Jeff Knott said in the National Mortgage Professional article, "[The Road to an Electronic Mortgage](#)" the move would "change the entire mortgage process and lead the way to industry-wide acceptance of eSignatures."

Before the FHA policy change, Knott pointed out that lenders with an eSignature process had to conduct a completely separate process for FHA loans. This was a major hindrance to mainstream adoption of a fully electronic process.

Knott, who is also Assistant Vice President of Product Management for Equifax

FHA now accepts eSignatures on:

- Origination, servicing and loss mitigation documents
- IRS Form 4506-T / 4506T-EZ
- FHA insurance claims
- REO sales contracts and related addenda
- Mortgage insurance endorsement documents
- HUD real estate owned documents

Efficiency gains and eSignatures

In April last year, Al Dussinger, Chief Technology Officer of Embrace Home Loans, spoke about the company's successes in reducing delays in the

Verification Services, noted that an electronic process offers obvious benefits to borrowers and lenders in speed and convenience, but it also provides compliance benefits for lenders. For example, an electronic process automatically gives lenders a time stamp so they can easily validate that documents were delivered on time. The time stamp is invaluable in light of the Consumer Financial Protection Bureau's (CFPB) new rule stating that all closing documents must be delivered at least 72 hours prior to closing. A fully electronic process makes it easier to meet the deadline and provides documentation that it was met.

origination process with eSignatures.

[View the webinar recording](#)

You can upload an eSigned version of the 4506-T to get tax transcripts fast via Equifax Verification Services. [Request more information from an Equifax representative and learn how.](#)

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